

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 during fiscal year 1998 was 15 cents per gallon and the total of the excise tax rates was 22 cents per gallon.

The cents per gallon rate had been set by formula (See **Special Provisions**) at various times, the last time being 1993 when the formula set the 15 cents per gallon rate. The formula set the rate for fiscal years 1981 through 1983, when it reached a cap of five cents per gallon. The cap was removed for fiscal year 1987, until 1989 when the rate was set statutorily at 11 cents per gallon. The legislature increased the rate the following year to 13 cents per gallon. The formula was used again in fiscal years 1991 through 1993, when it reached 15 cents per gallon and a total rate of 22 cents per gallon.

After amounts are set aside for refunds and highway bond retirement, 0.5 percent is allocated to the Waterways Safety 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. 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 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 by the Ohio Turnpike Commission stations is returned to the Commission for turnpike projects; 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 cent per gallon excise tax and a 3 cent surtax); and dealers receive a credit which effectively equals 1.0 cent per gallon on gasohol. This was repealed on July 1, 1997.

Motor vehicle fuel wholesalers and distributors, rather than retailers remit the tax. In fiscal year 1998, motor fuel taxes certified for collection totalled \$1,314.7 million, after refunds.

TAX BASE (R.C. 5735.06):

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

RATES:

Ohio R. C. Section	Tax Rate Per Gallon
5735.30	1.0 cent
5735.05	2.0 cents
5735.25	2.0 cents
5735.29	2.0 cents
5735.05*	<u>15.0</u> cents
Total Rate Per Gallon	22.0 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. (R.C. 5735.05, 5735.06):
 - (a) 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.
 - (b) Sales of motor fuel made by licensed dealers to other licensed dealers.
 - (c) Export of motor fuel to other states or foreign countries.
 - (d) Sales of motor fuel for exclusive use of the United States Government or its agencies.
 - (e) Sales of motor fuel that is in the process of transportation in either interstate or foreign commerce.
 - (f) Sales of motor fuel to be used exclusively for the propulsion of aircraft.
 - (g) Three percent of net taxable gallons of motor fuel to cover evaporation, shrinkage, and other losses. This deduction is only two percent on motor fuel sold to a retailer. The retailer is entitled to one percent.

2. Persons who have purchased motor vehicle fuel on which the fuel tax has been paid may receive a refund under the following conditions (R.C. 5735.13, 5735.14, 5735.141, 5735.142, 5735.18):
 - (a) 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 intra-plant 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) 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) Fuel lost or destroyed through theft, fire, explosion, lightning, and other natural disasters.
 - (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 and 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 possess an unrevoked permissive motor fuel dealer's license.

SPECIAL PROVISIONS:

1. ***Cents per Gallon Rate (Variable Rate) (R.C. 5735.011)***: This rate is intended to increase funds for highway expenditures to make up for higher costs and reduced tax receipts from lower motor vehicle fuel consumption. The cents per gallon rate was adjusted annually, beginning March 1, 1982, through March 1, 1983 at which time the rate reached a 5 cent cap contained in the original legislation. It remained at 5 cents until July 1, 1987 when the cap was removed and the rate increased to 7.7 cents per gallon. The rate increased to 7.8 cents per gallon July 1, 1988. In 1989 the Ohio Legislature specified this rate to be 11 cents per gallon effective July 15, 1989, 13 cents per gallon effective July 1, 1990, and effective July 1, 1991, the rate was calculated to increase to 14 cents per gallon. The rate was calculated to be 15 cents per gallon effective July 1, 1993. The Ohio Revised Code does not provide for use of a formula to calculate the cents per gallon rate after 1993.
2. ***Fuel Use Tax (R.C. 5735.31)***: 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.

An additional 3 cents per gallon fuel use tax became effective January 1, 1991. This additional tax was enacted to 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 3 cents per gallon fuel use tax on fuel used in Ohio (in addition to the 22 cents per gallon motor vehicle fuel tax).

In fiscal year 1998, \$64.9 million was collected from the fuel use tax and was distributed in the same manner and to the same funds as the highway use tax.

