



Motor Vehicle Fuel Tax

An excise tax applies to all dealers in motor vehicle fuel on the use, distribution, or sale within Ohio of fuel used to generate power for the operation of motor vehicles.

The motor fuel excise tax rate was 28 cents per gallon during fiscal year 2008. This 28 cents per gallon rate is actually composed of five separate levies, each subject to a different distribution 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 2008, the reported net motor fuel tax collections totaled nearly \$1,819.2 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 2008 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)

The base of the tax is gallons of motor vehicle fuel sold, used, or distributed in Ohio.

Rates

The overall rate of 28 cents per gallon 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
Total:	28 cents

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.

Shrinkage allowance (5735.06)

In addition, licensed motor fuel dealers receive a discount intended to cover “evaporation, shrinkage, or other unaccounted-for losses.” An uncodified provision of House Bill 119, enacted in mid-2007, set this “shrinkage allowance” at the following levels for fiscal years 2008-09:

- licensed distributors received a 1 percent discount on total gallons of fuel received, minus 0.5 percent on gallons sold to retailers, for fuel lost through shrinkage and evaporation.



- retailers received a 0.5 percent discount on gallons of fuel purchased from licensed distributors for fuel lost through shrinkage and evaporation. This discount is received in the form of a refund.

House Bill 119 also granted licensed distributors an additional 0.9 percent “administration” discount on total gallons received for fiscal years 2008-09.

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 intraplant 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;¹
- the motor fuel was used in aircraft;
- the 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 developmental disabilities may be reimbursed for 6 cents per gallon of the total Ohio motor fuel tax paid on the fuel.

Special Provision

Fuel Use Tax (Chapter 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 fiscal year 2008. 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 fiscal year 2008, \$34.8 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 by the Department of Taxation monthly in a different manner.

Before any other distributions are made, the Treasurer of State deposits \$1.6 million of motor fuel tax revenues to the State Highway Safety Fund for the costs of administration and enforcement of state laws governing the registration and operation of motor vehicles. This distribution is a two-year temporary provision of law that was scheduled to expire on July 1, 2009.

After the Highway Safety Fund distribution and applicable refunds to taxpayers, the following distributions are made from all five levies:

- 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 is distributed 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;²
- 25 percent to all counties in equal amounts;²
- 45 percent to the state.

2 cents per gallon (R.C. 5735.25, 5735.26, 5735.27) – Revenue is distributed as follows:

- 67.5 percent to the state;
- 7.5 percent to all counties in equal amounts;²
- 17.5 percent to all townships in equal amounts;²
- 7.5 percent to municipalities in proportion to their motor vehicle registrations.²

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

¹ Tax collected per the one-cent bond retirement levy may not be refunded to transit systems.

² Proceeds are deposited by the state in the Gasoline Excise Tax Fund and distributed monthly to the counties, townships, and municipalities.

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) – All revenue is distributed to the state for highway bond retirement funds, as long as this funding is required. Thereafter, all revenue 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 ¹⁵/₁₇ 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;¹
- 9.3 percent to all counties in equal amounts;¹
- 5.0 percent to all townships in equal amounts.¹

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.

Table 1

Estimated Distributions of Motor Fuel Tax Fiscal Year 2008		
Distribution	Dollar Amount	Percentage of Total
Highway Operating Fund	\$919,547,871	49.7%
Local Transportation Improvement Program Fund	64,592,332	3.5%
Highway Bond Retirement Fund	195,644,360	10.6%
State & Local Government Highway Distribution Fund (for distribution to counties, townships and municipalities)	224,868,080	12.2%
Gasoline Excise Tax Fund (for distribution to counties, townships and municipalities)	397,725,654	21.5%
Other ¹	46,027,083	2.5%
Total	\$1,848,405,380	100.0%

¹ Includes amounts deposited in the Attorney General Claims Fund, Grade Crossing Fund, State Highway Safety 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 reported in the state accounting system (OAKS), modified to reflect various fund transfers.

