




# MOTOR VEHICLE FUEL TAX

**A**n excise tax is imposed on all dealers in motor vehicle fuel upon the use, distribution, or sale in Ohio of fuel used in generating power for the operation of motor vehicles. The motor fuel excise tax rate in Fiscal Year 2006 was 28 cents per gallon. The represents a two-cent increase in the total rate as of July 1, 2005.

The 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.

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 purchased outside the state and consumed in Ohio. The use tax rate in FY 2006 was 28 cents per gallon.

Motor vehicle fuel wholesale dealers, rather than retailers, remit the tax. In FY 2006, the reported net motor fuel tax collections totaled \$1,836.5 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, 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*	<u>15.0 cents</u>	<u>15.0 cents</u>
<b>Total Rate Per Gallon</b>	<b>26.0 cents</b>	<b>28.0 cents</b>

\* 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):

- (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 in Ohio;
- (b) Sales of motor fuel by licensed wholesale dealers to other licensed wholesale dealers;
- (c) Export of motor fuel to other states or foreign countries;
- (d) Sales of motor fuel for exclusive use of the U.S. 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) Two and one-half percent of net taxable gallons of motor fuel to cover the costs of compiling reports, evaporation, shrinkage, and other losses. This deduction is only 1.67 percent on motor fuel sold to a retailer. The retailer is entitled to .83 percent. Effective July 1, 2006, the percentage was reduced to 1.95 percent. This deduction is only 1.30 percent on motor fuel sold to a retailer. The retailer is entitled to 0.65 percent; and
- (h) 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;

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- (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) 0.83 percent of the motor fuel tax paid on fuel purchased by retailers to cover losses from shrinkage and evaporation (as of July 1, 2006, this decreased to 0.65 percent);
- (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, educational service center, or county MRDD board, effective July 1, 2005, may be reimbursed six cents per gallon of the total Ohio motor fuel tax paid on the fuel.

**(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 2006 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. 8.0 cents per gallon (R.C. 5735.29, 5735.291):
  - 81.25 percent to the State Highway Operating Fund. After the above distribution is made, the remaining 18.75 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

**Fuel Use Tax (R.C. 5735.31):**

1. The Ohio motor vehicle fuel use tax is imposed on heavy trucks on the amount of motor fuel consumed in Ohio that was purchased outside of Ohio. The use tax rate was 28 cents in FY 2006. 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 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 totally eliminated as of July 1, 2005.
3. In FY 2006, \$54.9 million was collected from the fuel use tax and was distributed to the Highway Operating Fund.

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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;<sup>^</sup>
    - 9.3 percent to all counties in equal amounts;<sup>^</sup>
    - 5.0 percent to all townships in equal amounts.<sup>^</sup>

\* Proceeds are deposited by the state in the Gasoline Excise Tax Fund and distributed monthly to the counties, townships, and municipalities.

<sup>^</sup> 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.

**Substitute House Bill 11, 126th General Assembly (effective March 29, 2006). R.C. 5735.142:**

A county board of mental retardation and developmental disabilities that, on or after July 1, 2005, purchases any motor fuel for county board operations, on which any tax imposed by section 5735.29 of the Revised Code has been paid, may, if an application is filed under this section, be reimbursed in the amount of all but two cents per gallon of the total tax imposed by such section and paid on motor fuel purchased on or after July 1, 2005.

**Am. Sub. H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective July 1, 2005). R.C. 5735.06:**

Effective July 1, 2005, the motor fuel licensed dealer shrinkage allowance was reduced to 2.5 percent, and the retail dealer shrinkage allowance was reduced to 0.83 percent. Effective July 1, 2006, the motor fuel licensed dealer shrinkage allowance was reduced to 1.95 percent, and the retail dealer shrinkage allowance was reduced to 0.65 percent.

**Amended Sub. H.B. 87, 125th General Assembly (biennium transportation budget bill, effective July 1, 2003).**

**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 increased 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. 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 Ohio Department of Transportation effective August 15, 2003, 2004, and 2005.

