

Motor Vehicle Fuel Tax

An excise tax is imposed on all dealers in motor vehicle fuel upon the use, distribution, or sale within the state of Ohio of fuel used in generating power for the operation of motor vehicles.

The fuel tax is actually composed of five separate levies: three levies of two cents each; one levy of one cent; and a cents per gallon rate. The cents per gallon rate in effect is 15 cents per gallon, and the total of the excise tax rates for FY 2003 were 22 cents per gallon. Effective July 1, 2003, one levy is increased to four cents per gallon bringing the total rate in FY 2004 to 24 cents. The rate will increase to 26 cents per gallon effective July 1, 2004, and to 28 cents on July 1, 2005 if certain changes are not made to the federal gasoline tax distribution formula.

After amounts are set aside for refunds and highway bond retirement, 0.875 percent of revenue from the tax is allocated to the Waterways Safety Fund, .125 percent to the Wildlife Boater Angler Fund, and an amount equal to collections from one cent of the cents per gallon rate is set aside for the Local Transportation Improvement Program Fund. Also, an amount totaling \$100,000 is transferred each month to the Grade Crossing Fund. Effective July 1, 2003, .275 percent of revenue is allocated to the Motor Fuel Tax Administrative Fund.

The remaining fuel tax receipts are distributed in approximately the following proportions: 75 percent to the state, 10.7 percent to municipalities, 9.3 percent to counties and 5 percent to townships. All of this money is earmarked for highway-related purposes in accordance with Article XII, Section 5a of the Ohio Constitution.

There are also two other provisions in Ohio law concerning the taxation of motor fuel and distribution of tax receipts. A portion of the motor fuel tax collected on fuel sold at stations on the Ohio Turnpike is returned to the Ohio Turnpike Commission for turnpike projects. In addition, a use tax is imposed on operators of commercial vehicles with three or more axles, for fuel consumed in Ohio, at 25 cents per gallon (the 22 cents per gallon excise tax and a three-cent surtax; effective July 1, 2003, the excise tax increases to 24 cents per gallon and to 26 cents per gallon effective July 1, 2005, however, the surtax decreases to two cents per gallon effective July 1, 2004).

Motor vehicle fuel wholesale dealers, rather than retailers, remit the tax. In FY 2003, the reported motor fuel tax net collections totaled \$1,431.8 million, after refunds.

TAX BASE (R.C. 5735.06):

Gallons of motor vehicle fuel sold, used, or distributed in Ohio.

RATES:

July 1, 2002 - June 30, 2003		Effective
R.C. Section	Tax Rate Per Gallon	July 1, 2003
5735.30	1.0 cent	1.0 cent
5735.05	2.0 cents	2.0 cents
5735.25	2.0 cents	2.0 cents
5735.29	2.0 cents	4.0 cents
5735.05*	15.0 cents	15.0 cents
Total Rate Per Gallon	22.0 cents	24.0 cents

* Cents per gallon rate — see description under **Special Provisions.**

DEDUCTIONS, REFUNDS, AND CREDITS:

1. Dealers may claim the following deductions from their reported gallonage (see R.C. 5735.05 and 5735.06):

- For motor fuel other than gasoline and clear diesel fuel sold for use other than operating motor vehicles on public highways or on waters within Ohio;
- Sales of motor fuel by licensed wholesale dealers to other licensed wholesale dealers;
- Export of motor fuel to other states or foreign countries;
- Sales of motor fuel for exclusive use of the United States government or its agencies;
- Sales of motor fuel that is in the process of transportation in either interstate or foreign commerce;
- Sales of motor fuel to be used exclusively for the propulsion of aircraft;
- Three percent of net taxable gallons of motor fuel to cover the costs of compiling reports, evaporation, shrinkage, and other losses. This deduction is only 2 percent on motor fuel sold to a retailer. The retailer is entitled to 1 percent; and
- Sales of motor fuel for use in vessels if such use would otherwise qualify for a refund under R.C. 5735.14.

2. Persons who have purchased motor vehicle fuel on which the fuel tax has been paid may receive a refund

under the following conditions (see R.C. 5735.13, 5735.14, 5735.141, 5735.142, 5735.18):

- a) Motor fuel used in the following ways: to operate or propel stationary gas engines; tractors used for off-highway purposes; unlicensed motor vehicles used exclusively in intraplant operations;
- b) Motor fuel used by watercraft in the following ways: vessels used entirely for commercial purposes such as trade or fishing; vessels used in Boy Scout training; vessels used or owned by railroad car ferry companies; vessels used or owned by federal, state and local governments;
- c) Motor fuel used for cleaning or dyeing;
- d) Motor fuel used by local transit systems except for the one-cent bond retirement levy;
- e) Motor fuel used in aircraft;
- f) One percent of the motor fuel tax paid on fuel purchased by retailers to cover losses from shrinkage and evaporation;
- g) Motor fuel lost or destroyed through theft, fire, explosion, lightning, and other natural disasters; and
- h) Any person, other than a dealer, who sells the fuel or uses the fuel outside Ohio, or who sells the fuel to the U.S. Government or any of its agencies.

