



# 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 to generate power for the operation of motor vehicles.

The motor fuel excise tax rate has been 28 cents per gallon since July 1, 2005. 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 fiscal year 2010, the reported net motor fuel tax collections totaled approximately \$1,782 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 2010 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 for inflation by the Tax Commissioner.

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.

**Shrinkage allowance** (R.C. 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 by the 127th General Assembly, 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.

These shrinkage allowances were extended for an additional two years (fiscal years 2010-11) by House Bill 2 of the 128th General Assembly.

The 127th General Assembly had also granted licensed distributors a temporary additional 0.9 percent “administration” discount on total gallons received for fiscal years 2008-09, but this additional discount came to an end after fiscal year 2009.

**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 gasoline engines, tractors used for off-highway purposes, or unlicensed motor vehicles used exclusively in intra-plant operations;
- the motor fuel was used by watercraft devoted entirely to commercial purposes such as trade or fishing; by vessels used in Boy Scout training; by vessels used or owned by railroad car ferry companies; or by 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;<sup>1</sup>
- 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 has been 28 cents since July 1, 2005. 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 2010, \$38.1 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 the first 2 per cent of the motor fuel tax received for the preceding calendar month to the state Highway Safety Fund for the costs of administration and enforcement of state laws governing the registration and operation of motor vehicles.<sup>2</sup> 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;<sup>3</sup>
- 25 percent to all counties in equal amounts;<sup>3</sup>
- 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;<sup>3</sup>
- 17.5 percent to all townships in equal amounts;<sup>3</sup>
- 7.5 percent to municipalities in proportion to their motor vehicle registrations.<sup>3</sup>

**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) – 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

<sup>1</sup> Revenue from the one-cent per gallon levy used in part to retire highway bonds is not refunded to transit systems.

<sup>2</sup> This practice began at the start of the 2010 fiscal year as a result of House Bill 1, enacted by the 128th General Assembly. It replaced a monthly distribution of up to \$1.6 million during fiscal years 2008 and 2009, spelled out in uncodified law (section 209.10 of House bills 67 and 119 of the 127th General Assembly).

<sup>3</sup> Proceeds are deposited by the state in the Gasoline Excise Tax Fund and distributed monthly to the counties, townships, and municipalities.

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>1</sup>
- 9.3 percent to all counties in equal amounts;<sup>1</sup>
- 5.0 percent to all townships in equal amounts.<sup>1</sup>

**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**

**House Bill 1, 128th General Assembly (budget provisions effective July 17, 2009; other provisions effective on Oct. 16, 2009 or on other dates)**

**Highway Safety Fund distribution made permanent** – Uncodified section 506.20 of the bill requires that, starting in fiscal year 2010, the first 2 per cent of motor fuel tax revenue received in the prior month be distributed to the state Highway Safety Fund to defray the costs of administration and enforcement of motor vehicle registration and operation laws. This provision replaces a temporary law (section 209.10 of House Bill 67 and House Bill 119 of the 127th General Assembly) that called for monthly distributions of up to \$1.6 million to the fund during fiscal years 2008 and 2009.

**House Bill 2, 128th General Assembly (effective July 1, 2009; certain provisions effective on other dates)**

**Shrinkage allowance** – Section 757.10 of the bill set shrinkage allowances at the same levels for 2010-11 as were in place for fiscal years 2008-09. Licensed distributors receive 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 receive a 0.5 percent discount on gallons of fuel purchased from licensed distributors.

**Table 1**

Motor Vehicle Fuel Tax Gross Collections Reported on Tax Returns, Refunds and Net Tax After Refunds, Fiscal Years 2006-2010			
Fiscal Year	Gross Collections	Refunds	Net Tax After Refunds
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
2009	1,781,875,055	19,858,314	1,762,016,741
2010	1,799,719,997	18,092,998	1,781,626,999

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

**Table 2**

Taxable Gallons of Motor Vehicle Fuel, Fiscal Years 2006-2010					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Gasoline	5,103,346,287	5,098,793,739	5,011,225,903	4,947,371,191	4,970,761,774
Special Fuels <sup>1</sup>	1,543,938,210	1,579,493,298	1,568,327,418	1,429,969,330	1,441,256,585
<b>Total</b>	<b>6,647,284,497</b>	<b>6,678,287,037</b>	<b>6,579,553,321</b>	<b>6,377,340,521</b>	<b>6,412,018,359</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 3

