

Gas Tax, MBUF, Delivery Fee

House Committee on Transportation

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Gas Tax Overview

- VT has a **hybrid gas tax system** comprised of fixed taxes and two variable assessments that are calculated quarterly based on price.
- State fixed taxes total **\$0.131**:
 - \$0.121 gasoline tax is deposited *primarily* in the Transportation Fund.
 - \$.01 Petroleum Cleanup Fee is deposited in the Petroleum Cleanup Fund
- State Variable Assessment Rate
 - **4%** Motor Fuel Tax Assessment (MFTA) to the **T-Fund**
 - **2%** Motor Fuel Transportation Infrastructure Assessment (MFTIA) to the **TIB Fund**

Table 1: Gasoline Taxes and Assessments Paid by Vermonters
(as of October - December, 2024)

Revenue Source	Effective Tax (cents per gallon)	Fund/Purpose	Description/Statute Citation
Per-Gallon General Gasoline Tax	11.345	Transportation Fund	23 V.S.A. § 3106(a)(1)(A)
	0.380	DUI Enforcement Fund	23 V.S.A. § 1220a(b)(3)
	0.285	Fish and Wildlife Fund	0.375 cents is distributed 76% to Fish and Wildlife Fund, 24% to Department of Forests, Parks, and Recreation for natural resource management. 23 V.S.A. § 3106(d).
	<u>0.090</u>	To Dept of Forests, Parks, and Recreation	
<i>Total Per-Gallon General Gas Tax</i>	12.100		
Petroleum Cleanup Fee	1.000	Petroleum Cleanup Fund	10 V.S.A. § 1942
MFTA Gasoline Assessment (4%) (Motor Fuel Tax Assessment)	13.400	Transportation Fund	Calculated quarterly based on 4% of average tax-adjusted retail prices of prior quarter. Minimum of 13.4 cents, maximum of 18 cents. 23 V.S.A. § 3106(a)(1)(B)(ii).
MFTIA TIB Assessment (2%) (Motor Fuel Transportation Infrastructure Assessment)	<u>5.870</u>	Transportation Infrastructure Bond (TIB) Fund	Calculated quarterly based on 2% of average tax-adjusted retail prices of prior quarter. Minimum of 3.96 cents, no maximum. 23 V.S.A. § 3106(a)(1)(B)(i).
Total State Taxes & Assessments	32.370		
Federal Gas Tax	<u>18.400</u>	Federal Highway Trust Fund	
Total State + Federal Taxes & Assessments	50.770		



Gasoline Tax and Assessment Continued

Assessments

- **4% Motor Fuel Tax Assessment (MFTA) to the T-Fund**
 - Minimum of \$0.1340 (<\$3.87 at the pump) and maximum of \$0.18 (>\$5.08 at the pump)
- **2% Motor Fuel Transportation Infrastructure Assessment (MFTIA) to the TIB Fund**
 - Minimum of \$0.0396 (<\$2.48 at the pump) and no maximum

