



# Motor Vehicle Fuel Tax

**A**n excise tax applies to all dealers in motor vehicle fuel on the use, distribution, or sale within Ohio of fuel used in generating power for the operation of motor vehicles. The motor fuel excise tax rate was 28 cents per gallon during Fiscal Year 2007.

The 28 cents per gallon rate is actually composed of five separate levies, each distributed according to a different formula. The Ohio Constitution requires that revenue from the tax be used for highway construction, traffic enforcement and certain other activities.

Motor vehicle fuel wholesale dealers, rather than retailers, remit the tax. In FY 2007, the reported net motor fuel tax collections totaled nearly \$1,846.9 million after refunds.

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 2007 was 28 cents per gallon.

## Taxpayer (Ohio Revised Code 5735.01)

The excise tax applies to dealers who:

- import motor fuel 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
- possess an unrevoked permissive motor fuel dealer's license.

The motor fuel use tax applies to operators of motor vehicles with three or more axles or weighing more than 26,000 pounds gross vehicle weight.

## Tax Base (R.C. 5735.06)

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

## Rates

The 28 cents per gallon rate is actually composed of five separate levies. All are measured in cents per gallon, but one levy in particular – the largest, currently set at 15 cents – is specifically identified as the “cents per gallon rate” in Ohio law because it was once adjusted annually by the Tax Commissioner for inflation.

All five levies are shown in the table below:

R.C. Section	Rate per gallon
5735.30	1 cent
5735.05	2 cents
5735.25	2 cents
5735.29	8 cents
5735.05	15 cents
<b>Total:</b>	<b>28 cents</b>

## Deductions, Refunds, and Credits

### Deductions (R.C. 5735.05 and 5735.06):

Dealers may deduct the following from their total gallons sold:

- Motor fuel – other than gasoline and clear diesel fuel – sold for uses other than operating motor vehicles on public highways or on waters within Ohio;
- motor fuel sold by licensed wholesale dealers to other licensed wholesale dealers;
- motor fuel exported to other states or foreign countries;
- motor fuel sold for exclusive use of the U.S. government or its agencies;
- motor fuel being transported as part of an export sale;
- motor fuel sold exclusively for the propulsion of aircraft; and
- motor fuel sold for use in vessels if such use would otherwise qualify for a refund under R.C. 5735.14.

In addition, during Fiscal Year 2007, licensed motor fuel dealers received a discount intended to cover the cost of compiling reports, evaporation, shrinkage and other losses. During FY 2007, the dealer discount was 1.95 percent of the total gallons received, less 0.65 percent of the gallons sold to motor fuel retailers. Retailers, meanwhile, received a 0.65 percent shrinkage discount on fuel purchased from licensed dealers.

These discounts were reorganized effective July 1, 2007. For the 2008 and 2009 fiscal years:

- Licensed dealers receive a 1 percent discount on the total gallons received, less 0.5 percent of the gallons sold to motor fuel retailers.
- Retailers receive a 0.5 percent shrinkage discount on fuel purchased from licensed dealers.
- Licensed dealers receive an additional tax collection and administration discount equal to 0.9 percent of the total gallons received.

For more information, see **Recent Legislation**.

**Refunds** (R.C. 5735.13, 5735.14, 5735.141, 5735.142, 5735.18 and 5734.29):

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

- the motor fuel was used to operate or propel stationary gas engines, tractors used for off-highway purposes, or unlicensed motor vehicles used exclusively in intra-plant operations;
- the motor fuel was 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;
- the motor fuel was used for cleaning or dyeing;
- the motor fuel was used by local transit systems, except for the one-cent bond retirement levy;
- the motor fuel was used in aircraft;
- 0.65 percent of the motor fuel tax paid on fuel purchased by retailers to cover losses from shrinkage and evaporation (as of July 1, 2007, this decreased to 0.50 percent);
- motor fuel was lost or destroyed through fire, explosion, lightning or other natural disasters; or
- any person, other than a dealer, sells the fuel or uses the fuel outside Ohio, or who sells the fuel to the U.S. government or any of its agencies.

Also, a city, an exempted village, a joint vocational or local school district, an educational service center, or a county board of mental retardation and developmental disabilities may be reimbursed for 6 cents per gallon of the total Ohio motor fuel tax paid on the fuel.

## Special Provisions

**Fuel Use Tax** (R.C. 5728):

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 during FY 2007. A refund or credit is allowed for the tax on fuel purchased in Ohio for use in another state, provided that the other state imposes a tax on such fuel and allows a similar credit or refund. During FY 2007, \$56.2 million was collected from the fuel use tax. This revenue is dedicated to the Highway Operating Fund.

