

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 fuel tax is actually composed of five separate levies: three levies of two cents each; one levy of one cent; and a cents per gallon rate. The cents per gallon rate in effect is 15 cents per gallon, and the total of the excise tax rates is 22 cents per gallon.

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, .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. The remaining fuel tax receipts are distributed in approximately the following proportions: 75 percent to the state, 10.7 percent to municipalities, 9.3 percent to counties and 5 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 Use tax is imposed on operators of commercial vehicles with three or more axles, for fuel consumed in Ohio, at 25 cents per gallon (the 22 cents per gallon excise tax and a 3-cent surtax).

Motor vehicle fuel wholesale dealers, rather than retailers, remit the tax. In Fiscal Year 2002, the reported Motor Fuel tax net collections totaled \$1,410.2 million, after refunds.

TAX BASE (R.C. 5735.06):

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

RATES:

Ohio R.C. Section	Tax Rate Per Gallon
5735.30	1.0 cent
5735.05	2.0 cents
5735.25	2.0 cents
5735.29	2.0 cents
5735.05*	15.0 cents
Total Rate Per Gallon	22.0 cents

* Cents per gallon rate – see description under Special Provisions.

DEDUCTIONS, REFUNDS, AND CREDITS:

1. Dealers may claim the following deductions from their reported gallonage (see R.C. 5735.05 and 5735.06):

- 1) 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;
- 2) Sales of motor fuel by licensed wholesale dealers to other licensed wholesale dealers;
- 3) Export of motor fuel to other states or foreign countries;
- 4) Sales of motor fuel for exclusive use of the United States government or its agencies;
- 5) Sales of motor fuel that is in the process of transportation in either interstate or foreign commerce;
- 6) Sales of motor fuel to be used exclusively for the propulsion of aircraft;
- 7) 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 two percent on motor fuel sold to a retailer. The retailer is entitled to one percent; and
- 8) Sales of motor fuel for use in vessels if such use would otherwise qualify for a refund under section 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 (R.C. 5735.13, 5735.14, 5735.141, 5735.142, 5735.18):

- 1) 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 intraplant operations;
- 2) 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;
- 3) Motor fuel used for cleaning or dyeing;
- 4) Motor fuel used by local transit systems except for the one-cent bond retirement levy;
- 5) Motor fuel used in aircraft;
- 6) One percent of the Motor Fuel tax paid on fuel purchased by retailers to cover losses from shrinkage and evaporation;
- 7) Motor fuel lost or destroyed through theft, fire, explosion, lightning, and other natural disasters; and
- 8) 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.

TAXPAYER (R.C. 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 and 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.

SPECIAL PROVISIONS:

1. Fuel Use Tax (R.C. 5735.31): 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. 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 3 cents per gallon Fuel Use tax 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. Persons who were liable for the Highway Use tax must now pay the 3 cents per gallon Fuel Use tax on fuel used in Ohio (in addition to the 22 cents per gallon Motor Vehicle Fuel tax).
3. In Fiscal Year 2002, \$74.7 million was collected from the Fuel Use tax and was distributed in the same manner and to the same funds as the Highway Use tax.

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).

The remainder is distributed as follows:

- 1) 2 cents per gallon** (R.C. 5735.05, 5735.23):
 - 2/17 of \$100,000 is 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 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) 2 cents per gallon** (R.C. 5735.29, 5735.291):
 - 100 percent to the state for highway bond retirement funds, as long as required; thereafter, 100 percent to the state highway operating fund.
- 4) 1 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 cent of the cents per gallon rate 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;^

**Table 1
Distributions of Motor Fuel Tax, Fiscal Year 2002**

Distribution	Dollar Amount	Percentage
Highway Operating Fund	\$825,945,837	59.7%
Local Transportation Improvement Program Fund	62,490,173	4.5%
Highway Bond Retirement	151,160,349	10.9%
For Distribution to Municipalities	139,768,521	10.1%
For Distribution to Counties	121,358,966	8.8%
For Distribution to Townships	65,281,872	4.7%
Other*	<u>17,324,606</u>	<u>1.3%</u>
Total	\$1,383,330,324	100.0%

*Includes Grade Crossing Fund, Waterway Safety Fund, Wildlife Boater Angler Fund and amounts distributed to Ohio Turnpike Commission.

Note: This table is based on amounts reported in the June 2002 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.

- 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.

OHIO REVISED CODE CITATIONS:

Chapters 5728 and 5735.