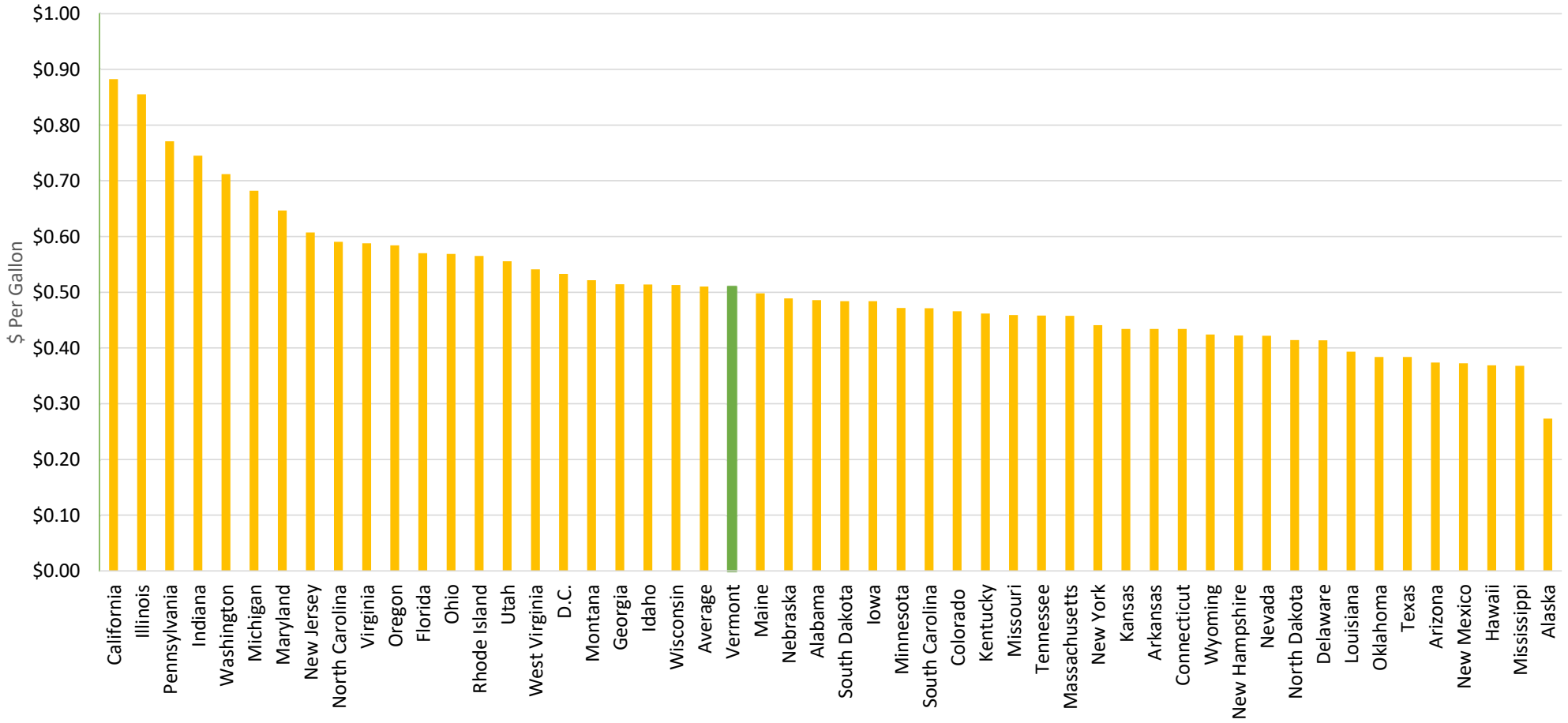
Assessments are calculated based on the **tax-adjusted average retail price** of regular gas during the **prior** quarter.

- (Average Retail Price – Taxes Levied) x Assessment % = Next Quarter MFTA/MFTIA

Vermont Gasoline Taxes and Assessments											
per gallon	a	b	c		d	e	f = a-b-c-d-e	g = f * 0.04	h = f * 0.02	i = b+c+d+e	
	Average Retail Price	Federal Gas Tax	VT State Taxes and Assessments		Fixed Gas Taxes	Current Quarter		Tax-Adjusted Price	Next Quarter		Total Federal + State Taxes and Assessments
			MFTA 4%	MFTIA 2%		MFTA 4%	MFTIA 2%				
FY 2025 Q1	\$ 3.4433	\$0.1840	\$0.1310	\$0.1340	\$0.0601	\$ 2.9342	\$0.1340	\$0.0587	\$ 0.5091		
FY 2025 Q2	\$ 3.0977	\$0.1840	\$0.1310	\$0.1340	\$0.0587	\$ 2.5900	\$0.1340	\$0.0518	\$ 0.5077		
FY 2025 Q3		\$0.1840	\$0.1310	\$0.1340	\$0.0518						
VT Fixed Gas Taxes includes 1 cpg petroleum clean-up fee. Gas tax allocated 11.345 cpg to Transportation Fund, 0.38 cpg to DUI Enforcement Fund, 0.285 cpg to Fish and Wildlife Fund, 0.09 cpg to Dept of Forests, Parks and Recreation. MFTA dedicated to Transportation Fund.							\$0.134 min, \$0.180 max	\$0.0396 min, no max			