TAXPAYER (R.C. 5735.01):

Dealers who import from another state or foreign country or acquire motor fuel by any means into a terminal in this state; import motor fuel from another state or foreign country in bulk lot vehicles for subsequent sale and distribution in this state from bulk lot vehicles; refine motor fuel in this state; acquire motor fuel from a motor fuel dealer for subsequent sale and distribution in this state from bulk lot vehicles; or who possess an unrevoked permissive motor fuel dealer's license.

SPECIAL PROVISIONS:

Fuel Use Tax (R.C. 5735.31) –

- 1. The Ohio motor vehicle fuel use tax is imposed on the amount of motor fuel consumed in Ohio that was purchased outside of Ohio for any vehicle that had been subject to the highway use tax. A refund or credit is allowed for the tax on fuel purchased in Ohio for use in another state, provided that state imposes a tax on such fuel and allows a similar credit or refund.
- 2. An additional three cents per gallon fuel use tax became effective January 1, 1991. This additional tax was enacted to partially replace the revenue lost due to the repeal of the highway use tax effective January 1, 1991, as part of Ohio's entry into the International Registration Plan for commercial vehicles. Persons who were liable for the highway use tax must now pay the three cents per gallon fuel use tax on fuel used in Ohio (in addition to the 24 cents per gallon motor vehicle fuel tax as of July 1, 2003).
- 3. In FY 2003, \$68.9 million was collected from the fuel use tax and was distributed to the Highway Operating Fund.

FILING AND PAYMENT DATES (R.C. 5735.06):

By the last day of each month for the preceding month's tax liability; filed with the Department of Taxation.

DISPOSITION OF REVENUE:

The motor vehicle fuel tax is composed of five separate levies. Each of these levies is distributed in a different manner. After refunds, the following transfers of receipts are made:

- 1. Waterways Safety Fund receives 0.875 percent (R.C. 5735.051).
- 2. Wildlife Boater Angler Fund receives 0.125 percent (R.C. 5735.051).
- 3. The amount needed to ensure that there are sufficient funds to meet all payments for highway bond retirement.
- 4. An amount equal to five cents times the number of gallons sold at stations operated by the Ohio Turnpike Commission to the Commission for turnpike projects (paid from the cents per gallon tax) (R.C. 5735.23).

The remainder is distributed as follows:

- 1) 2 cents per gallon** (R.C. 5735.05, 5735.23):
 - 2/17 of \$100,000 is transferred monthly to the Grade Crossing Fund with the remainder distributed as follows:
 - 30 percent to municipal corporations in proportion to their motor vehicle registrations;*
 - 25 percent to all counties in equal amounts;*
 - 45 percent to the state.
 - 2) 2 cents per gallon** (R.C. 5735.25, 5735.26, 5735.27):
 - 67.5 percent to the state;
 - 7.5 percent to all counties in equal amounts;*
 - 17.5 percent to all townships in equal amounts;*
 - 7.5 percent to municipalities in proportion to their motor vehicle registrations.*
 - 3) 2 cents per gallon** (R.C. 5735.29, 5735.291):
 - 100 percent to the state for highway bond retirement funds, as long as required; thereafter, 100 percent to the State Highway Operating Fund.
 - 4) 1 cent per gallon** (R.C. 5735.30):
 - 100 percent to the state for highway bond retirement funds, as long as required; thereafter, 100 percent to the State Highway Operating Fund.
 - 5) Cents per gallon tax**, 15 cents per gallon (R.C. 5735.05, 5735.23):
 - Collections from 1 cent of the cents per gallon tax transferred to the Local Transportation Improvement Program Fund and 15/17 of \$100,000 is transferred monthly to the Grade Crossing Fund, with the balance distributed as follows:
 - 75.0 percent to the state;
 - 10.7 percent to municipalities in proportion to their motor vehicle registrations;^
 - 9.3 percent to all counties in equal amounts; ^
 - 5.0 percent to all townships in equal amounts.^
- * Proceeds are deposited by the state in the Gasoline Excise Tax Fund and distributed monthly to the counties, townships, and municipalities.
 ^ Proceeds are deposited by the state in the Local Government Highway Distribution Fund and distributed monthly to counties, townships and municipalities.

