

Purchase and Use Tax

Senate Transportation Committee

Logan Mooberry

March 18th, 2025



JFO

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Purchase and Use Revenue Overview

32 V.S.A. § 8903:

6% tax on the value (less trade-in allowance) of motor vehicle purchases

9% tax on rental charges for short-term vehicle rentals

- The Transportation Fund received 2/3rd of Purchase and Use tax revenue
- The Education Fund receives 1/3rd of the Purchase and Use tax revenue

Purchase and Use Tax Revenue and allocation break down under current law									
\$ millions									
Revenue Source	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Forecast CAGR FY2025-2030
	Actual		Forecast -->						
Total Purchase & Use Tax	142.2	144.9	152.0	157.5	162.5	167.6	172.8	178.0	3.22%
<i>T-fund Allocation</i>	94.8	96.6	101.3	105.0	108.3	111.7	115.2	118.7	
<i>Ed Fund Allocation</i>	47.4	48.3	50.7	52.5	54.2	55.9	57.6	59.3	



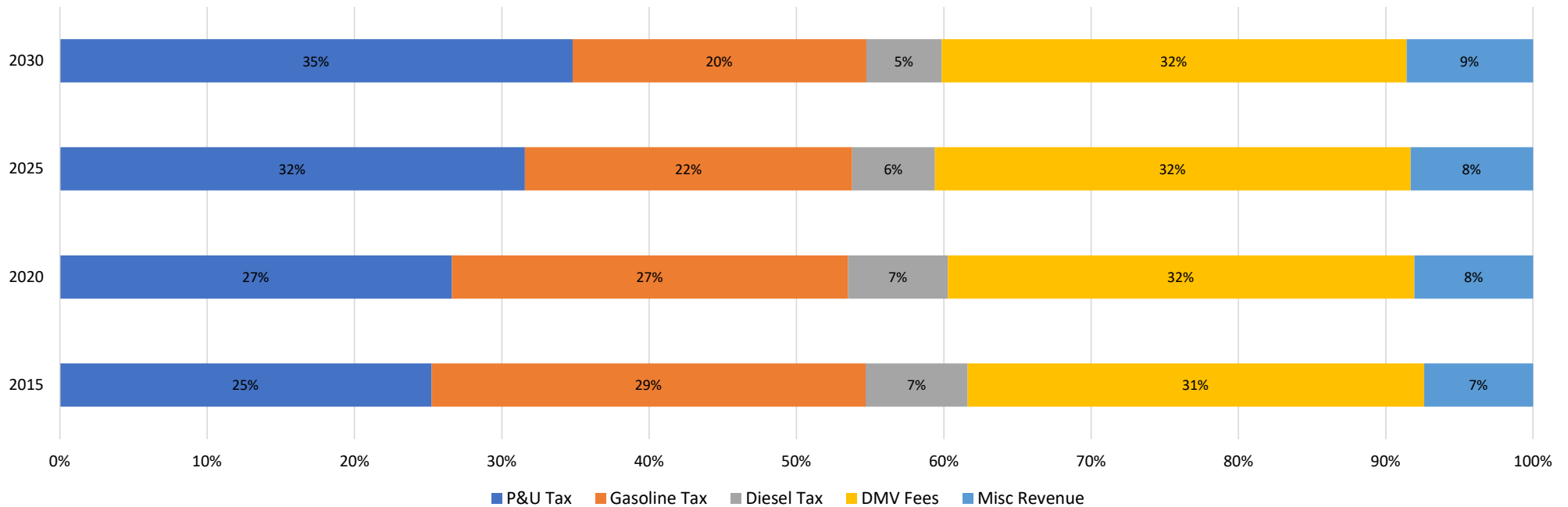
Transportation Revenue

Vermont Transportation Revenue Forecast (January 2025)									
Revenue Source	FY 2023 Actual	FY 2024 Actual	FY 2025 Forecast	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	Forecast CAGR FY2025-2030
Gasoline Tax and Assessment (MFTA) Jan-25	73.8	71.4	71.3	70.7	70.3	69.7	69.0	68.0	-0.94%
Diesel Tax Jan-25	17.6	17.8	18.0	17.9	17.8	17.6	17.5	17.4	-0.68%
Purchase & Use Tax Jan-25	94.8	96.6	101.3	105.0	108.3	111.7	115.2	118.7	3.22%
DMV Fees Jan-25	87.5	93.6	103.6	104.3	105.2	105.9	106.8	107.6	0.76%
Miscellaneous Revenue Jan-25	21.4	23.6	26.7	28.1	27.3	27.9	28.6	29.3	1.88%
Total Transportation Fund Revenue - Jan 2025	295.1	303.0	320.9	326.0	328.9	332.8	337.1	341.0	1.22%



Transportation Revenue Cont.