Total Federal and State Motor Fuel Taxes



Historic Gas Tax

A	B	C	D	E	F	G	H	J	K	L	M
Table 2: Historical Changes in Vermont Gas Tax Rate (in cents per gallon)								Yearly National Average for Light-Duty Vehicles			
Effective Year of Change	Fixed Gas Tax Rate	Petroleum Cleanup Fee (est. 1989)	F&W Fund Dep FPR DUI Special Fund	MFTIA ² (est. 2009)	MFTA ³ (est. 2013)	Total Gas Tax	Total Gas Tax Adj. for Inflation (in 2024 values)	Miles per Vehicle	Miles per Gallon	Gallons per Vehicle	Inflation Adj. Tax per Vehicle (in 2024 dollars)
1923	1.00	-	-	-	-	1.00	18.39	-	-	-	-
1925	2.00	-	-	-	-	2.00	35.93	-	-	-	-
1927	3.00	-	-	-	-	3.00	54.21	-	-	-	-
1929	4.00	-	-	-	-	4.00	73.12	-	-	-	-
1947	4.50	-	-	-	-	4.50	63.44	-	-	-	-
1949	5.00	-	-	-	-	5.00	66.05	9,388	15.0	627	\$ 414
1955	5.50	-	-	-	-	5.50	64.52	9,447	14.6	645	\$ 416
1957	6.50	-	-	-	-	6.50	72.73	9,348	14.2	658	\$ 479
1968	8.00	-	-	-	-	8.00	72.28	9,922	13.9	714	\$ 516
1971	9.00	-	-	-	-	9.00	69.87	10,097	13.6	743	\$ 519
1981	11.00	-	-	-	-	11.00	38.05	8,873	16.5	538	\$ 205
1983	13.00	-	-	-	-	13.00	41.04	9,118	17.1	534	\$ 219
1989	15.00	1.00	-	-	-	16.00	40.57	10,157	19.1	533	\$ 216
1997	19.00	1.00	0.375	-	-	20.38	39.91	11,581	21.5	539	\$ 215
2009	19.00	1.00	0.375	5.10	-	25.48	37.34	10,391	23.5	442	\$ 165
2013 ¹	18.20	1.00	0.755	5.10	7.85	32.91	44.40	11,244	23.4	480	\$ 213
2014 ¹	11.345	1.00	0.755	5.10	13.40	31.60	41.97	11,048	23.2	476	\$ 200
2022	11.345	1.00	0.755	6.86	13.40	33.36	35.83	10,847	24.8	437	\$ 157
2024	11.345	1.00	0.755	5.89	13.40	32.39	32.39	-	-	-	-

1: 2013: Fixed gas tax lowered when variable MFTA was first created at 2% with a 6.7 cpg min, 9 cpg max. Then lowered again in 2014 when variable MFTA was increased to 4% with a 13.4 cpg min, 18 cpg max.
2: MFTIA rate used for 09, 13, & 14 is the average assesment levied over the past 8 years. 22 and 24 rates are the average rate levied that year
3: MFTA rate used is the average rate levied that year



Raising the Gas Tax

There are 3 main ways

1. Increase the fixed component (e.g. from 11.345 cents to 12.345 cents)
2. Increase the assessment percentage (e.g. from 4% to 5%)
3. Increase the assessment minimums and maximums (e.g. from 13.4 cents to 14.4 cents)

Increasing the Fixed Tax

VT expects to tax **284 million** gallons of gas in FY 2026. At that consumption rate, each **\$0.01** tax increase would yield approximately **\$2.84 million** of additional revenue.

For a vehicle driving an average of 11,000 miles per year at an average MPG of 24, a **\$0.01** increase would equate to an additional **\$4.60** paid per year.

Gallons of Gas	Fixed Tax	Revenue Generated*	Increase
284,000,000	\$ 0.11345	\$ 32,200,000	
	\$ 0.12345	\$ 35,040,000	\$ 2,840,000
	\$ 0.13345	\$ 37,880,000	\$ 2,840,000
*Rounded estimates			



Increasing the Assessment Percentage

Current motor fuel tax assessment (MFTA) is 4% of the tax adjusted retail price.

