



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 motor fuel excise tax rate in Fiscal Year 2004 was 24 cents per gallon. The rate increased to 26 cents per gallon in FY 2005 as of July 1, 2004.

The total 26 cents per gallon rate is actually composed of five separate levies: two levies of two cents each; one levy of six cents (increased in FY 2005 from four cents); one levy of one cent; and a cents per gallon rate of 15 cents. The motor fuel excise tax rate in FY 2004 of 24 cents per gallon represented a two-cent increase from FY 2003. Effective July 1, 2003, a two-cent levy was increased to four cents per gallon, which brought the total rate in FY 2004 to 24 cents. This same levy increased to six cents per gallon in FY 2005, bringing the total motor fuel excise tax rate to 26 cents per gallon effective July 1, 2004. The total rate is scheduled to increase to 28 cents per gallon 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, 0.125 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, 0.275 percent of revenue is allocated to the Motor Fuel Tax Administrative Fund.

The remaining fuel tax receipts are distributed in approximately the following proportions: 71.8 percent to the state, 12.1 percent to municipalities, 10.5 percent to counties and 5.6 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 motor fuel use tax is imposed on operators of commercial vehicles with three or more axles for fuel consumed in Ohio. The use tax rate in FY 2005 is 28 cents per gallon (the 26 cents per gallon excise tax and a two-cent surtax; the surtax had been three cents in FY 2004). If certain changes are not made to the federal gasoline tax distribution formula, the surtax is scheduled to be eliminated on July 1, 2005. In that case, however, the total fuel use tax rate at that time will increase by two cents to be 28 cents, the same as the total motor vehicle fuel tax rate.

Motor vehicle fuel wholesale dealers, rather than retailers, remit the tax. In FY 2004, the reported motor fuel tax net collections totaled \$1,585.5 million, after refunds.

Taxpayer (Ohio Revised Code 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.

Tax Base (R.C. 5735.06):

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



Rates:

R.C. Section	Tax Rate Per Gallon	
	Effective July 1, 2003	Effective July 1, 2004
5735.30	1.0 cent	1.0 cents
5735.05	2.0 cents	2.0 cents
5735.25	2.0 cents	2.0 cents
5735.29	4.0 cents	6.0 cents
5735.05*	15.0 cents	15.0 cents
Total Rate Per Gallon	24.0 cents	26.0 cents

* Cents per gallon rate.

Deductions, Refunds, and Credits:

- 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 U.S. 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 2.0 percent on motor fuel sold to a retailer. The retailer is entitled to 1.0 percent; and
 - Sales of motor fuel for use in vessels if such use would otherwise qualify for a refund under R.C. 5735.14.
- 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 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) 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.

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. The use tax rate was 27 cents in FY 2004 (the total motor fuel tax rate plus a three-cent surtax, see 2., below). 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. A two-cent increase in the motor fuel rate in FY 2005 and a corresponding one-cent decrease in the surtax brought the current total use tax rate to 28 cents.
2. An additional three cents per gallon fuel use surtax became effective January 1, 1991. The

surtax rate was decreased to two cents per gallon effective July 1, 2004. 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.

3. In FY 2004, \$71.5 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).
5. The Motor Fuel Tax Administrative Fund receives 0.275 percent.

The remainder was distributed in FY 2004 as follows:

1. **2.0 cents per gallon (R.C. 5735.05, 5735.23):**
 - 2/17 of \$100,000 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. **2.0 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. **4.0 cents per gallon (R.C. 5735.29, 5735.291):**

(Note: this levy increased to 6.0 cents per gallon effective July 1, 2004).

- 87.5 percent to the state for highway bond retirement funds, as long as required; thereafter, 87.5 percent to the State Highway Operating Fund.
- After the above distribution is made, the remaining 12.5 percent is distributed to the Gasoline Excise Tax Fund.

Of this fund:

- 42.86 percent distributed to municipalities in proportion to their share of motor vehicle registrations;
- 37.14 percent distributed to all counties in equal amounts; and
- 20 percent distributed to all townships by the greater of either the equal share of the total amount allocated to all townships or a proportionate share based on township lane miles and the township's proportion of motor vehicle registrations.