Table 2

Motor Vehicle Fuel Tax Gross Collections Reported on Tax Returns, Refunds and Net Tax After Refunds, Fiscal Years 2004-2008			
Fiscal Year	Gross Collections	Refunds	Net Tax After Refunds
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
2008	1,840,101,163	20,902,540	1,819,198,623

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

¹ Proceeds are deposited by the state in the Local Government Highway Distribution Fund and distributed monthly to counties, townships, and municipalities.

Table 3

Taxable Gallons of Motor Vehicle Fuel, Fiscal Years 2004-2008					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Gasoline	5,197,093,204	5,149,443,769	5,103,346,287	5,098,793,739	5,011,225,903
Special Fuels ¹	1,482,899,139	1,535,755,695	1,543,938,210	1,579,493,298	1,568,327,418
Total	6,689,992,343	6,685,199,464	6,647,284,497	6,678,287,037	6,579,553,321

¹ 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 2007									
County	Amount Distributed To:				County	Amount Distributed To:			
	County	Townships	Municipalities	Total		County	Townships	Municipalities	Total
ADAMS	\$2,396,839	\$1,334,693	\$313,739	\$4,045,271	LOGAN	\$2,396,839	\$1,516,857	\$831,268	\$4,744,964
ALLEN	2,396,839	1,179,933	1,955,491	5,532,263	LORAIN	2,396,839	1,629,935	7,498,280	11,525,054
ASHLAND	2,396,839	1,334,693	988,826	4,720,358	LUCAS	2,396,839	1,241,563	11,181,819	14,820,222
ASHTABULA	2,396,839	2,411,676	1,808,032	6,616,547	MADISON	2,396,839	1,245,713	707,849	4,350,402
ATHENS	2,396,839	1,259,443	668,426	4,324,708	MAHONING	2,396,839	1,686,592	3,453,777	7,537,209
AUGLAIZE	2,396,839	1,245,713	1,089,315	4,731,868	MARION	2,396,839	1,338,599	1,322,277	5,057,715
BELMONT	2,396,839	1,453,910	1,189,837	5,040,587	MEDINA	2,396,839	1,581,741	3,010,903	6,989,484
BROWN	2,396,839	1,427,751	515,721	4,340,311	MEIGS	2,396,839	1,067,754	230,878	3,695,471
BUTLER	2,396,839	1,745,187	6,156,466	10,298,492	MERCER	2,396,839	1,245,713	834,623	4,477,176
CARROLL	2,396,839	1,255,792	209,705	3,862,335	MIAMI	2,396,839	1,080,826	2,531,572	6,009,237
CHAMPAIGN	2,396,839	1,067,754	650,874	4,115,467	MONROE	2,396,839	1,601,632	157,705	4,156,176
CLARK	2,396,839	1,057,704	2,265,640	5,720,183	MONTGOMERY	2,396,839	1,202,033	14,403,411	18,002,283
CLERMONT	2,396,839	1,776,859	855,766	5,029,464	MORGAN	2,396,839	1,245,713	117,548	3,760,101
CLINTON	2,396,839	1,156,734	902,476	4,456,049	MORROW	2,396,839	1,423,672	265,040	4,085,551
COLUMBIANA	2,396,839	1,672,580	1,690,760	5,760,179	MUSKINGUM	2,396,839	2,262,604	1,151,883	5,811,326
COSHOCTON	2,396,839	1,957,550	563,879	4,918,268	NOBLE	2,396,839	1,334,693	113,045	3,844,577
CRAWFORD	2,374,614	1,423,672	1,056,135	4,854,421	OTTAWA	2,396,839	1,067,754	662,550	4,127,144