- The assessment % could be increased to collect a larger portion of the tax adjusted retail price
- MFTA has a minimum and maximum amount that can be collected (13.4 Cents and 18 Cents)

Current and forecasted gas prices are at a level that an increase from 4% to 5% will not bring in any additional revenue as the calculated MFTA tax at both rates will be below the minimum.

$$(\text{Average Retail Price} - \text{Taxes Levied}) \times \text{Assessment \%} = \text{Next Quarter MFTA/MFTIA}$$

Average Retail Price	Taxes Levied	Tax Adjusted Price	MFTA %	MFTA Tax
\$ 3.0977	\$ 0.50770	\$ 2.59	4%	\$ 0.1036
			5%	\$ 0.1295
FY25 Q2 Data			6%	\$ 0.1554

Each **\$0.01** tax increase would yield approximately **\$2.84 million** of additional revenue.



Increasing the Assessment Min and Max

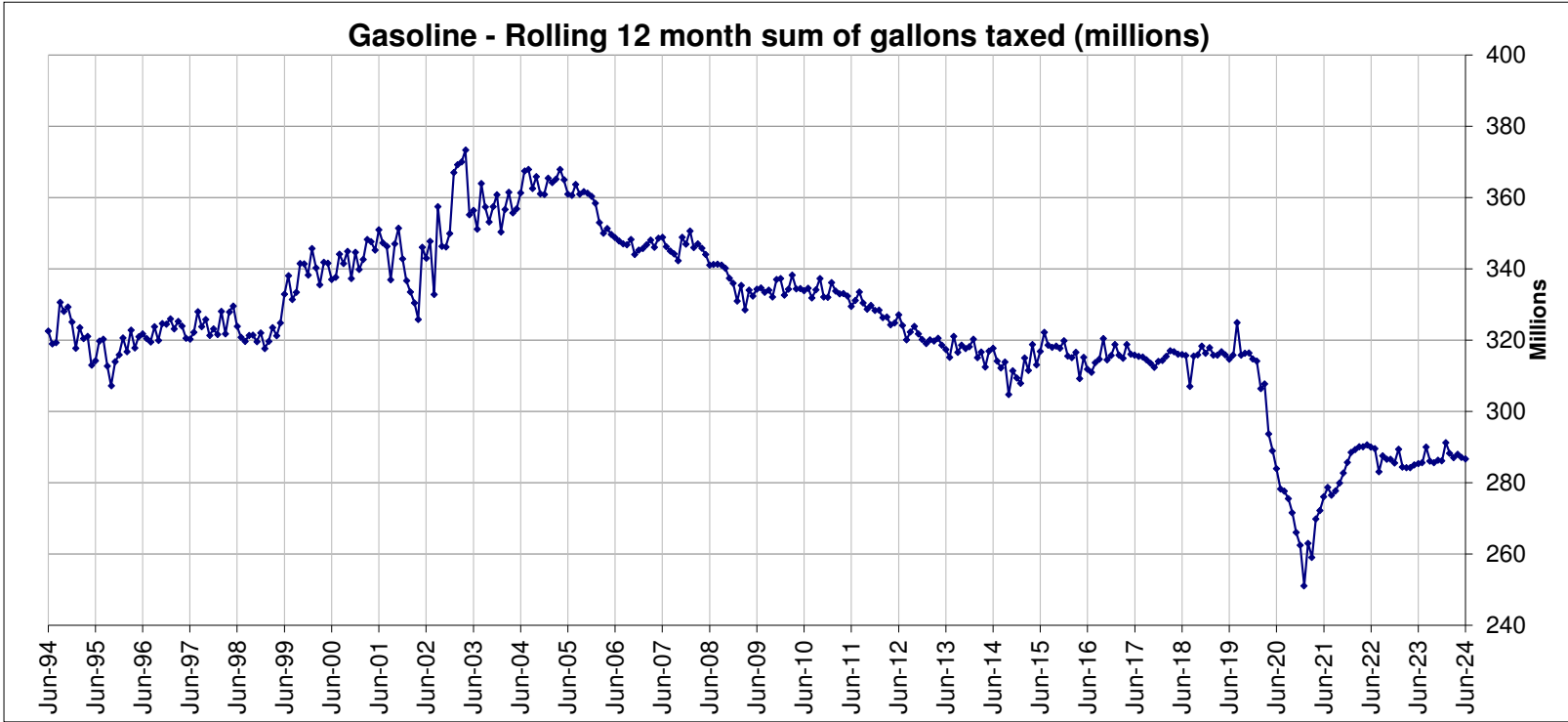
- MFTA has a minimum and maximum amount that can be collected (13.4 cents and 18 cents)
- Due to the low price of Gas Vermont has collected the minimum MFTA Rate in all but 2 quarters for the past 7 years
- Assuming Gas prices remain as forecasted an increase in the MFTA minimum from **13.4** cents to **14.4** cents would be equivalent to a fixed tax increase of 1 cent
- Each **\$0.01** tax increase would yield approximately **\$2.84 million** of additional revenue.