## Filing and Payment Dates

 (R.C. 5735.06)

Taxpayers must submit returns by the last day of each month for the preceding month's tax liability. The returns are filed with the Department of Taxation.

## Disposition of Revenue

- The motor vehicle fuel tax is composed of five separate levies, with revenue for each distributed in a different manner.

After refunds, the following transfers of receipts from all five levies are made:

- The Waterways Safety Fund receives 0.875 percent (R.C. 5735.051).
- The Wildlife Boater Angler Fund receives 0.125 percent (R.C. 5735.051).
- The amount needed to ensure that there are sufficient funds to meet all payments for highway bond retirement is transferred.
- Five cents for each gallon sold at stations operated by the Ohio Turnpike Commission is transferred to the Commission (R.C. 5735.23).
- The Motor Fuel Tax Administrative Fund receives 0.275 percent.

The remainder of each of the state's five motor fuel tax levies was distributed in FY 2007 as described below.

### 2 cents per gallon

 (R.C. 5735.05, 5735.23):

Revenue from this levy and the 15 cents-per-gallon levy together make up the \$100,000 that is transferred monthly to the Grade Crossing Fund; this levy contributes  $\frac{2}{17}$  of the monthly \$100,000. The remaining revenue is 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 cents per gallon

 (R.C. 5735.25, 5735.26, 5735.27):

- › 67.5 percent is distributed to the state;
- › 7.5 percent is distributed to all counties in equal amounts;\*
- › 17.5 percent is distributed to all townships in equal amounts;\*
- › 7.5 percent to municipalities in proportion to their motor vehicle registrations.\*

### 8 cents per gallon

 (R.C. 5735.29, 5735.291):

Some 81.25 percent of this levy is to the State Highway Operating Fund. The remaining 18.75 percent is distributed to the Gasoline Excise Tax Fund. From 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.

### 1 cent per gallon

 (R.C. 5735.30):

Some 100 percent to the state for highway bond retirement funds, as long as this funding is required. Thereafter, 100 percent is directed to the State Highway Operating Fund.

**15 cents per gallon** (“cents per gallon tax;” R.C. 5735.05, 5735.23):

One cent from each gallon is transferred to the Local Transportation Improvement Program Fund. Revenue from this levy and the first 2 cents-per-gallon levy together make up the \$100,000 that is transferred monthly to the Grade Crossing Fund; this levy contributes <sup>15</sup>/<sub>17</sub> of \$100,000. The balance is 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.

Effective July 1, 2007, the Treasurer of State, prior to making any of the distributions listed in sections 5735.23, 5735.26, 5735.291, and 5735.30 of the Revised Code, shall deposit at least the first \$1,250,000 and up to \$1.6 million received each month to the credit of the State Highway Safety Fund (Fund 036) pursuant to a schedule determined by the Director of Budget and Management (see **Recent Legislation**, below).

**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**

**Am. Sub. H.B. 67, 127th General Assembly (FY 2008-2009 transportation/public safety budget bill, effective July 1, 2007).**

**R.C. 5735.06 and R.C. 5735.141** – Effective July 1, 2007, the Treasurer of State, prior to making any of the distributions listed in sections 5735.23, 5735.26, 5735.291, and 5735.30 of the Revised Code, shall deposit at least the first \$1,250,000 and up to \$1,600,000 received each month to the credit of the State Highway Safety Fund (Fund 036).

Also, effective July 1, 2007, for the periods of July 1, 2007 through June 30, 2009, the motor fuel licensed dealer discount or shrinkage allowance was reduced to 1 percent, while the retail dealer shrinkage allowance was reduced to 0.5 percent. (In separate legislation, the 0.90 percent vendor discount this bill granted to retail dealers was changed to a 0.90 percent discount granted to licensed dealers, making the total discount for licensed dealers a total of 1.90 percent; see **Am. Sub. H.B. 119**, below).

**Am. Sub. H.B. 119, 127th General Assembly (FY 2008-2009 biennium budget bill, effective July 1, 2007).**

**R.C. 5735.06** – Effective July 1, 2007, for the periods of July 1, 2007 through June 30, 2009, changed the 0.90 percent vendor discount to retail dealers to a 0.90 percent tax collection and administration discount to motor fuel licensed dealers.

During this period, the licensed dealer shrinkage allowance will be 1 percent and the retail shrinkage allowance will be 0.5 percent.

This provides for a combined total deduction or shrinkage allowance of 1.90 percent for a licensed dealer, minus a 0.5 percent discount or shrinkage allowance refunded to a retail dealer on fuel purchased from licensed dealers. This makes the licensed dealer discount only 1.4 percent on sales to retailers.