OHIO REVISED CODE CITATIONS:

Chapters 5728 and 5735.

RECENT LEGISLATION:

Am. H.B. 95, 125th General Assembly (effective July 1, 2003, FY 2004-2005 Biennial Budget Bill).

R.C. 5728.04, 5728.06, 5728.99, 5735.05, 5735.14, 5735.142, 5735.15, 5735.19, 5735.23, 5735.26, 5735.291, 5735.30 and 5735.99 –

- Increases the penalty for operating a truck on a suspended fuel use tax permit from a fourth degree misdemeanor to a first degree misdemeanor.
- Creates the Motor Fuel Tax Administrative Fund and transfers .275 percent of the motor fuel tax revenue to the fund.
- Provides for a refund of 95 percent of the tax paid on water that is intentionally added to diesel fuel.
- Amends the school district refund provision created in Am. Sub. H.B. 87 to include joint vocational schools and educational service centers. Fuel that qualifies for refund is amended to be all fuel purchased and not sold that is used for school purposes.

Am. Sub. H.B. 87, 125th General Assembly (effective July 1, 2003, Transportation Biennial Budget Bill).

R.C. 5728.06, 5735.142, 5735.23, 5735.27, 5735.29, 5735.291 and 5735.292 –

- Increases the motor fuel tax from 22 cents to 24 cents per gallon effective July 1, 2003; and to 26 cents per gallon effective July 1, 2004. The tax rate will increase to 28 cents per gallon on July 1, 2005 if certain changes are not made to the federal gasoline tax distribution formula.
- Decreases the motor fuel use tax surcharge from three cents to two cents per gallon effective July 1, 2004. Eliminates the surcharge July 1, 2005, if certain changes are made to the federal gasoline tax distribution formula.
- Provides for a refund to city, exempted village and local school districts of all but two cents of the tax levied by R.C. 5735.29 on all fuel purchased and used in their vehicles to transport pupils.
- Sets a schedule of funds to be transferred from the Department of Transportation for distribution to municipalities, townships and counties that previously was earmarked for the Ohio Highway Patrol.
- Establishes a new distribution formula of the tax over 22 cents and the new funds transferred from the Department of Transportation effective August 15, 2003, 2004 and 2005.

Sub. S.B. 200, 124th General Assembly (effective September 6, 2002).

R.C. 5728, 5734.14, 5735.18, 5735.31, 5735.311 –

- The levy of the motor fuel use tax was in Chapter 5735, and administered by reference to Chapter 5728 that contained the repealed highway use tax. This law moved the fuel use tax provisions from Chapter 5735 to Chapter 5728, and replaced all references to the repealed highway use tax with motor fuel use tax.
- Broadened the Tax Commissioner's powers to share fuel use tax information with other jurisdictions for the purpose of enforcing the International Fuel Tax Agreement.
- Extended the exemption from the fuel use tax to other states and their

political subdivisions if they extend a similar exemption to Ohio government vehicles.

- Changed the motor fuel refund provisions to eliminate the mere sale of fuel to a non-dealer as a basis for refund.
- Provided for a refund directly to the United States government for its purchase of tax-paid fuel.

Am. Sub. H.B. Bill 94, 124th General Assembly (effective September 6, 2001, 2001-2002 Biennial Budget Bill).

R.C. 5728.08, 5735.08, 5735.06 (effective January 1, 2003)–

Transferred tax payment functions previously assigned to the Treasurer of State to the Tax Commissioner.

Sub. H.B. 73, 124th General Assembly (effective July 1, 2001).

R.C. 5735.051 –

Increased from 0.75 percent to 0.875 percent the proportion of motor vehicle fuel tax that is allocated to the Waterways Safety Fund. Allocated 0.125 percent of the motor vehicle fuel tax to the Wildlife Boater Angler Fund.

House Bill 612, 123rd General Assembly (effective September 29, 2000).

R.C. 5728.02 and 5728.03 –

Eliminated the \$2 fee for fuel use and International Fuel Tax Agreement permits.

R.C. 5728.08 –

Extended the fuel use tax annual option to all taxpayers whose liability does not warrant quarterly filing.

R.C. 5735.05 –

Created an exemption for the sale of motor fuel for use in certain vessels if such use would otherwise qualify for a refund under R.C. 5735.14.

R.C. 5735.01 –

Changed the point of taxation for ethanol to be the same as gasoline.

R.C. 5735.012 –

Required the reporting of gross gallons.

R.C. 5735.14, 5735.141, 5735.142, and 5735.18 –

Extended the time limitation to file refund claims.