Historic MFTA Rates	
\$0.1340 (July - September 2017)	\$0.1340 (April - June 2021)
\$0.1340 (October - December 2017)	\$0.1340 (July - September 2021)
\$0.1340 (January - March 2018)	\$0.1340 (October - December 2021)
\$0.1340 (April - June 2018)	\$0.1340 (January - March 2022)
\$0.1340 (July - September 2018)	\$0.1340 (April - June 2022)
\$0.1340 (October - December 2018)	\$0.1591 (July - September 2022)
\$0.1340 (January - March 2019)	\$0.1551 (October - December 2022)
\$0.1340 (April - June 2019)	\$0.1340 (January 2023- March 2023)
\$0.1340 (July - September 2019)	\$0.1340 (April - June 2023)
\$0.1340 (October - December 2019)	\$0.1340 (July - September 2023)
\$0.1340 (January - March 2020)	\$0.1340 (October - December 2023)
\$0.1340 (April - June 2020)	\$0.1340 (January - March 2024)
\$0.1340 (July - September 2020)	\$0.1340 (April - June 2024)
\$0.1340 (October - December 2020)	\$0.1340 (July - September 2024)
\$0.1340 (January - March 2021)	\$0.1340 (October - December 2024)



Trends Over Time: Gasoline Revenue

- Gas taxes have been a declining revenue source
 - Gas consumption peaked in the early 2000's and have been declining since.
 - Likely to continue as vehicles continue to become more fuel efficient and alternatively powered vehicles increase in market share.



Mileage Based User Fee

A mileage-based user fee (MBUF) is a per-mile charge that is collected from vehicle owners based on their total distance traveled during the year.

- Four states have now enacted laws to collect mileage-based fees: Oregon, Utah, Virginia, and Hawaii.
- VT has conducted multiple studies and issued reports on implementing an MBUF in the State
Funding Study: https://legislature.vermont.gov/assets/Legislative-Reports/TransportationFundingStudy_Act148-sec35_01152025.pdf
MBUF Report: https://legislature.vermont.gov/assets/Legislative-Reports/MBUF-Legislative-Report_AOT_01312024.pdf
RUC Report: https://vtrans.vermont.gov/sites/aot/files/planning/documents/planning/Final%20Report%20of%20VT%20RUC_vfinal.pdf

Considerations

- As a completely new way to pay for roadways, mileage-based fees come with higher start-up costs than other well-established revenue mechanisms.
- Similarly, collecting and processing miles traveled data from all vehicles subject to a mileage-based fee will cost more to administer than fuel taxes.
- Legislation must decide on rate-setting, mileage reporting, subject vehicles, authorized administering agency, consideration of privacy protection, potential rulemaking and, how to transition the program.



Retail Delivery Fee

A Retail Delivery Fee (RDF) is a mechanism designed to generate revenue by imposing a fee on the delivery of tangible personal property. The fee is collected by retailers and then remitted to the state.

- Fees are typically imposed once per order with a fixed fee regardless of the number of items or delivery distance.
- Colorado (29 cents) and Minnesota (50 cents) are the only two states that have implemented a RDF. Both states have various exemptions for their RDF's.
- Funding Study: https://legislature.vermont.gov/assets/Legislative-Reports/TransportationFundingStudy_Act148-sec35_01152025.pdf

Considerations

- The fee would require new transaction reporting and payment systems, requiring companies that deliver packages to accommodate this new fee in their accounting systems.
- Vermont already collects a sales tax on goods sold, so shipping companies are familiar administering taxes on goods sold with proceeds reported and payable to the State of Vermont.
- Decisions would need to be made on rates, exemptions, and implementation.



Questions?

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