	<b>Effective July 1, 2007</b>
Licensed Dealer Shrinkage Allowance	1.00%
Licensed Dealer Collection & Administration Discount	0.90%
Total Allowance and Discount	1.90%
(minus 0.5 percent on sales to retailers)	1.40%
Retail Dealer Shrinkage Allowance (on purchases from licensed dealers)	0.50%

Also, effective July 1, 2007, the bill clarified that the deposit required by the Treasurer of State to the credit of the State Highway Safety Fund (Fund 036) is pursuant to a schedule determined by the Director of Budget and Management (see Am. Sub. H.B. 67, 127th General Assembly, above).

**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 discount or 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.

**Recent Information Releases**

**XT 2007-03** – “Motor Fuel Shrinkage Allowances,” June 29, 2007.

**Table 1**  
**Distributions of Motor Fuel Tax:**  
**Fiscal Year 2007**

<b>Distribution</b>	<b>Dollar Amount</b>	<b>Percentage of Total</b>
Highway Operating Fund	\$1,033,321,964	60.08%
Local Transportation Improvement Program Fund	60,870,881	3.54%
Highway Bond Retirement	191,070,135	11.11%
To Municipalities	175,131,821	10.18%
To Counties	151,996,445	8.84%
To Townships	81,782,066	4.76%
Other <sup>1</sup>	25,635,880	1.49%
<b>Total</b>	<b>\$1,719,809,192</b>	<b>100.00%</b>

<sup>1</sup> Includes amounts deposited in the Attorney General Claims Fund, Grade Crossing Fund, Waterways Safety Fund, Wildlife Boater Angler Fund, and Motor Fuel Tax Administration Fund, as well as distributions made to the Ohio Turnpike Commission.

Source: This table is based on amounts in the June 2007 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 2003 - 2007**

<b>Fiscal Year</b>	<b>Gross Collections</b>	<b>Refunds</b>	<b>Net Tax After Refunds</b>
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
2007	1,870,645,500	23,785,500	1,846,860,000

**Table 3**  
**Taxable Gallons of**  
**Motor Vehicle Fuel: Fiscal Years 2003 - 2007**

	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Gasoline	5,130,381,553	5,197,093,204	5,149,443,769	5,103,346,287	5,098,793,739
Special Fuels <sup>1</sup>	1,466,855,681	1,482,899,139	1,535,755,695	1,543,938,210	1,579,493,298
<b>Total</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>	<b>6,678,287,037</b>

<sup>1</sup> Includes diesel fuel (clear and dyed), kerosene, biodiesel, and propane fuel used to operate motor vehicles on public highways and waterways.

**Table 4**  
**Amounts of Motor Vehicle Fuel Tax**  
**Revenue Distributed to Local Governments by County:**  
**Calendar Year 2006**