CUYAHOGA	2,396,839	193,825	37,877,801	40,468,465	PAULDING	2,396,839	1,067,754	323,602	3,788,196
DARKE	2,396,839	1,790,461	989,269	5,176,569	PERRY	2,396,839	1,245,713	448,443	4,090,995
DEFIANCE	2,396,839	1,067,754	784,306	4,248,900	PICKAWAY	2,396,839	1,334,693	796,666	4,528,198
DELAWARE	2,396,839	1,814,268	1,645,415	5,856,522	PIKE	2,396,839	1,245,713	243,690	3,886,242
ERIE	2,396,839	835,682	1,812,282	5,044,803	PORTAGE	2,396,839	1,648,848	2,423,803	6,469,490
FAIRFIELD	2,396,839	1,322,050	2,116,414	5,835,303	PREBLE	2,396,839	1,067,754	758,679	4,223,272
FAYETTE	2,396,839	889,795	554,192	3,840,827	PUTNAM	2,396,839	1,334,693	652,194	4,383,726
FRANKLIN	2,396,839	1,621,839	35,295,480	39,314,158	RICHLAND	2,396,839	1,669,233	2,794,745	6,860,817
FULTON	2,396,839	1,081,092	807,637	4,285,568	ROSS	2,396,839	1,452,706	1,003,776	4,853,321
GALLIA	2,396,839	1,335,977	223,671	3,956,487	SANDUSKY	2,396,839	1,080,723	1,072,580	4,550,142
GEAUGA	2,396,839	1,568,859	535,632	4,501,329	SCIOTO	2,396,839	1,454,006	823,122	4,673,967
GREENE	2,396,839	1,100,588	3,961,180	7,458,607	SENECA	2,396,839	1,334,693	1,270,538	5,002,070
GUERNSEY	2,396,839	1,690,611	571,956	4,659,407	SHELBY	2,396,839	1,245,713	1,112,745	4,755,298
HAMILTON	2,396,839	2,059,104	16,447,411	20,903,354	STARK	2,396,839	2,447,191	5,566,087	10,410,117
HANCOCK	2,396,839	1,523,814	1,806,929	5,727,583	SUMMIT	2,396,839	1,003,868	15,010,586	18,411,293
HARDIN	2,396,839	1,334,693	583,362	4,314,894	TRUMBULL	2,396,839	2,344,798	3,583,660	8,325,297
HARRISON	2,396,839	1,334,693	277,900	4,009,432	TUSCARAWAS	2,396,839	1,964,576	2,096,790	6,458,205
HENRY	2,396,839	1,156,734	588,247	4,141,820	UNION	2,396,839	1,245,713	780,335	4,422,888
HIGHLAND	2,396,839	1,517,860	517,449	4,432,149	VAN WERT	2,396,839	1,067,754	552,589	4,017,183
HOCKING	2,396,839	986,279	284,388	3,667,506	VINTON	2,396,839	1,067,754	126,517	3,591,111
HOLMES	2,396,839	1,245,713	193,936	3,836,488	WARREN	2,396,839	1,269,846	3,187,034	6,853,719
HURON	2,396,839	1,690,611	1,430,591	5,518,041	WASHINGTON	2,396,839	1,969,552	917,220	5,283,611
JACKSON	2,396,839	1,067,754	491,703	3,956,297	WAYNE	2,396,839	1,445,639	2,041,680	5,884,159
JEFFERSON	2,396,839	1,265,055	1,364,511	5,026,405	WILLIAMS	2,396,839	1,067,754	789,681	4,254,274
KNOX	2,396,839	1,969,095	728,346	5,094,280	WOOD	2,396,839	1,778,459	2,576,171	6,751,469
LAKE	2,396,839	592,708	6,159,250	9,148,797	WYANDOT	2,396,839	1,156,734	519,570	4,073,143
LAWRENCE	2,396,839	1,276,317	743,398	4,416,554					
LICKING	2,396,839	2,265,782	3,226,823	7,889,444	TOTAL	\$210,899,620	\$123,145,937	\$244,847,495	\$578,893,052

Source: Records of the Department of Taxation.