RECENT INFORMATION RELEASES:

XT 2003-04 – “Motor Fuel Tax Increase,” June 10, 2003.

XT 2003-06 – “Motor Fuel Tax Increase and Filing Period Adjustment for Refund Claims for Agricultural, Industrial, and Miscellaneous Refund Claimants,” July 3, 2003.

XT 2003-08 – “Motor Fuel Tax Refund for School Districts or Educational Service Centers,” July 7, 2003.

**Table 1
Distributions of Motor Fuel Tax, Fiscal Year 2003**

Distribution	Dollar Amount	Percentage
Highway Operating Fund	\$887,132,214	60.9%
Local Transportation Improvement Program Fund	65,783,365	4.5
Highway Bond Retirement	141,148,898	9.7
To Municipalities	147,133,198	10.1
To Counties	127,753,608	8.8
To Townships	68,721,702	4.7
Other*	18,475,306	1.3
Total	\$1,456,148,291	100.0%

*Includes Grade Crossing Fund, Waterway Safety Fund, Wildlife Boater Angler Fund and amounts distributed to Ohio Turnpike Commission.
Source: This table is based on amounts reported in the June 2003 Office of Budget and Management monthly revenue report (RRVSM015), modified to reflect various fund transfers and the allocation of the Gasoline Excise Tax Fund and the State and Local Government Highway Distribution Fund among categories of local governments.

**Table 2
Motor Vehicle Fuel Tax Gross Collections Reported on Tax Returns,
Refunds and Net Tax After Refunds,
Fiscal Years 1999-2003**

Fiscal Year	Gross Collections	Refunds	Net Tax After Refunds
1999	\$1,424,124,333	\$17,380,990	\$1,406,743,343
2000	1,442,523,096	14,567,193	1,427,955,903
2001	1,431,047,864	18,469,543	1,412,578,321
2002	1,431,155,848	20,966,674	1,410,189,174
2003	1,449,431,940	17,672,693	1,431,759,247

Source: Department of Taxation, as reported on tax returns.

**Table 3
Taxable Gallons of Motor Vehicle Fuel,
Fiscal Years 1999-2003**

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Gasoline	5,046,826,237	5,081,430,735	5,037,369,959	5,095,295,036	5,130,381,553
Special Fuels*	<u>1,430,921,397</u>	<u>1,472,626,579</u>	<u>1,468,433,330</u>	<u>1,416,257,268</u>	<u>1,466,855,681</u>
Total	6,477,747,634	6,554,057,314	6,505,803,289	6,511,552,304	6,597,237,234

*Fuels other than gasoline used to operate motor vehicles on public highways and waterways.
Source: Department of Taxation, as reported on tax returns.

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Table 4
Amounts of Motor Vehicle Fuel Tax Revenue Distributed to Local Governments, by County,
Calendar Year 2002