Amounts of Motor Vehicle Fuel Tax Revenue Distributed to Local Governments by County, Calendar Year 2010									
County	Amount Distributed To:			County	Amount Distributed To:			County	Total
	County	Townships	Municipalities		County	Townships	Municipalities		
ADAMS	\$2,331,703	\$1,299,477	\$292,655	\$3,923,835	LOGAN	\$2,331,703	\$1,475,454	\$789,452	\$4,596,608
ALLEN	2,331,703	1,144,950	1,848,293	5,324,946	LORAIN	2,331,703	1,584,451	7,437,304	11,353,457
ASHLAND	2,331,703	1,299,477	956,371	4,587,551	LUCAS	2,331,703	1,222,037	10,753,797	14,307,536
ASHTABULA	2,331,703	2,347,165	1,711,968	6,390,835	MADISON	2,331,703	1,212,845	678,036	4,222,584
ATHENS	2,331,703	1,225,489	650,554	4,207,746	MAHONING	2,331,703	1,654,416	3,306,222	7,292,341
AUGLAIZE	2,331,703	1,212,845	1,068,020	4,612,569	MARION	2,331,703	1,302,620	1,254,164	4,888,487
BELMONT	2,331,703	1,419,525	1,148,565	4,899,793	MEDINA	2,331,703	1,553,167	2,947,592	6,832,462
BROWN	2,331,703	1,387,106	486,909	4,205,718	MEIGS	2,331,703	1,039,918	221,104	3,592,725
BUTLER	2,331,703	1,724,205	6,064,876	10,120,784	MERCER	2,331,703	1,212,845	812,734	4,357,282
CARROLL	2,331,703	1,222,147	199,006	3,752,856	MIAMI	2,331,703	1,047,977	2,413,329	5,793,009
CHAMPAIGN	2,331,703	1,039,582	612,749	3,984,034	MONROE	2,331,703	1,559,373	153,759	4,044,835
CLARK	2,331,703	1,033,610	2,170,471	5,535,783	MONTGOMERY	2,331,703	1,172,027	13,832,648	17,336,378
CLERMONT	2,331,703	1,761,826	813,361	4,906,889	MORGAN	2,331,703	1,212,845	114,585	3,659,133
CLINTON	2,331,703	1,126,214	747,785	4,205,702	MORROW	2,331,703	1,386,109	252,406	3,970,218
COLUMBIANA	2,331,703	1,623,027	1,607,892	5,562,621	MUSKINGUM	2,331,703	2,203,222	1,102,068	5,636,992
COSHOCTON	2,331,703	1,905,900	544,058	4,781,661	NOBLE	2,331,703	1,299,477	103,189	3,734,369
CRAWFORD	2,331,703	1,386,109	996,919	4,714,731	OTTAWA	2,331,703	1,039,582	602,570	3,973,854
CUYAHOGA	2,331,703	189,677	36,710,150	39,231,529	PAULDING	2,331,703	1,039,582	307,451	3,678,735
DARKE	2,331,703	1,741,885	951,677	5,025,264	PERRY	2,331,703	1,212,845	426,398	3,970,946
DEFIANCE	2,331,703	1,039,582	738,579	4,109,863	PICKAWAY	2,331,703	1,299,477	788,360	4,419,540
DELAWARE	2,331,703	1,792,948	1,694,667	5,819,318	PIKE	2,331,703	1,212,845	231,621	3,776,170
ERIE	2,331,703	814,233	1,709,983	4,855,919	PORTAGE	2,331,703	1,608,337	2,366,550	6,306,589
FAIRFIELD	2,331,703	1,283,310	2,149,599	5,764,613	PREBLE	2,331,703	1,039,582	703,913	4,075,198
FAYETTE	2,331,703	866,318	522,733	3,720,754	PUTNAM	2,331,703	1,299,477	642,530	4,273,710
FRANKLIN	2,331,703	1,588,435	35,309,555	39,229,693	RICHLAND	2,331,703	1,623,905	2,565,852	6,521,460
FULTON	2,331,703	1,052,296	783,535	4,167,534	ROSS	2,331,703	1,418,961	963,312	4,713,976
GALLIA	2,331,703	1,300,790	200,358	3,832,851	SANDUSKY	2,331,703	1,051,988	1,031,986	4,415,678
GEAUGA	2,331,703	1,531,128	496,980	4,359,811	SCIOTO	2,331,703	1,418,328	809,354	4,559,385
GREENE	2,331,703	1,066,515	3,940,706	7,338,924	SENECA	2,331,703	1,299,477	1,191,146	4,822,326
GUERNSEY	2,331,703	1,646,890	529,082	4,507,675	SHELBY	2,331,703	1,212,845	1,074,873	4,619,421
HAMILTON	2,331,703	2,036,182	15,891,619	20,259,504	STARK	2,331,703	2,387,581	5,555,595	10,274,879
HANCOCK	2,331,703	1,486,866	1,777,926	5,596,495	SUMMIT	2,331,703	973,612	14,702,597	18,007,912
HARDIN	2,331,703	1,299,477	544,369	4,175,549	TRUMBULL	2,331,703	2,285,510	3,414,070	8,031,284
HARRISON	2,331,703	1,299,477	269,040	3,900,220	TUSCARAWAS	2,331,703	1,913,894	2,029,085	6,274,681
HENRY	2,331,703	1,126,214	564,287	4,022,203	UNION	2,331,703	1,214,041	782,721	4,328,465
HIGHLAND	2,331,703	1,477,318	476,255	4,285,276	VAN WERT	2,331,703	1,039,582	514,017	3,885,301
HOCKING	2,331,703	962,426	278,446	3,572,576	VINTON	2,331,703	1,039,582	116,472	3,487,757
HOLMES	2,331,703	1,212,845	187,173	3,731,721	WARREN	2,331,703	1,280,861	3,182,672	6,795,237
HURON	2,331,703	1,646,004	1,349,584	5,327,291	WASHINGTON	2,331,703	1,917,326	868,731	5,117,760
JACKSON	2,331,703	1,039,582	485,546	3,856,831	WAYNE	2,331,703	1,407,925	1,971,494	5,711,122
JEFFERSON	2,331,703	1,232,122	1,298,425	4,862,250	WILLIAMS	2,331,703	1,039,582	754,718	4,126,002
KNOX	2,331,703	1,916,937	710,386	4,959,026	WOOD	2,331,703	1,734,822	2,543,161	6,609,686
LAKE	2,331,703	587,338	6,053,402	8,972,443	WYANDOT	2,331,703	1,126,214	507,196	3,965,112
LAWRENCE	2,331,703	1,253,606	720,273	4,305,582					
LICKING	2,331,703	2,209,388	3,170,916	7,712,006	<b>TOTAL</b>	<b>\$205,189,856</b>	<b>\$120,134,987</b>	<b>\$238,256,535</b>	<b>\$563,581,379</b>

Source: Records of the Department of Taxation.