4. **1.0 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 1.0 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.

Administration:

The motor vehicle fuel excise tax and the motor fuel use tax are administered by the Tax Commissioner.

Ohio Revised Code Citations:

Chapters 5728 and 5735.

Recent Legislation:

Amended House Bill 95, 125th General Assembly (effective July 1, 2003). 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:

- Increased the penalty for operating a truck on a suspended fuel use tax permit from a fourth degree misdemeanor to a first degree misdemeanor.
- Created the Motor Fuel Tax Administrative Fund and transfers 0.275 percent of the motor fuel tax revenue to the fund.
- Provided for a refund of 95 percent of the tax paid on water that is intentionally added to diesel fuel.
- Amended the school district refund provision created in Am. Substitute H.B. 87 to include joint vocational schools and educational service centers. Fuel that qualifies for the refund was amended to be all fuel purchased and not sold that is used for school purposes.

Am. Substitute 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:

- Increased 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.
- Decreased the motor fuel use tax surcharge from three cents to two cents per gallon effective July 1, 2004. Eliminated the surcharge July 1, 2005, if certain changes are made to the federal gasoline tax distribution formula.
- Provided 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.
- Set a schedule of funds to be transferred from the Ohio Department of Transportation for distribution to municipalities, townships and counties that previously was earmarked for the Ohio Highway Patrol.
- Established a new distribution formula for the tax and the funds transferred from the Department of Transportation effective August 15, 2003, 2004 and 2005.

Sub. Senate Bill 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 previously contained 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 U.S. government for its purchase of tax-paid fuel.

Recent Information Releases:

XT 2004-02 – “Motor Fuel Tax Increase,” June 11, 2004.

XT 2004-01 – “Revised Definition of Transit Buses,” February 12, 2004.

XT 2003-15 – “Motor Fuel Dealer List Added to Web Site and Request for E-Mail Addresses,” December 17, 2003.

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

XT 2003-06 – “Motor Fuel Tax Increase and Filing Period Adjustment for Refund Claims,” July 2, 2003.