RECENT LEGISLATION:

Amended Substitute House Bill 94; Effective September 6, 2001 (Biennial Budget Bill).

R.C. 5728.08, 5735.08, 5735.06 –

Effective January 1, 2003 – Transfers tax payment functions previously assigned to the Treasurer of State to the Tax Commissioner.

Substitute House Bill 73; Effective July 1, 2001.

R.C. 5735.051 –

Increases from 0.75 percent to 0.875 percent the proportion of Motor Vehicle Fuel tax that is allocated to the Waterways Safety Fund. Allocates 0.125 percent of the Motor Vehicle Fuel tax to the Wildlife Boater Angler Fund.

**House Bill 612; Effective September 29, 2000.
 R.C. 5728.02 and 5728.03 –**

Eliminates the two dollar fee for Fuel Use and International Fuel Tax Agreement permits.

R.C. 5728.08 –

Extends the Fuel Use tax annual option to all taxpayers whose liability does not warrant quarterly filing.

R.C. 5735.05 –

Creates an exemption for the sale of motor fuel for use in certain vessels if such use would otherwise qualify for a refund under R.C. 5735.14.

R.C. 5735.01 –

Changes the point of taxation for ethanol to be the same as gasoline.

R.C. 5735.012 –

Requires the reporting of gross gallons.

R.C. 5735.14, 5735.141, 5735.142, and 5735.18 –

Extends the time limitation to file refund claims.

House Bill 163; Effective July 1, 1999.

R.C. 5735.051 –

Increases from 0.5 percent to 0.75 percent the proportion of Motor Vehicle Fuel tax that is allocated to the Waterways Safety Fund.

**Table 2
 Motor Vehicle Fuel Tax Gross Collections Reported on Tax Returns,
 Refunds and Net Tax After Refunds,
 Fiscal Years 1998-2002**

Fiscal Year	Gross Collections	Refunds	Net Tax After Refunds
1998	\$ 1,389,413,134	\$26,184,883	\$1,363,228,251
1999	1,424,124,333	17,380,990	1,406,743,343
2000	1,442,523,096	14,567,193	1,427,955,903
2001	1,431,047,864	18,469,543	1,412,578,321
2002	1,431,155,848	20,966,674	1,410,189,174

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

**Table 3
 Taxable Gallons of Motor Vehicle Fuel,
 Fiscal Years 1998-2002**

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Gasoline	4,954,771,731	5,046,826,237	5,081,430,735	5,037,369,959	5,095,295,036
Special Fuels*	1,355,026,467	1,430,921,397	1,472,626,579	1,468,433,330	1,416,257,268
Total	6,309,798,198	6,477,747,634	6,554,057,314	6,505,803,289	6,511,552,304

*Fuels other than gasoline 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 2001**