**RECENT INFORMATION RELEASES:**

**XT 2005-09** – “Temporary Provisions Regarding the Sale and Use of Dyed Diesel Fuel,” September 6, 2005.





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TABLE 1  
DISTRIBUTIONS OF MOTOR FUEL TAX,  
FISCAL YEAR 2006

Distribution	Dollar Amount	Percentage of Total
Highway Operating Fund	\$1,162,892,167	64.87%
Local Transportation Improvement Program Fund	63,878,899	3.56%
Highway Bond Retirement	114,143,612	6.37%
To Municipalities	181,944,818	10.15%
To Counties	157,911,923	8.81%
To Townships	84,964,185	4.74%
Other*	26,807,973	1.50%
<b>Total</b>	<b>\$1,792,543,577</b>	<b>100.00%</b>

\* Includes Grade Crossing Fund, Waterway Safety Fund, Wildlife Boater Augler Fund, Ohio Turnpike Commission, and administrative fee.

Source: This table is based on amounts in the June 2006 Office of Budget and Management monthly revenue report (RRVSM01S), 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 2002-2006

Fiscal Year	Gross Collections	Refunds	Net Tax After Refunds
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	25,701,979	1,712,061,563
2006	1,861,064,599	24,521,321	1,836,543,278

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

TABLE 3  
TAXABLE GALLONS OF  
MOTOR VEHICLE FUEL, FISCAL YEARS 2002-2006

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gasoline	5,095,295,036	5,130,381,553	5,197,093,204	5,149,443,769	5,103,346,287
Special Fuels*	1,416,257,268	1,466,855,681	1,482,899,139	1,535,755,695	1,543,938,210
<b>Total</b>	<b>6,511,552,304</b>	<b>6,597,237,234</b>	<b>6,689,992,343</b>	<b>6,685,199,464</b>	<b>6,647,284,497</b>

\* 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.