County	Amount Distributed To:				County	Amount Distributed To:			
	County	Townships	Municipalities	Total		County	Townships	Municipalities	Total
ADAMS	\$2,322,445	\$1,292,722	\$322,170	\$3,937,337	LUCAS	\$2,322,445	\$1,199,654	\$10,973,797	\$14,495,896
ALLEN	2,322,445	1,141,270	1,917,309	5,381,024	MADISON	2,322,445	1,206,541	708,624	4,237,609
ASHLAND	2,322,445	1,292,722	978,058	4,593,224	MAHONING	2,322,445	1,619,349	3,418,647	7,360,440
ASHTABULA	2,322,445	2,336,078	1,794,238	6,452,760	MARION	2,322,445	1,295,454	1,318,996	4,936,895
ATHENS	2,322,445	1,220,584	653,970	4,197,000	MEDINA	2,322,445	1,522,707	2,929,572	6,774,723
AUGLAIZE	2,322,445	1,206,541	1,064,014	4,592,999	MEIGS	2,322,445	1,034,178	228,449	3,585,071
BELMONT	2,322,445	1,408,074	1,166,885	4,897,404	MERCER	2,322,445	1,206,541	823,662	4,352,647
BROWN	2,322,445	1,385,056	538,411	4,245,912	MIAMI	2,322,445	1,050,785	2,554,312	5,927,542
BUTLER	2,322,445	1,649,043	5,607,416	9,578,903	MONROE	2,322,445	1,551,267	156,947	4,030,658
CARROLL	2,322,445	1,216,376	217,705	3,756,525	MONTGOMERY	2,322,445	1,128,535	13,374,449	16,825,429
CHAMPAIGN	2,322,445	1,034,178	651,770	4,008,393	MORGAN	2,322,445	1,206,541	119,410	3,648,396
CLARK	2,322,445	1,005,770	2,017,851	5,346,066	MORROW	2,322,445	1,378,904	263,449	3,964,798
CLERMONT	2,322,445	1,671,554	775,615	4,769,614	MUSKINGUM	2,322,445	2,191,828	1,144,869	5,659,141
CLINTON	2,322,445	1,120,359	919,960	4,362,764	NOBLE	2,322,445	1,292,722	109,784	3,724,951
COLUMBIANA	2,322,445	1,619,836	1,678,319	5,620,600	OTTAWA	2,322,445	1,034,178	646,686	4,003,308
COSHOCTON	2,322,445	1,895,992	566,369	4,784,806	PAULDING	2,322,445	1,034,178	316,533	3,673,155
CRAWFORD	2,322,445	1,378,904	1,053,633	4,754,982	PERRY	2,322,445	1,206,541	446,032	3,975,017
CUYAHOGA	2,322,445	190,950	37,243,937	39,757,332	PICKAWAY	2,322,445	1,292,722	783,197	4,398,364
DARKE	2,322,445	1,733,859	993,922	5,050,226	PIKE	2,322,445	1,206,541	240,618	3,769,603
DEFIANCE	2,322,445	1,034,178	765,905	4,122,527	PORTAGE	2,322,445	1,595,306	2,350,612	6,268,363
DELAWARE	2,322,445	1,731,119	1,597,249	5,650,812	PREBLE	2,322,445	1,034,178	782,085	4,138,707
ERIE	2,322,445	807,520	1,779,122	4,909,087	PUTNAM	2,322,445	1,292,722	639,126	4,254,293
FAIRFIELD	2,322,445	1,275,143	2,034,502	5,632,090	RICHLAND	2,322,445	1,615,256	2,784,545	6,722,246
FAYETTE	2,322,445	861,815	552,437	3,736,696	ROSS	2,322,445	1,407,223	988,672	4,718,340
FRANKLIN	2,322,445	1,575,955	34,298,889	38,197,289	SANDUSKY	2,322,445	1,046,459	1,069,060	4,437,963
FULTON	2,322,445	1,047,112	798,222	4,167,779	SCIOTO	2,322,445	1,408,191	817,055	4,547,691
GALLIA	2,322,445	1,294,465	216,780	3,833,689	SENECA	2,322,445	1,292,722	1,248,758	4,863,925
GEAUGA	2,322,445	1,514,756	527,695	4,364,895	SHELBY	2,322,445	1,206,541	1,100,001	4,628,986
GREENE	2,322,445	1,058,887	3,707,212	7,088,544	STARK	2,322,445	2,388,942	5,110,872	9,822,259
GUERNSEY	2,322,445	1,637,466	561,833	4,521,744	SUMMIT	2,322,445	1,013,367	14,634,633	17,970,444
HAMILTON	2,322,445	1,932,252	15,246,318	19,501,014	TRUMBULL	2,322,445	2,266,569	3,527,503	8,116,517
HANCOCK	2,322,445	1,474,240	1,773,028	5,569,712	TUSCARAWAS	2,322,445	1,902,736	2,071,631	6,296,812
HARDIN	2,322,445	1,292,722	570,945	4,186,111	UNION	2,322,445	1,206,541	748,615	4,277,601
HARRISON	2,322,445	1,292,722	268,401	3,883,568	VAN WERT	2,322,445	1,034,178	541,712	3,898,334
HENRY	2,322,445	1,120,359	585,315	4,028,119	VINTON	2,322,445	1,034,178	129,358	3,485,980
HIGHLAND	2,322,445	1,470,822	518,882	4,312,149	WARREN	2,322,445	1,193,383	2,961,682	6,477,510
HOCKING	2,322,445	955,596	284,588	3,562,628	WASHINGTON	2,322,445	1,907,774	906,935	5,137,153
HOLMES	2,322,445	1,206,541	194,883	3,723,869	WAYNE	2,322,445	1,400,766	2,020,663	5,743,874
HURON	2,322,445	1,637,448	1,413,827	5,373,719	WILLIAMS	2,322,445	1,034,178	774,724	4,131,347
JACKSON	2,322,445	1,034,178	491,774	3,848,396	WOOD	2,322,445	1,720,376	2,509,069	6,551,889
JEFFERSON	2,322,445	1,226,229	1,344,430	4,893,103	WYANDOT	2,322,445	1,120,359	505,670	3,948,474
KNOX	2,322,445	1,906,837	724,457	4,953,739					
LAKE	2,322,445	566,890	5,998,990	8,888,325					
LAWRENCE	2,322,445	1,236,153	743,645	4,302,242	<b>Total</b>	<b>\$204,375,130</b>	<b>\$119,010,399</b>	<b>\$237,265,750</b>	<b>\$560,651,278</b>
LICKING	2,322,445	2,192,942	3,189,760	7,705,147					
LOGAN	2,322,445	1,470,071	817,525	4,610,041					
LORAIN	2,322,445	1,575,009	7,316,572	11,214,025					

Source: Records of the Ohio Department of Taxation.