

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 2005 was 26 cents per gallon. The rate increased to 28 cents per gallon in FY 2006 as of July 1, 2005.

The total 28 cents per gallon rate is actually composed of five separate levies: two levies of two cents each; one levy of eight cents (increased in FY 2006 from six cents); one levy of one cent; and a cents per gallon rate of 15 cents. The motor fuel excise tax rate in FY 2005 of 26 cents per gallon represented a two-cent increase from FY 2004. Effective July 1, 2004, a four-cent levy was increased to six cents per gallon, which raised the total rate in FY 2005 to 26 cents. This same levy increased to eight cents per gallon in FY 2006. This brought the total motor fuel excise tax rate to 28 cents per gallon effective July 1, 2005.

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 and 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: 70.2 percent to the state, 12.7 percent to municipalities, 11.1 percent to counties and 6.0 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 motor vehicles with three or more axles or weighing more than 26,000 pounds gross vehicle weight, for fuel consumed in Ohio. The use tax rate in FY 2005 was 28 cents per gallon. The rate remained at 28 cents per gallon in FY 2006.

Motor vehicle fuel wholesale dealers, rather than retailers, remit the tax. In FY 2005, the reported net motor fuel tax collections totaled \$1,712.8 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, 2004 | Effective July 1, 2005 |
| 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 | 6.0 cents | 8.0 cents |
| 5735.05* | 15.0 cents | 15.0 cents |
| Total Rate Per Gallon | 26.0 cents | 28.0 cents |

* Cents per gallon rate.

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 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. Effective July 1, 2005 the percentage is reduced to 2.5 percent. This deduction is only 1.67 percent on motor fuel sold to a retailer. The retailer is entitled to 0.83 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, 5734.29):

- (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;
- (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; and
- (i) A city, exempted village, joint vocational, or local school district, or educational service center, effective July 1, 2004, may be reimbursed four cents per gallon of the total Ohio motor fuel tax paid on the fuel. Effective July 1, 2005, the rate increased to six cents per gallon.

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 28 cents in FY 2005. 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 surtax 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. The surtax was decreased to two cents on July 1, 2004 and eliminated as of July 1, 2005.
3. In FY 2005, \$70.5 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 2005 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. 6.0 cents per gallon (R.C. 5735.29, 5735.291):

(Note: this levy increased to 8.0 cents per gallon effective July 1, 2005).

- 87.5 percent to the state for highway bond retirement funds, as long as required; thereafter, 83.3 percent to the State Highway Operating Fund. After the above distribution is made, the remaining 16.7 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 are 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.



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. 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:

- 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. It also increased the tax rate to 28 cents per gallon on July 1, 2005.

- Decreased the motor fuel use tax surcharge from three cents to two cents per gallon effective July 1, 2004. It also eliminated the surcharge July 1, 2005.
- 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 2005-08 — "Motor Fuel Shrinkage Allowance Reduction," June 28, 2005.

XT 2005-07 — "Surcharge Reduction for IFTA Accounts," June 30, 2005.

XT 2005-06 — "Surcharge Reduction for FUT Accounts," June 30, 2005.

XT 2005-02 — "Motor Fuel Tax Increase," June 3, 2005.

XT 2005-01 — "Proper Reporting of Bio-Diesel Fuel," May 16, 2005.

XT 2004-03 — "Motor Fuel Refund Claims," August 6, 2004.



Table 1
Distributions of Motor Fuel Tax, Fiscal Year 2005

| Distribution | Dollar Amount | Percentage |
|-----------------------------------------------|------------------------|----------------|
| Highway Operating Fund | \$1,188,948,771 | 71.31% |
| Local Transportation Improvement Program Fund | 64,189,858 | 3.85 |
| Highway Bond Retirement | 0 | 0.00 |
| To Municipalities | 169,702,864 | 10.18 |
| To Counties | 147,304,965 | 8.84 |
| To Townships | 79,251,957 | 4.75 |
| Other* | 17,919,153 | 1.07 |
| Total | \$1,667,317,568 | 100.00% |

* 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 2004 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 2001 - 2005

| Fiscal Year | Gross Collections | Refunds | Net Tax After Refunds |
|-------------|-------------------|--------------|-----------------------|
| 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 |
| 2005 | 1,737,763,542 | 24,922,805 | 1,712,840,737 |