**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 Ohio Treasurer of State.

DISPOSITION OF REVENUE:

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

1. Five tenths of a percent to the Waterways Safety Fund
2. The amount needed to insure that there are sufficient funds to meet all payments for highway bond retirement
3. 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)

The distribution of the five levies is as follows:

1. *2 cents per gallon (R.C. Sections 5735.05, 5735.23):*
 - 30% to municipal corporations in proportion to their motor vehicle registrations;*
 - 25% to all counties in equal amounts;*
 - 45% to the state.
2. *2 cents per gallon (R.C. Sections 5735.25, 5735.26, 5735.27):*
 - 67.5% to the state;
 - 7.5% to all counties in equal amounts;*
 - 7.5% to municipalities in proportion to their motor vehicle registrations;*
 - 17.5% to all townships in equal amounts.*
3. *2 cents per gallon (R.C. Sections 5735.29, 5735.291):*
 - 100% to the state for highway bond retirement funds, as long as required; thereafter, 100% to the state highway operating fund.

4. *1 cent per gallon (R.C. Section 5735.30):*
 - 100% to the state for highway bond retirement funds, as long as required; thereafter, 100% to the state highway operating fund.
5. *Cents per gallon tax, 15 cents per gallon (R.C. Sections 5735.05, 5735.23):*
 - Collections from 1 cent of the cents per gallon rate to the Local Transportation Improvement Program Fund with the balance distributed as follows:
 - 75.0% to the state;
 - 10.7% to municipalities in proportion to their motor vehicle registrations;^
 - 9.3% to all counties in equal amounts;^
 - 5.0% 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 State and Local Government Highway Distribution Fund and distributed monthly to counties, townships and municipalities.

OHIO REVISED CODE CITATIONS:

Chapter 5735

RECENT LEGISLATION:

House Bill 210, Effective July 1, 1997. R.C. 5735.145, 5735.146-Repeals the Qualified Fuel Credit effective July 1, 1997.

House Bill 217, Effective February 1, 1998. R.C. Section 5728.08-Motor fuel tax is to be paid annually, instead of quarterly, on farm trucks that consume less than 15,000 gallons of fuel annually. On other farm trucks, the tax may be paid quarterly or annually.

Table 57
**Motor Vehicle Fuel Tax Gross Collections Reported on Tax Returns,
 Refunds and Net Tax After Refunds, Fiscal Years 1994-1998**

Fiscal Year	Gross Collections	Refunds	Net Tax After Refunds
1994	\$1,265,438,869	\$33,152,514	\$1,232,286,355
1995	1,285,794,774	34,184,314	1,251,610,460
1996	1,315,027,430	18,681,749	1,296,345,681
1997	1,342,516,749	27,803,321	1,314,713,428
1998	1,383,662,037	27,441,505	1,356,220,532

Table 58
Taxable Gallons of Motor Vehicle Fuel, Fiscal Years 1994-1998

	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
Gasoline	4,717,312,906	4,758,231,046	4,830,942,094	4,861,724,341	4,949,676,173
Special Fuels*	<u>1,088,361,391</u>	<u>1,147,094,685</u>	<u>1,208,732,760</u>	<u>1,284,285,221</u>	<u>1,346,165,527</u>
Total	5,805,674,297	5,905,325,731	6,039,674,854	6,146,009,562	6,272,841,700

* Fuels other than gasoline used to propel motor vehicles on public highways and waterways.

Table 59
Amounts of Motor Vehicle Fuel Tax Revenue Distributed to Local Governments,
by County, Calendar Year 1997