T-Fund Revenue by Category as a % of Total Revenues

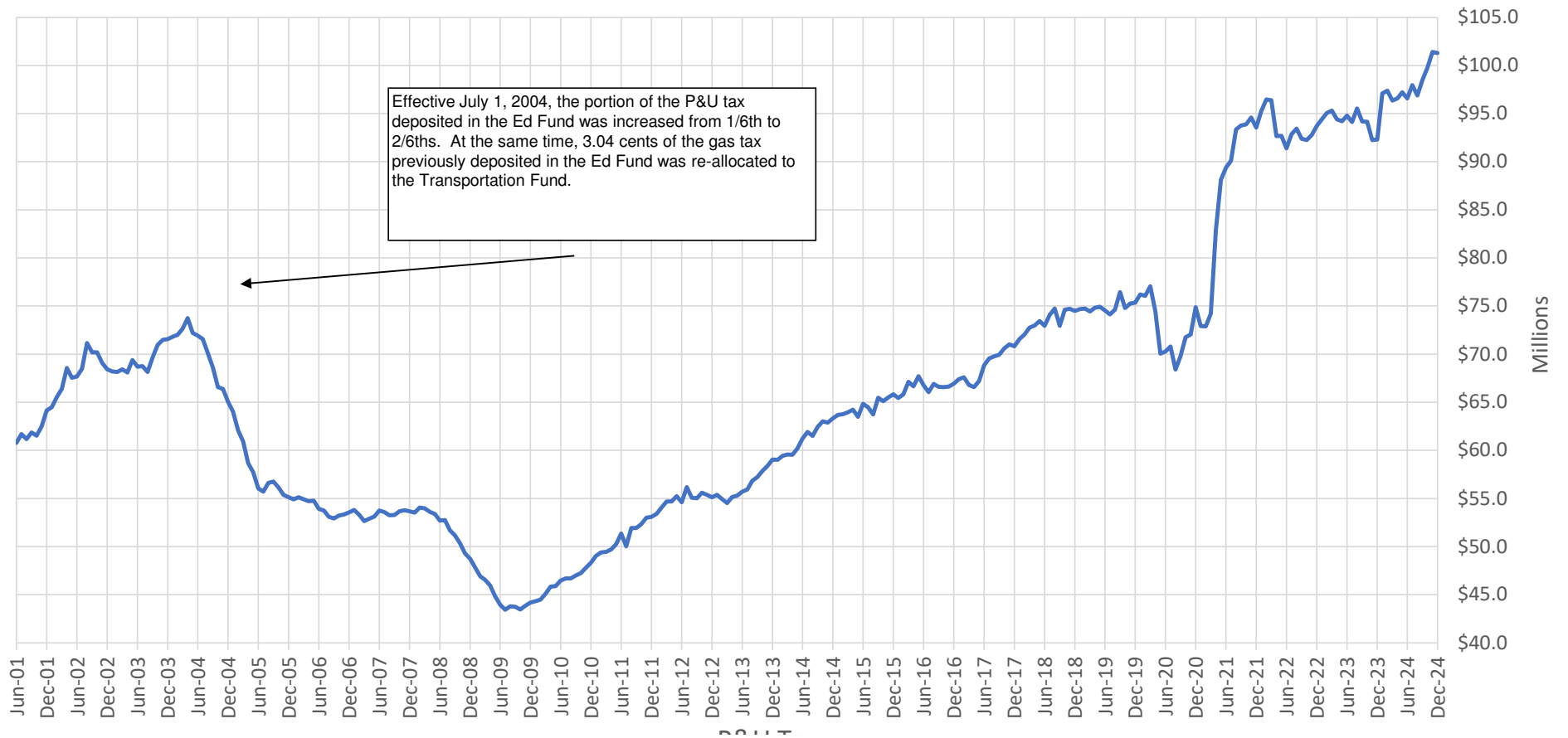


Purchase and Use Tax History

Purchase and Use Tax History 1960-2004	
Year	Action
1960	Motor vehicle purchase and use tax is created rate is set at 2%, maximum of \$150
1961	Rate raised to 3%, maximum of \$225
1968	Rate raised to 4%, maximum of \$300
1980	Maximum raised to \$400
1981	Maximum raised to \$500
1982	Maximum raised to \$600
1986	Maximum cap is eliminated for pleasure car
1991	Rate raised from 4% to 5%. Rate to revert to 4% on July 1, 1993
1993	5% rate extended one year
1995	5% rate extended one year
1996	5% rate extended one year
1997	As part of Act 60, rate is increased to 6%. Additionally as part of Act 60 the gas tax is raised 4 cents to 19 cents per gallon (both to be used for education financing)
1998	All revenue from the P&U and Gas tax increase is directed to education funding. The education fund is created effective July 1, 1998 and defined to include 1/6th of the purchases and use and 21% of gas tax in FY 1999 and 16% thereafter
2004	In a revenue swap, the gas tax allocation to the ed fund is reallocated to the T-fund while the portion of purchases and use allocated to the ed fund is increased to 1/3rd