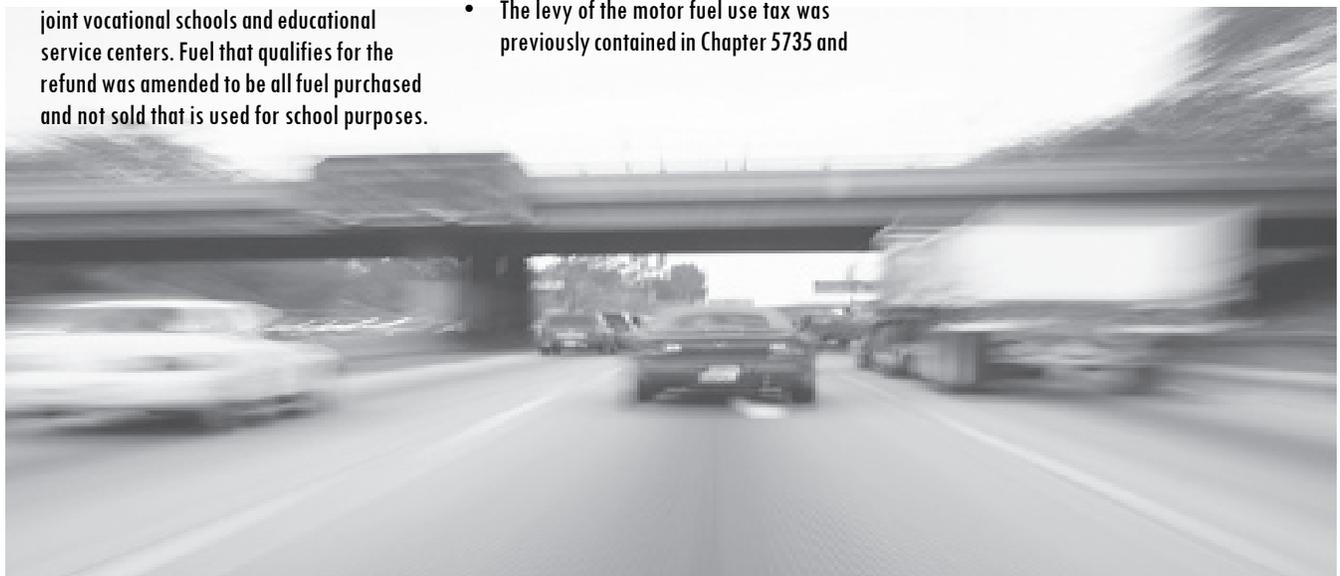


Table 1
Distributions of Motor Fuel Tax, Fiscal Year 2004

Distribution	Dollar Amount	Percentage
Highway Operating Fund	\$524,861,812	45.1%
Local Transportation Improvement Program Fund	63,832,672	5.5
Highway Bond Retirement	139,727,659	12
To Municipalities	174,966,475	15
To Counties	151,779,558	13.2
To Townships	83,898,475	7.2
Other*	23,570,418	2
Total	\$1,162,637,070	100.0%

* Includes Grade Crossing Fund, Waterway Safety Fund, Wildlife Boater Angler Fund, Ohio Turnpike Commission, and Administrative Fee.

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 2000-2004

Fiscal Year	Gross Collections	Refunds	Net Tax After Refunds
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
2004	1,603,919,014	18,417,032	1,585,501,982

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

Table 3
Taxable Gallons of Motor Vehicle Fuel,
Fiscal Years 2000-2004

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Gasoline	5,081,430,735	5,037,369,959	5,095,295,036	5,130,381,553	5,197,093,204
Special Fuels*	1,472,626,579	1,468,433,330	1,416,257,268	1,466,855,681	1,482,899,139
Total	6,554,057,314	6,505,803,289	6,511,552,304	6,597,237,234	6,689,992,343

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

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

Table 4
Amounts of Motor Vehicle Fuel Tax Revenue Distributed to Local
Governments, by County, Calendar Year 2003

