

FEDERAL MOTOR FUEL EXCISE TAXES

BACKGROUND

Federal motor fuel excise taxes have been the dedicated source of funding for the Federal Highway Trust Fund since 1956. The current federal excise tax for gasoline is 18.4 cents-per-gallon and 24.4 cents-per-gallon on diesel fuel. States and localities also levy motor fuel taxes and vary by a state-by-state basis. Congress has changed the motor fuels excise tax nearly 20 times since 1932 when the first federal excise tax on gasoline was imposed. In 1983, Congress expanded the Highway Trust Fund's revenue source to certain mass transit systems and new highway construction, and in 1991, a portion of the excise tax was dedicated to the U.S. Treasury's General Fund for deficit reduction. Revenue has been down in recent years because motorists have bought fewer fuels and vehicle fleets have become more fuel efficient, which required Congress to inject eight billion dollars from the Treasury's general fund in 2008 and another seven billion dollars in 2009. Motor fuel excise taxes have not been increased since 1993 and are not indexed to inflation leaving lawmakers in a tough position to raise motor fuel taxes during a recession or to cut highway spending programs.

LEGISLATIVE ACTION

It is possible that Congress will vote to increase gasoline and diesel excise taxes as early as November 2010, following the elections. It is probably more likely that a tax increase will be considered in the 2011 session. Because of the dire need for greater highway infrastructure funding, many groups are calling for an increase in the federal fuel excise tax in order to build up the depleted highway trust fund. The Highway Trust Fund shortfall stood at \$65.1 billion for FY 2010. Some highway users and businesses that rely on highway traffic have shown support for funding projects where money is spent wisely. Those organizations are in the process of initiating a conversation with congressional committee staff about the continued use of the fuel tax as the most cost-efficient and viable way to fund our highway needs. Recently, a financing commission recommended an initial increase of 10 cents-per-gallon for gasoline and a 15 cents-per-gallon increase for diesel fuel, raising \$20 billion annually. Other funding options include: tolling and public-private partnerships.

PMAA POSITION STILL UNDECIDED

PMAA is concerned about the impact of increased federal motor fuel taxes on petroleum marketers. Certainly, credit lines and accounts receivables will be negatively impacted. Another important concern relates to DOT subsequently requiring state governments to raise state gas taxes to comply with the requirements for matching funds. PMAA is in the process of identifying marketer concerns with any increase in federal motor fuels taxes.

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