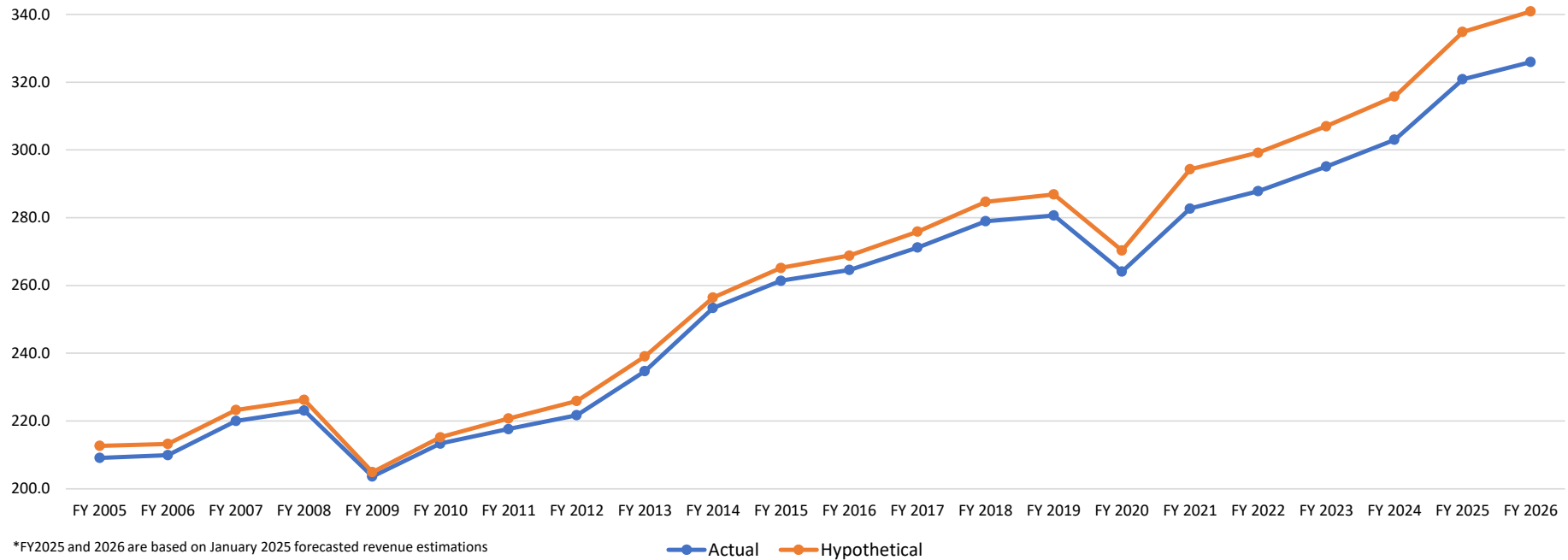


T-Fund Allotment of P&U Tax, Running 12 Month Total Revenue



T-Fund Revenue 2005-2026

Actuals vs. Hypothetical Pre-2005 P&U Allocation Laws



Total TF Difference (2005-2026): **\$-138.3** Million over 22 years, average of **\$-6.3** Million per year.