COUNTY	TOTAL	AMOUNT DISTRIBUTED TO:			COUNTY	TOTAL	AMOUNT DISTRIBUTED TO:		
		COUNTY	TOWNSHIPS	MUNICIPALITIES			COUNTY	TOWNSHIPS	MUNICIPALITIES
ADAMS	\$2,453,445	\$1,435,050	\$828,752	\$189,643	LOGAN	\$2,875,177	\$1,435,050	\$940,092	\$500,035
ALLEN	3,247,830	1,435,050	678,817	1,133,962	LORAIN	6,831,947	1,435,050	997,210	4,399,687
ASHLAND	2,827,026	1,435,050	828,752	563,224	LUCAS	9,029,398	1,435,050	636,604	6,957,744
ASHTABULA	4,006,428	1,435,050	1,493,105	1,078,274	MADISON	2,628,005	1,435,050	773,502	419,453
ATHENS	2,589,779	1,435,050	775,893	378,836	MAHONING	4,497,691	1,435,050	828,568	2,234,074
AUGLAIZE	2,817,203	1,435,050	773,502	608,651	MARION	3,162,934	1,435,050	828,752	899,132
BELMONT	3,037,622	1,435,050	888,300	714,272	MEDINA	4,180,999	1,435,050	944,083	1,801,866
BROWN	2,661,084	1,435,050	884,653	341,382	MEIGS	2,242,264	1,435,050	663,002	144,212
BUTLER	5,759,774	1,435,050	781,046	3,543,678	MERCER	2,693,041	1,435,050	773,502	484,489
CARROLL	2,345,785	1,435,050	775,069	135,666	MIAMI	3,597,326	1,435,050	664,813	1,497,463
CHAMPAIGN	2,490,476	1,435,050	663,002	392,425	MONROE	2,527,510	1,435,050	994,503	97,958
CLARK	3,340,020	1,435,050	572,489	1,332,481	MONTGOMERY	10,528,949	1,435,050	539,412	8,554,487
CLERMONT	2,768,127	1,435,050	834,265	498,812	MORGAN	2,284,496	1,435,050	773,502	75,944
CLINTON	2,703,357	1,435,050	718,252	550,056	MORROW	2,481,654	1,435,050	884,002	162,602
COLUMBIANA	3,481,078	1,435,050	1,005,050	1,040,978	MUSKINGUM	3,535,689	1,435,050	1,386,566	714,074
COSHOCTON	3,012,854	1,435,050	1,215,503	362,301	NOBLE	2,332,242	1,435,050	828,752	68,440
CRAWFORD	2,972,913	1,435,050	884,002	653,861	OTTAWA	2,512,654	1,435,050	663,002	414,602
CUYAHOGA	24,228,406	1,435,050	111,120	22,682,236	PAULDING	2,297,745	1,435,050	663,002	199,693
DARKE	3,148,160	1,435,050	1,106,342	606,768	PERRY	2,492,126	1,435,050	773,502	283,574
DEFIANCE	2,564,781	1,435,050	663,002	466,729	PICKAWAY	2,740,434	1,435,050	828,752	476,632
DELAWARE	3,341,722	1,435,050	1,011,569	895,104	PIKE	2,354,944	1,435,050	773,502	146,392
ERIE	3,016,403	1,435,050	501,754	1,079,599	PORTAGE	3,872,770	1,435,050	1,000,919	1,436,802
FAIRFIELD	3,406,340	1,435,050	737,870	1,233,420	PREBLE	2,573,836	1,435,050	663,002	475,784
FAYETTE	2,316,658	1,435,050	552,502	329,107	PUTNAM	2,640,442	1,435,050	828,752	376,640
FRANKLIN	22,410,455	1,435,050	955,499	20,019,906	RICHLAND	4,186,592	1,435,050	1,002,360	1,749,183
FULTON	2,578,520	1,435,050	664,846	478,625	ROSS	2,942,484	1,435,050	888,220	619,214
GALLIA	2,397,872	1,435,050	829,328	133,494	SANDUSKY	2,761,061	1,435,050	664,382	661,629
GEAUGA	2,673,359	1,435,050	902,776	335,533	SCIOTO	2,809,584	1,435,050	888,945	485,589
GREENE	4,377,080	1,435,050	664,442	2,277,589	SENECA	3,033,913	1,435,050	828,752	770,110
GUERNSEY	2,823,476	1,435,050	1,050,150	338,276	SHELBY	2,872,650	1,435,050	773,502	664,098
HAMILTON	12,047,303	1,435,050	783,163	9,829,090	STARK	5,928,853	1,435,050	1,057,282	3,436,521
HANCOCK	3,471,628	1,435,050	939,574	1,097,004	SUMMIT	10,842,394	1,435,050	580,114	8,827,229
HARDIN	2,612,253	1,435,050	828,752	348,451	TRUMBULL	4,978,763	1,435,050	1,355,006	2,188,707
HARRISON	2,426,217	1,435,050	828,752	162,415	TUSCARAWAS	3,891,778	1,435,050	1,216,662	1,240,067
HENRY	2,500,805	1,435,050	718,252	347,504	UNION	2,633,052	1,435,050	773,502	424,500
HIGHLAND	2,694,725	1,435,050	940,102	319,574	VAN WERT	2,425,320	1,435,050	663,002	327,268
HOCKING	2,217,993	1,435,050	609,014	173,929	VINTON	2,186,035	1,435,050	663,002	87,983
HOLMES	2,326,597	1,435,050	773,502	118,046	WARREN	3,953,366	1,435,050	631,146	1,887,170
HURON	3,323,751	1,435,050	1,049,753	838,949	WASHINGTON	3,207,580	1,435,050	1,217,696	554,835
JACKSON	2,404,099	1,435,050	663,002	306,047	WAYNE	3,557,423	1,435,050	886,912	1,235,462
JEFFERSON	3,052,912	1,435,050	776,403	841,459	WILLIAMS	2,571,089	1,435,050	663,002	473,037
KNOX	3,093,479	1,435,050	1,216,919	441,511	WOOD	3,994,945	1,435,050	1,060,472	1,499,423
LAKE	5,372,520	1,435,050	293,892	3,643,579	WYANDOT	2,453,175	1,435,050	718,252	299,873
LAWRENCE	2,656,864	1,435,050	777,775	444,039					
LICKING	4,748,680	1,435,050	1,385,867	1,927,763	TOTAL	\$344,892,187	\$126,284,376	\$73,119,885	\$145,487,926