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

Table 3
Taxable Gallons of Motor Vehicle Fuel, Fiscal Years 2001 - 2005

| | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
|----------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Gasoline | 5,037,369,959 | 5,095,295,036 | 5,130,381,553 | 5,197,093,204 | 5,149,443,769 |
| Special Fuels* | <u>1,468,433,330</u> | <u>1,416,257,268</u> | <u>1,466,855,681</u> | <u>1,482,899,139</u> | <u>1,535,755,695</u> |
| Total | 6,505,803,289 | 6,511,552,304 | 6,597,237,234 | 6,689,992,343 | 6,685,199,464 |

* Includes diesel fuel (clear and dyed), kerosene, biodiesel, and propane fuel 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 2004

| County | Amount Distributed To: | | | Amount Distributed To: | | | | | |
|------------|------------------------|-------------|-------------|------------------------|--------------|----------------------|----------------------|---------------------|----------------------|
| | Total | County | Townships | Municipalities | County | Total | County | Townships | Municipalities |
| ADAMS | \$3,141,127 | \$1,867,716 | \$1,021,383 | \$252,028 | LOGAN | \$3,681,411 | \$1,867,716 | \$1,160,586 | \$653,109 |
| ALLEN | 4,262,431 | 1,867,716 | 871,678 | 1,523,038 | LORAIN | 8,869,920 | 1,867,716 | 1,235,487 | 5,766,717 |
| ASHLAND | 3,627,754 | 1,867,716 | 1,021,383 | 738,655 | LUCAS | 11,619,181 | 1,867,716 | 855,950 | 8,895,515 |
| ASHTABULA | 5,153,954 | 1,867,716 | 1,842,964 | 1,443,274 | MADISON | 3,390,646 | 1,867,716 | 953,291 | 569,639 |
| ATHENS | 3,334,518 | 1,867,716 | 961,728 | 505,074 | MAHONING | 5,893,913 | 1,867,716 | 1,148,924 | 2,877,274 |
| AUGLAIZE | 3,633,780 | 1,867,716 | 953,291 | 812,773 | MARION | 4,029,359 | 1,867,716 | 1,021,383 | 1,140,260 |
| BELMONT | 3,896,756 | 1,867,716 | 1,104,426 | 924,614 | MEDINA | 5,414,155 | 1,867,716 | 1,175,629 | 2,370,810 |
| BROWN | 3,407,730 | 1,867,716 | 1,091,801 | 448,213 | MEIGS | 2,874,999 | 1,867,716 | 817,107 | 190,176 |
| BUTLER | 7,619,614 | 1,867,716 | 1,110,042 | 4,641,855 | MERCER | 3,457,614 | 1,867,716 | 953,291 | 636,607 |
| CARROLL | 3,009,478 | 1,867,716 | 958,745 | 183,017 | MIAMI | 4,662,045 | 1,867,716 | 823,694 | 1,970,636 |
| CHAMPAIGN | 3,199,637 | 1,867,716 | 817,107 | 514,815 | MONROE | 3,222,664 | 1,867,716 | 1,225,660 | 129,288 |
| CLARK | 4,336,697 | 1,867,716 | 751,385 | 1,717,596 | MONTGOMERY | 13,596,372 | 1,867,716 | 766,738 | 10,961,919 |
| CLERMONT | 3,689,176 | 1,867,716 | 1,169,322 | 652,138 | MORGAN | 2,920,406 | 1,867,716 | 953,291 | 99,399 |
| CLINTON | 3,467,750 | 1,867,716 | 885,199 | 714,835 | MORROW | 3,173,445 | 1,867,716 | 1,089,476 | 216,253 |
| COLUMBIANA | 4,490,187 | 1,867,716 | 1,262,636 | 1,359,835 | MUSKINGUM | 4,515,404 | 1,867,716 | 1,721,013 | 926,675 |
| COSHOCTON | 3,839,992 | 1,867,716 | 1,498,029 | 474,247 | NOBLE | 2,979,899 | 1,867,716 | 1,021,383 | 90,800 |
| CRAWFORD | 3,806,629 | 1,867,716 | 1,089,476 | 849,438 | OTTAWA | 3,226,167 | 1,867,716 | 817,107 | 541,344 |