County	Amount Distributed To:				County	Amount Distributed To:			
	Total*	County	Townships	Municipalities		Total*	County	Townships	Municipalities
Adams	\$2,318,758	\$1,385,531	\$751,936	\$181,291	Logan	\$2,721,568	\$1,385,531	\$852,195	\$483,842
Allen	3,173,162	1,385,531	601,549	1,186,082	Lorain	6,455,770	1,385,531	902,324	4,167,915
Ashland	2,681,270	1,385,531	751,936	543,803	Lucas	8,659,147	1,385,531	551,420	6,722,196
Ashtabula	3,772,453	1,385,531	1,353,485	1,033,436	Madison	2,512,787	1,385,531	701,807	425,448
Athens	2,449,108	1,385,531	701,807	361,770	Mahoning	4,298,764	1,385,531	701,807	2,211,425
Auglaize	2,669,275	1,385,531	701,807	581,937	Marion	2,995,164	1,385,531	751,936	857,697
Belmont	2,869,391	1,385,531	802,065	681,795	Medina	3,978,631	1,385,531	852,195	1,740,905
Brown	2,500,106	1,385,531	802,065	312,509	Meigs	2,128,807	1,385,531	601,549	141,727
Butler	5,384,133	1,385,531	651,678	3,346,924	Mercer	2,555,844	1,385,531	701,807	468,506
Carroll	2,214,870	1,385,531	701,807	127,532	Miami	3,424,690	1,385,531	601,549	1,437,610
Champaign	2,361,819	1,385,531	601,549	374,739	Monroe	2,380,369	1,385,531	902,324	92,514
Clark	3,175,180	1,385,531	501,291	1,288,358	Montgomery	10,252,996	1,385,531	451,162	8,416,304
Clermont	2,544,193	1,385,531	701,807	456,855	Morgan	2,160,603	1,385,531	701,807	73,265
Clinton	2,584,237	1,385,531	651,678	547,028	Morrow	2,343,454	1,385,531	802,065	155,858
Columbiana	3,302,364	1,385,531	902,324	1,014,509	Muskingum	3,330,955	1,385,531	1,253,227	692,197
Coshocton	2,840,463	1,385,531	1,102,840	352,092	Noble	2,203,258	1,385,531	751,936	65,791
Crawford	2,817,296	1,385,531	802,065	629,699	Ottawa	2,370,945	1,385,531	601,549	383,864
Cuyahoga	23,685,207	1,385,531	100,258	22,199,418	Paulding	2,182,282	1,385,531	601,549	195,202
Darke	2,964,994	1,385,531	1,002,582	576,881	Perry	2,352,351	1,385,531	701,807	265,013
Defiance	2,434,729	1,385,531	601,549	447,649	Pickaway	2,594,517	1,385,531	751,936	457,049
Delaware	3,066,073	1,385,531	902,324	778,218	Pike	2,232,786	1,385,531	701,807	145,448
Erie	2,891,541	1,385,531	451,162	1,054,848	Portage	3,656,041	1,385,531	902,324	1,368,186
Fairfield	3,206,171	1,385,531	651,678	1,168,962	Preble	2,441,068	1,385,531	601,549	453,988
Fayette	2,203,832	1,385,531	501,291	317,010	Putnam	2,493,787	1,385,531	751,936	356,319
Franklin	21,512,282	1,385,531	852,195	19,274,556	Richland	3,920,342	1,385,531	902,324	1,632,487
Fulton	2,438,762	1,385,531	601,549	451,682	Ross	2,777,773	1,385,531	802,065	590,176
Gallia	2,268,343	1,385,531	751,936	130,875	Sandusky	2,614,717	1,385,531	601,549	627,637
Geauga	2,491,908	1,385,531	802,065	304,311	Scioto	2,671,970	1,385,531	802,065	484,374
Greene	4,109,190	1,385,531	601,549	2,122,110	Seneca	2,896,798	1,385,531	751,936	759,331
Guernsey	2,651,737	1,385,531	952,453	313,753	Shelby	2,725,404	1,385,531	701,807	638,066
Hamilton	11,464,944	1,385,531	601,549	9,477,864	Stark	5,882,363	1,385,531	852,195	3,644,637
Hancock	3,264,691	1,385,531	852,195	1,026,966	Summit	10,398,736	1,385,531	501,291	8,511,914
Hardin	2,482,323	1,385,531	751,936	344,855	Trumbull	4,680,859	1,385,531	1,203,098	2,092,230
Harrison	2,287,766	1,385,531	751,936	150,299	Tuscarawas	3,667,944	1,385,531	1,102,840	1,179,573
Henry	2,370,273	1,385,531	651,678	333,064	Union	2,469,465	1,385,531	701,807	382,126
Highland	2,540,407	1,385,531	852,195	302,681	Van Wert	2,304,459	1,385,531	601,549	317,378
Hocking	2,107,741	1,385,531	551,420	170,790	Vinton	2,069,002	1,385,531	601,549	81,922
Holmes	2,202,318	1,385,531	701,807	114,980	Warren	3,589,902	1,385,531	551,420	1,652,951
Huron	3,141,689	1,385,531	952,453	803,705	Washington	2,999,007	1,385,531	1,102,840	510,636
Jackson	2,280,731	1,385,531	601,549	293,651	Wayne	3,362,641	1,385,531	802,065	1,175,044
Jefferson	2,903,845	1,385,531	701,807	816,507	Williams	2,437,444	1,385,531	601,549	450,364
Knox	2,909,438	1,385,531	1,102,840	421,067	Wood	3,745,940	1,385,531	952,453	1,407,956
Lake	5,163,740	1,385,531	250,645	3,527,564	Wyandot	<u>2,323,646</u>	<u>1,385,531</u>	<u>651,678</u>	<u>286,437</u>
Lawrence	2,508,920	1,385,531	701,807	421,582					
Licking	4,482,443	1,385,531	1,253,227	1,843,685	Total*	\$327,959,108	\$121,926,727	\$65,618,979	\$140,413,402

* County total may not add due to rounding.