County	Amount Distributed To:				County	Amount Distributed To:			
	Total*	County	Townships	Municipalities		Total*	County	Townships	Municipalities
Adams	\$2,194,157	\$1,313,675	\$712,086	\$168,395	Logan	\$2,584,375	\$1,313,675	\$807,031	\$463,668
Allen	3,020,119	1,313,675	569,669	1,136,774	Lorain	6,068,320	1,313,675	854,504	3,900,141
Ashland	2,565,593	1,313,675	712,086	539,832	Lucas	8,427,625	1,313,675	522,197	6,591,753
Ashtabula	3,632,224	1,313,675	1,281,756	1,036,793	Madison	2,355,597	1,313,675	664,614	377,308
Athens	2,331,372	1,313,675	664,614	353,082	Mahoning	4,114,657	1,313,675	664,614	2,136,368
Auglaize	2,515,863	1,313,675	664,614	537,574	Marion	2,850,831	1,313,675	712,086	825,070
Belmont	2,742,228	1,313,675	759,559	668,994	Medina	3,691,790	1,313,675	807,031	1,571,084
Brown	2,351,655	1,313,675	759,559	278,421	Meigs	2,021,974	1,313,675	569,669	138,629
Butler	5,203,354	1,313,675	610,528	3,279,151	Mercer	2,412,107	1,313,675	664,614	433,818
Carroll	2,099,182	1,313,675	664,614	120,893	Miami	3,168,041	1,313,675	569,669	1,284,696
Champaign	2,235,637	1,313,675	569,669	352,293	Monroe	2,258,325	1,313,675	854,504	90,146
Clark	3,034,965	1,313,675	474,724	1,246,566	Montgomery	9,814,761	1,313,675	482,625	8,018,461
Clermont	2,378,119	1,313,675	664,614	399,829	Morgan	2,052,493	1,313,675	664,614	74,204
Clinton	2,395,515	1,313,675	617,142	464,698	Morrow	2,217,217	1,313,675	759,559	143,983
Columbiana	3,114,707	1,313,675	854,504	946,528	Muskingum	3,179,347	1,313,675	1,186,811	678,860
Coshocton	2,697,325	1,313,675	1,044,393	339,256	Noble	2,087,199	1,313,675	712,086	61,438
Crawford	2,681,802	1,313,675	759,559	608,567	Ottawa	2,237,484	1,313,675	569,669	354,139
Cuyahoga	22,474,243	1,313,675	94,945	21,065,622	Paulding	2,052,663	1,313,675	569,669	169,318
Darke	2,796,311	1,313,675	949,449	533,187	Perry	2,229,734	1,313,675	664,614	251,444
Defiance	2,312,557	1,313,675	569,669	429,212	Pickaway	2,442,466	1,313,675	712,086	416,705
Delaware	2,799,906	1,313,675	854,504	631,726	Pike	2,116,889	1,313,675	664,614	138,600
Erie	2,761,381	1,313,675	427,252	1,020,454	Portage	3,429,507	1,313,675	854,504	1,261,328
Fairfield	3,061,860	1,313,675	617,142	1,131,043	Preble	2,304,572	1,313,675	569,669	421,228
Fayette	2,086,227	1,313,675	474,724	297,828	Putnam	2,358,691	1,313,675	712,086	332,929
Franklin	19,656,872	1,313,675	807,031	17,536,165	Richland	3,745,360	1,313,675	854,504	1,577,180
Fulton	2,294,443	1,313,675	569,669	411,099	Ross	2,637,215	1,313,675	759,559	563,980
Gallia	2,160,246	1,313,675	712,086	134,484	Sandusky	2,456,598	1,313,675	569,669	573,253
Geauga	2,365,261	1,313,675	759,559	292,027	Scioto	2,548,656	1,313,675	759,559	475,422
Greene	3,880,670	1,313,675	569,669	1,997,325	Seneca	2,782,160	1,313,675	712,086	756,398
Guernsey	2,558,412	1,313,675	901,976	342,760	Shelby	2,574,213	1,313,675	664,614	595,923
Hamilton	11,572,156	1,313,675	569,669	9,688,811	Stark	5,674,084	1,313,675	807,031	3,553,377
Hancock	3,049,947	1,313,675	807,031	929,240	Summit	10,041,194	1,313,675	474,724	8,252,794
Hardin	2,354,904	1,313,675	712,086	329,142	Trumbull	4,440,299	1,313,675	1,139,338	1,987,285
Harrison	2,171,379	1,313,675	712,086	145,617	Tuscarawas	3,464,084	1,313,675	1,044,393	1,106,015
Henry	2,244,524	1,313,675	617,142	313,707	Union	2,285,096	1,313,675	664,614	306,807
Highland	2,400,970	1,313,675	807,031	280,263	Van Wert	2,191,579	1,313,675	569,669	308,234
Hocking	2,003,992	1,313,675	522,197	168,120	Vinton	1,963,503	1,313,675	569,669	80,159
Holmes	2,087,024	1,313,675	664,614	108,735	Warren	3,195,862	1,313,675	522,197	1,359,990
Huron	2,971,348	1,313,675	901,976	755,696	Washington	2,903,191	1,313,675	1,044,393	545,122
Jackson	2,169,700	1,313,675	569,669	286,355	Wayne	3,149,572	1,313,675	759,559	1,076,338
Jefferson	2,752,047	1,313,675	664,614	773,757	Williams	2,310,584	1,313,675	569,669	427,239
Knox	2,744,943	1,313,675	1,044,393	386,874	Wood	3,462,715	1,313,675	901,976	1,247,064
Lake	4,931,539	1,313,675	237,362	3,380,502	Wyandot	<u>2,197,402</u>	<u>1,313,675</u>	<u>617,142</u>	<u>266,585</u>
Lawrence	2,401,991	1,313,675	664,614	423,701	Total	\$310,927,898	\$115,603,435	\$62,198,071	\$133,126,392
Licking	4,169,199	1,313,675	1,194,711	1,660,813					

* County total may not add due to rounding.