| CUYAHOGA | 31,591,310 | 1,867,716 | 138,595 | 29,584,999 | PAULDING | 2,942,249 | 1,867,716 | 817,107 | 257,427 |
| DARKE | 4,027,794 | 1,867,716 | 1,366,583 | 793,495 | PERRY | 3,192,428 | 1,867,716 | 953,291 | 371,421 |
| DEFIANCE | 3,297,477 | 1,867,716 | 817,107 | 612,655 | PICKAWAY | 3,517,811 | 1,867,716 | 1,021,383 | 628,712 |
| DELAWARE | 4,403,762 | 1,867,716 | 1,289,685 | 1,246,362 | PIKE | 3,014,392 | 1,867,716 | 953,291 | 193,385 |
| ERIE | 3,915,811 | 1,867,716 | 628,528 | 1,419,568 | PORTAGE | 4,999,006 | 1,867,716 | 1,248,161 | 1,883,129 |
| FAIRFIELD | 4,441,586 | 1,867,716 | 955,845 | 1,618,025 | PREBLE | 3,316,429 | 1,867,716 | 817,107 | 631,606 |
| FAYETTE | 2,979,132 | 1,867,716 | 680,922 | 430,494 | PUTNAM | 3,390,380 | 1,867,716 | 1,021,383 | 501,281 |
| FRANKLIN | 29,666,792 | 1,867,716 | 1,209,795 | 26,589,280 | RICHLAND | 5,384,384 | 1,867,716 | 1,254,120 | 2,262,548 |
| FULTON | 3,324,138 | 1,867,716 | 823,724 | 632,698 | ROSS | 3,767,709 | 1,867,716 | 1,104,176 | 795,817 |
| GALLIA | 3,066,040 | 1,867,716 | 1,023,164 | 175,160 | SANDUSKY | 3,559,450 | 1,867,716 | 822,113 | 869,621 |
| GEAUGA | 3,455,102 | 1,867,716 | 1,156,057 | 431,329 | SCIOTO | 3,619,381 | 1,867,716 | 1,106,551 | 645,114 |
| GREENE | 5,693,626 | 1,867,716 | 822,727 | 3,003,183 | SENECA | 3,887,028 | 1,867,716 | 1,021,383 | 997,929 |
| GUERNSEY | 3,614,978 | 1,867,716 | 1,294,784 | 452,478 | SHELBY | 3,689,741 | 1,867,716 | 953,291 | 868,734 |
| HAMILTON | 15,591,327 | 1,867,716 | 1,251,668 | 12,471,944 | STARK | 7,878,501 | 1,867,716 | 1,576,043 | 4,434,742 |
| HANCOCK | 4,433,382 | 1,867,716 | 1,159,225 | 1,406,441 | SUMMIT | 13,977,127 | 1,867,716 | 783,680 | 11,325,731 |
| HARDIN | 3,343,404 | 1,867,716 | 1,021,383 | 454,305 | TRUMBULL | 6,451,839 | 1,867,716 | 1,735,341 | 2,848,782 |
| HARRISON | 3,101,014 | 1,867,716 | 1,021,383 | 211,915 | TUSCARAWAS | 5,001,038 | 1,867,716 | 1,501,928 | 1,631,395 |
| HENRY | 3,206,409 | 1,867,716 | 885,199 | 453,494 | UNION | 3,397,008 | 1,867,716 | 953,291 | 576,001 |
| HIGHLAND | 3,448,668 | 1,867,716 | 1,160,674 | 420,278 | VAN WERT | 3,113,017 | 1,867,716 | 817,107 | 428,194 |
| HOCKING | 2,850,476 | 1,867,716 | 753,391 | 229,369 | VINTON | 2,797,638 | 1,867,716 | 817,107 | 112,815 |
| HOLMES | 2,976,527 | 1,867,716 | 953,291 | 155,520 | WARREN | 5,217,243 | 1,867,716 | 834,827 | 2,514,700 |
| HURON | 4,205,511 | 1,867,716 | 1,293,752 | 1,044,043 | WASHINGTON | 4,098,621 | 1,867,716 | 1,505,338 | 725,567 |
| JACKSON | 3,080,474 | 1,867,716 | 817,107 | 395,652 | WAYNE | 4,577,496 | 1,867,716 | 1,099,798 | 1,609,982 |
| JEFFERSON | 3,918,564 | 1,867,716 | 963,603 | 1,087,245 | WILLIAMS | 3,306,420 | 1,867,716 | 817,107 | 621,598 |
| KNOX | 3,951,939 | 1,867,716 | 1,503,161 | 581,062 | WOOD | 5,176,934 | 1,867,716 | 1,331,924 | 1,977,293 |
| LAKE | 7,022,885 | 1,867,716 | 403,433 | 4,751,737 | WYANDOT | 3,150,218 | 1,867,716 | 885,199 | 397,303 |
| LAWRENCE | 3,417,903 | 1,867,716 | 968,209 | 581,978 | | | | | |
| LICKING | 6,135,367 | 1,867,716 | 1,719,049 | 2,548,602 | TOTAL | \$446,029,699 | \$164,358,997 | \$91,984,696 | \$189,686,006 |