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TABLE 4

AMOUNTS OF MOTOR VEHICLE FUEL TAX REVENUE DISTRIBUTED TO LOCAL GOVERNMENTS,  
BY COUNTY, CALENDAR YEAR 2005

County	Total	Amount Distributed To:			County	Total	Amount Distributed To:		
		County	Townships	Municipalities			County	Townships	Municipalities
ADAMS	\$3,548,936	\$2,098,616	\$1,158,494	\$291,826	LOGAN	\$4,152,013	\$2,098,616	\$1,317,349	\$736,048
ALLEN	4,846,254	2,098,616	1,006,306	1,741,333	LORAIN	10,054,562	2,098,616	1,406,008	6,549,937
ASHLAND	4,103,709	2,098,616	1,158,494	846,599	LUCAS	13,062,372	2,098,616	1,023,938	9,939,818
ASHTABULA	5,812,135	2,098,616	2,091,634	1,621,884	MADISON	3,832,630	2,098,616	1,081,261	652,753
ATHENS	3,768,928	2,098,616	1,093,506	576,806	MAHONING	6,656,507	2,098,616	1,382,198	3,175,692
AUGLAIZE	4,111,921	2,098,616	1,081,261	932,044	MARION	4,494,078	2,098,616	1,158,520	1,236,942
BELMONT	4,400,974	2,098,616	1,257,826	1,044,532	MEDINA	6,074,505	2,098,616	1,347,069	2,628,820
BROWN	3,834,524	2,098,616	1,239,559	496,349	MEIGS	3,234,688	2,098,616	926,795	209,277
BUTLER	8,616,787	2,098,616	1,362,706	5,155,465	MERCER	3,905,898	2,098,616	1,081,261	726,021
CARROLL	3,392,410	2,098,616	1,089,184	204,611	MIAMI	5,306,217	2,098,616	937,777	2,269,824
CHAMPAIGN	3,610,266	2,098,616	926,795	584,855	MONROE	3,632,314	2,098,616	1,390,192	143,505
CLARK	4,858,941	2,098,616	878,190	1,882,135	MONTGOMERY	15,331,273	2,098,616	940,698	12,291,959
CLERMONT	4,241,267	2,098,616	1,413,259	729,392	MORGAN	3,291,209	2,098,616	1,081,261	111,332
CLINTON	3,907,205	2,098,616	1,004,028	804,560	MORROW	3,577,798	2,098,616	1,235,727	243,456
COLUMBIANA	5,070,328	2,098,616	1,444,253	1,527,458	MUSKINGUM	5,105,466	2,098,616	1,959,050	1,047,800
COSHOCTON	4,321,093	2,098,616	1,699,124	523,352	NOBLE	3,355,164	2,098,616	1,158,494	98,054
CRAWFORD	4,284,445	2,098,616	1,235,727	950,103	OTTAWA	3,631,817	2,098,616	926,795	606,405
CUYAHOGA	35,743,879	2,098,616	162,711	33,482,552	PAULDING	3,311,347	2,098,616	926,795	285,936
DARKE	4,543,499	2,098,616	1,552,012	892,871	PERRY	3,588,846	2,098,616	1,081,261	408,969
DEFIANCE	3,712,916	2,098,616	926,795	687,504	PICKAWAY	3,959,547	2,098,616	1,158,494	702,438
DELAWARE	5,048,330	2,098,616	1,500,697	1,449,017	PIKE	3,396,183	2,098,616	1,081,261	216,306
ERIE	4,409,088	2,098,616	718,050	1,592,422	PORTAGE	5,636,616	2,098,616	1,423,895	2,114,104
FAIRFIELD	5,024,039	2,098,616	1,118,286	1,807,137	PREBLE	3,728,937	2,098,616	926,795	703,526
FAYETTE	3,357,224	2,098,616	772,329	486,278	PUTNAM	3,827,291	2,098,616	1,158,494	570,181
FRANKLIN	33,885,827	2,098,616	1,386,471	30,400,740	RICHLAND	6,074,366	2,098,616	1,435,074	2,540,675
FULTON	3,749,473	2,098,616	936,847	714,010	ROSS	4,260,776	2,098,616	1,257,495	904,665
GALLIA	3,455,907	2,098,616	1,160,457	196,833	SANDUSKY	4,014,021	2,098,616	934,955	980,450
GEAUGA	3,929,965	2,098,616	1,337,344	494,005	SCIOTO	4,097,492	2,098,616	1,259,664	739,211
GREENE	6,434,405	2,098,616	937,649	3,398,139	SENECA	4,380,282	2,098,616	1,158,494	1,123,172
GUERNSEY	4,079,521	2,098,616	1,467,937	512,968	SHELBY	4,167,790	2,098,616	1,081,261	987,914
HAMILTON	17,510,169	2,098,616	1,603,279	13,808,274	STARK	8,867,342	2,098,616	1,961,169	4,807,557
HANCOCK	5,033,448	2,098,616	1,317,333	1,617,498	SUMMIT	15,776,442	2,098,616	929,593	12,748,233
HARDIN	3,771,912	2,098,616	1,158,494	514,802	TRUMBULL	7,307,297	2,098,616	2,003,185	3,205,496
HARRISON	3,496,003	2,098,616	1,158,494	238,894	TUSCARAWAS	5,666,248	2,098,616	1,704,689	1,862,943
HENRY	3,621,605	2,098,616	1,004,028	518,961	UNION	3,845,281	2,098,616	1,081,261	665,404
HIGHLAND	3,884,345	2,098,616	1,317,574	468,155	VAN WERT	3,510,321	2,098,616	926,795	484,910
HOCKING	3,214,083	2,098,616	855,845	259,622	VINTON	3,145,491	2,098,616	926,795	120,080
HOLMES	3,356,342	2,098,616	1,081,261	176,465	WARREN	5,898,124	2,098,616	995,629	2,803,879
HURON	4,790,719	2,098,616	1,467,425	1,224,678	WASHINGTON	4,637,796	2,098,616	1,708,844	830,335
JACKSON	3,468,563	2,098,616	926,795	443,152	WAYNE	5,173,812	2,098,616	1,251,815	1,823,381
JEFFERSON	4,419,144	2,098,616	1,096,763	1,223,764	WILLIAMS	3,732,742	2,098,616	926,795	707,331
KNOX	4,461,971	2,098,616	1,707,087	656,268	WOOD	5,880,193	2,098,616	1,526,766	2,254,811
LAKE	7,962,942	2,098,616	483,360	5,380,966	WYANDOT	3,565,564	2,098,616	1,004,028	462,920
LAWRENCE	3,861,995	2,098,616	1,102,894	660,485	<b>Total</b>	<b>\$504,046,412</b>	<b>\$184,678,225</b>	<b>\$105,542,284</b>	<b>\$213,825,903</b>
LICKING	6,940,321	2,098,616	1,958,033	2,883,672	Source: Records of the Ohio Department of Taxation.				