Gasoline Tax and Assessment

Senate Transportation Committee

Logan Mooberry, Fiscal Analyst

March 18th, 2025



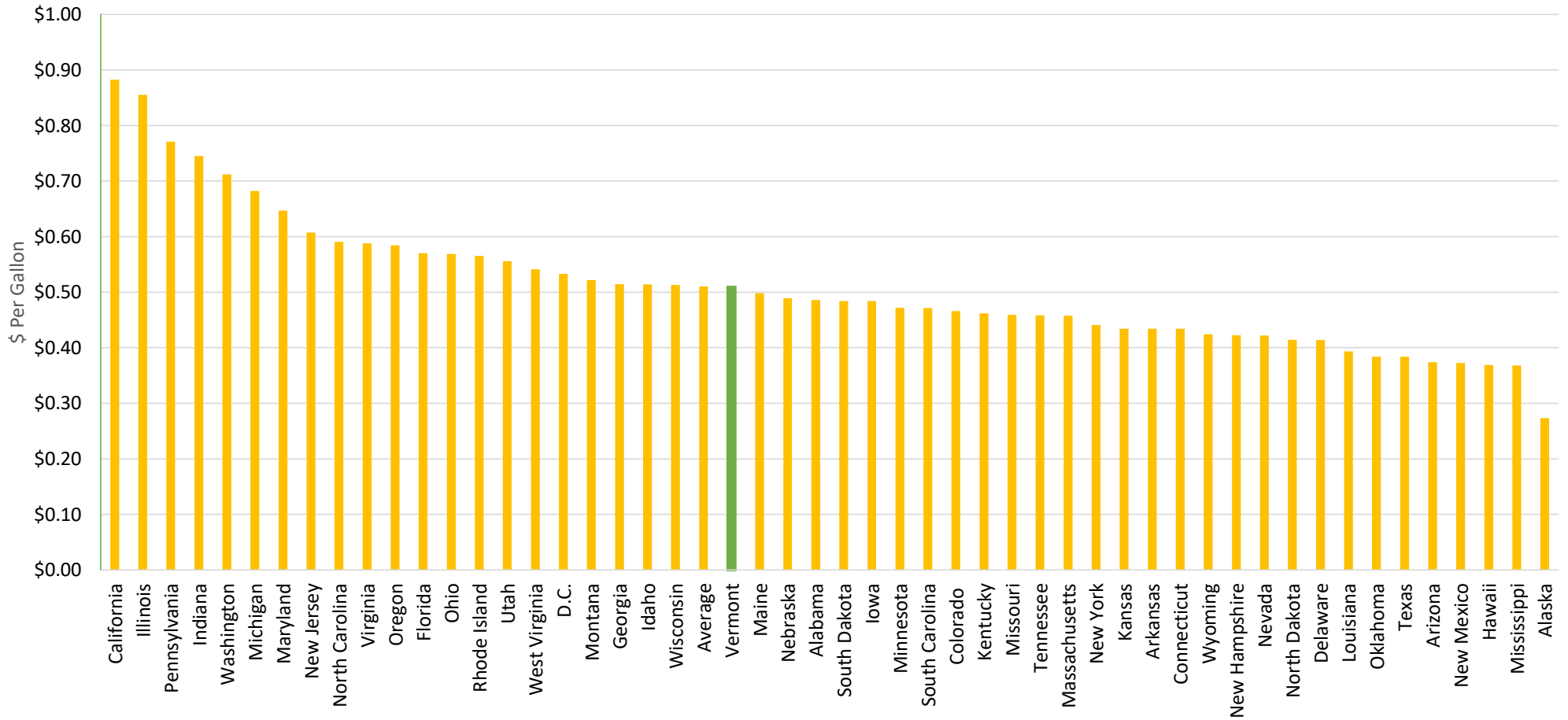
Gas Tax Overview

- 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**

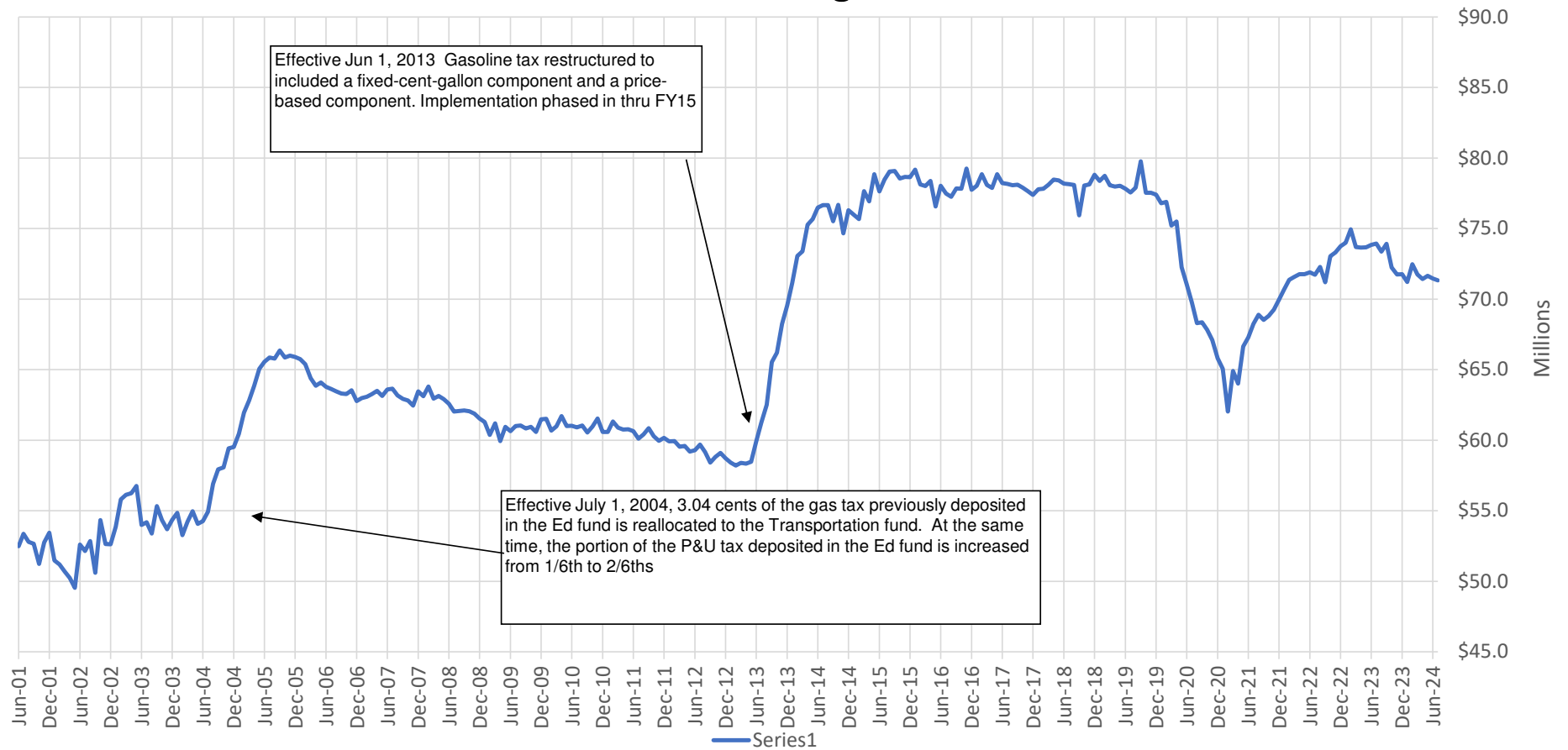
Revenue Source	Effective Tax (cents per gallon)	Fund/Purpose	Description/Statute Citation
Per-Gallon General Gasoline Tax	11.345	Transportation Fund	23 V.S.A. § 3106(a)(1)(A)
	0.380	DUI Enforcement Fund	23 V.S.A. § 1220a(b)(3)
	0.285	Fish and Wildlife Fund	0.375 cents is distributed 76% to Fish and Wildlife 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	
Total Per-Gallon General Gas Tax	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		



