

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 52 (Delegate Montgomery)
Ways and Means

Transportation - Motor Fuel Tax - Special Fuel - Exemption

This bill expands the motor fuel tax exemption on special fuel for a person whose cumulative storage for special fuel does not exceed 100 gallons.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: Significant decrease in Motor Fuel Tax (MFT) revenues. A majority of diesel-fueled automobiles and trucks could be exempt from the motor fuel tax, which would result in a significant decrease in State revenues.

Local Effect: Potential minimal.

Small Business Effect: To the extent the bill acts as an incentive for waste products such as vegetable oil to be used as a vehicle fuel source, restaurants with these waste products may benefit. Purveyors of waste removal services may incur a negative business impact.

Analysis

Current Law: Chapter 6 of the 2007 special session altered the statutory distributions of the MFT. MFT revenues are distributed as follows:

- reserves would be set aside for refunds relating to the motor fuel and motor carrier taxes;

- a proportionate share of the cost to administer the Motor Fuel Tax Bureau within the Comptroller's Office would be distributed to an administrative cost account;
- the net proceeds of the aviation fuel tax (receipts less refunds) would be credited to the Transportation Trust Fund (TTF);
- fuel tax revenues that are attributable to the portion of the rate that exceeds 18.5 cents per gallon would be distributed to the Gasoline and Motor Vehicle Revenue Account (GMVRA); and
- the remainder would be distributed as follows:
 - 2.3% to the Chesapeake Bay 2010 Trust Fund; and
 - the remainder to the GMVRA.

The MFT is based on the gallons of fuel purchased, plus or minus adjustments (stock loss or gain, temperature adjustments), or fuel consumed less an allowable cost of collection. The following persons are subject to the MFT:

- licensed dealers that import gasoline or aviation fuel into Maryland, or purchase such fuel in Maryland for sale or redistribution at wholesale (under certain conditions);
- licensed special fuel sellers that sell any special fuel on which the motor fuel tax has not been paid; and
- licensed special fuel users that purchase special fuel for use in a motor vehicle.

Motor fuels include gasoline and special fuels. Diesel fuel is a special fuel. An exemption to the MFT applies to special fuels sold for off-road use (*e.g.*, boats, tractors, road graders).

Background: Rural farms and other operations with off-road equipment maintain storage tanks filled with special fuel for their equipment. These operations usually maintain between 750 to 1,000 gallons of fuel on-site in storage tanks. This legislation provides an exemption to the MFT on special fuel for a person whose cumulative storage for special fuel does not exceed 100 gallons. Most diesel fuel automobile and truck gas tank capacities do not exceed 100 gallons. Diesel fuel is a special fuel.

State Fiscal Effects: The Comptroller reports that \$123.1 million in diesel fuel motor taxes were collected in fiscal 2007. The Department of Legislative Services (DLS) advises that a majority of private diesel vehicle owners could be eligible for the exemption from the MFT. The actual stock of vehicles with tank capacities under and above 100 gallons cannot be reliably determined at this time. DLS advises that a

majority of diesel-fueled automobiles and trucks could be exempt from the motor fuel tax, which would result in a significant decrease in State MFT revenues.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Maryland Department of Environment, Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - January 28, 2008
mcp/hlb

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