County	Amount Distributed To:				County	Amount Distributed To:			
	Total*	County	Townships	Municipalities		Total*	County	Townships	Municipalities
ADAMS	\$2,320,945	\$1,387,402	\$752,987	\$180,556	LOGAN	\$2,727,417	\$1,387,402	\$853,386	\$486,629
ALLEN	3,150,399	1,387,402	602,390	1,160,607	LORAIN	6,512,119	1,387,402	903,585	4,221,132
ASHLAND	2,685,858	1,387,402	752,987	545,468	LUCAS	8,659,901	1,387,402	552,191	6,720,308
ASHTABULA	3,707,502	1,387,402	1,355,377	964,723	MADISON	2,518,112	1,387,402	702,788	427,922
ATHENS	2,453,132	1,387,402	702,788	362,942	MAHONING	4,280,348	1,387,402	702,788	2,190,158
AUGLAIZE	2,674,382	1,387,402	702,788	584,191	MARION	2,999,884	1,387,402	752,987	859,495
BELMONT	2,876,378	1,387,402	803,187	685,790	MEDINA	4,023,026	1,387,402	853,386	1,782,238
BROWN	2,511,401	1,387,402	803,187	320,813	MEIGS	2,130,839	1,387,402	602,390	141,047
BUTLER	5,470,665	1,387,402	652,589	3,430,674	MERCER	2,558,224	1,387,402	702,788	468,034
CARROLL	2,220,703	1,387,402	702,788	130,512	MIAMI	3,424,320	1,387,402	602,390	1,434,528
CHAMPAIGN	2,368,377	1,387,402	602,390	378,585	MONROE	2,383,473	1,387,402	903,585	92,486
CLARK	3,176,172	1,387,402	501,992	1,286,778	MONTGOMERY	10,171,931	1,387,402	451,792	8,332,737
CLERMONT	2,561,584	1,387,402	702,788	471,394	MORGAN	2,163,823	1,387,402	702,788	73,633
CLINTON	2,576,557	1,387,402	652,589	536,566	MORROW	2,348,681	1,387,402	803,187	158,092
COLUMBIANA	3,302,108	1,387,402	903,585	1,011,121	MUSKINGUM	3,335,657	1,387,402	1,254,979	693,276
COSHOCTON	2,843,103	1,387,402	1,104,382	351,319	NOBLE	2,206,299	1,387,402	752,987	65,910
CRAWFORD	2,818,599	1,387,402	803,187	628,010	OTTAWA	2,380,715	1,387,402	602,390	390,923
CUYAHOGA	23,579,671	1,387,402	100,398	22,091,870	PAULDING	2,184,287	1,387,402	602,390	194,495
DARKE	2,972,599	1,387,402	1,003,983	581,214	PERRY	2,359,333	1,387,402	702,788	269,142
DEFIANCE	2,437,795	1,387,402	602,390	448,003	PICKAWAY	2,597,933	1,387,402	752,987	457,544
DELAWARE	3,078,904	1,387,402	903,585	787,917	PIKE	2,231,974	1,387,402	702,788	141,784
ERIE	2,888,460	1,387,402	451,792	1,049,265	PORTAGE	3,667,684	1,387,402	903,585	1,376,698
FAIRFIELD	3,216,062	1,387,402	652,589	1,176,071	PREBLE	2,446,828	1,387,402	602,390	457,036
FAYETTE	2,206,688	1,387,402	501,992	317,295	PUTNAM	2,498,770	1,387,402	752,987	358,380
FRANKLIN	21,483,880	1,387,402	853,386	19,243,092	RICHLAND	3,948,177	1,387,402	903,585	1,657,190
FULTON	2,447,896	1,387,402	602,390	458,104	ROSS	2,793,102	1,387,402	803,187	602,514
GALLIA	2,272,690	1,387,402	752,987	132,300	SANDUSKY	2,618,097	1,387,402	602,390	628,305
GEAUGA	2,496,299	1,387,402	803,187	305,711	SCIOTO	2,676,997	1,387,402	803,187	486,409
GREENE	4,155,323	1,387,402	602,390	2,165,531	SENECA	2,888,025	1,387,402	752,987	747,636
GUERNSEY	2,663,715	1,387,402	953,784	322,529	SHELBY	2,733,292	1,387,402	702,788	643,101
HAMILTON	11,584,462	1,387,402	602,390	9,594,670	STARK	5,606,339	1,387,402	853,386	3,365,551
HANCOCK	3,289,237	1,387,402	853,386	1,048,449	SUMMIT	10,508,394	1,387,402	501,992	8,619,000
HARDIN	2,481,617	1,387,402	752,987	341,227	TRUMBULL	4,680,420	1,387,402	1,204,780	2,088,238
HARRISON	2,295,909	1,387,402	752,987	155,519	TUSCARAWAS	3,677,182	1,387,402	1,104,382	1,185,399
HENRY	2,372,624	1,387,402	652,589	332,633	UNION	2,488,545	1,387,402	702,788	398,355
HIGHLAND	2,546,559	1,387,402	853,386	305,771	VAN WERT	2,306,382	1,387,402	602,390	316,590
HOCKING	2,110,392	1,387,402	552,191	170,799	VINTON	2,073,253	1,387,402	602,390	83,461
HOLMES	2,204,802	1,387,402	702,788	114,612	WARREN	3,684,687	1,387,402	552,191	1,745,094
HURON	3,150,583	1,387,402	953,784	809,397	WASHINGTON	3,018,170	1,387,402	1,104,382	526,387
JACKSON	2,282,690	1,387,402	602,390	292,898	WAYNE	3,376,707	1,387,402	803,187	1,186,119
JEFFERSON	2,905,951	1,387,402	702,788	815,761	WILLIAMS	2,441,766	1,387,402	602,390	451,974
KNOX	2,918,552	1,387,402	1,104,382	426,768	WOOD	3,781,330	1,387,402	953,784	1,440,144
LAKE	5,191,646	1,387,402	250,996	3,553,248	WYANDOT	<u>2,328,005</u>	<u>1,387,402</u>	<u>652,589</u>	<u>288,014</u>
LAWRENCE	2,520,825	1,387,402	702,788	430,635					
LICKING	4,490,894	1,387,402	1,254,979	1,848,513	Total	\$328,405,040	\$122,091,380	\$65,710,700	\$140,602,959

* County total may not add due to rounding.