Total Federal and State Motor Fuel Taxes



Gasoline Tax & Assessment Running 12 Month Total Revenue



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

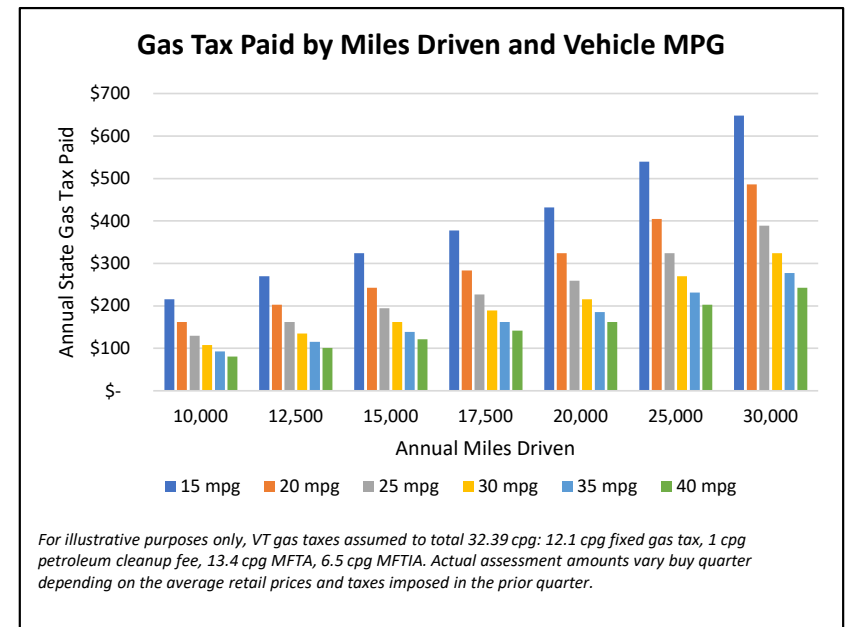


Gas Tax Burden by Miles Driven and Vehicle MPG

Table 3: Examples of Vermont Individual Annual Gas Tax Burden

Average Miles Per Gallon	Average Miles Driven Annually						
	10,000	12,500	15,000	17,500	20,000	25,000	30,000
15	\$ 216	\$ 270	\$ 324	\$ 378	\$ 432	\$ 540	\$ 648
20	\$ 162	\$ 202	\$ 243	\$ 283	\$ 324	\$ 405	\$ 486
25	\$ 130	\$ 162	\$ 194	\$ 227	\$ 259	\$ 324	\$ 389
30	\$ 108	\$ 135	\$ 162	\$ 189	\$ 216	\$ 270	\$ 324
35	\$ 93	\$ 116	\$ 139	\$ 162	\$ 185	\$ 231	\$ 278
40	\$ 81	\$ 101	\$ 121	\$ 142	\$ 162	\$ 202	\$ 243

For illustrative purposes only, VT gas taxes assumed to total 32.39 cents per gallon: 12.1 cpg fixed gas tax, 1 cpg petroleum cleanup fee, 13.4 cpg MFTA, 6.5 cpg MFTIA. Actual assessment amounts vary by quarter depending on the average retail prices and taxes imposed in the prior quarter.



Questions?

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<https://ljfo.vermont.gov/subjects/transportation>

