



## Motor Vehicle Fuel and Use Tax

**A**n excise tax applies to all dealers of 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 composed of five separate levies, each subject to a different distribution formula. The Ohio Constitution requires that revenue from the tax be used only for highway construction, traffic enforcement and certain other activities.

Motor vehicle fuel wholesale dealers remit the tax. In FY 2015, the reported net motor fuel tax collections totaled approximately \$1,800.6 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 2015 was 28 cents per gallon with collections after refunds of approximately \$35.1 million.

### 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 composed of five separate levies. All are measured in cents per gallon, but one levy in particular – the largest 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 as follows:

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 by 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)

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, which has been extended through fiscal year 2015 by House Bill 51 of the 130th General Assembly:

- 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.

**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 or 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, exempted village, 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 fuel.

## Special Provision

### Fuel Use Tax (Chapter 5728)

The Ohio motor vehicle fuel use tax of 28 cents per gallon is imposed on heavy trucks on the amount of motor fuel consumed in Ohio that was purchased outside of Ohio. A refund or credit is allowed for the tax on fuel purchased in Ohio for use in another state, provided the other state imposes a tax on such fuel and allows a similar credit or refund. During fiscal year 2015, \$35.1 million was collected from the fuel use tax and dedicated to the Highway Operating Fund.

### Liquid Natural Gas (R.C. 5735.013)

Unlike other forms of motor fuel that are taxed on a per-gallon basis, the tax on liquid natural gas is measured

in pounds. A conversion method of finding a gallon-equivalent standard is set to either (a) the diesel gallon-equivalent standard for liquid natural gas adopted by the National Conference on Weights and Measurers or (b) if no such standard has been adopted, 6.06 pounds of liquid natural gas.

## Filing and Payment Dates

(R.C. 5735.06)

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

## 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 percent of the motor fuel tax received for the preceding calendar month to the state Highway Operating Fund. After the Highway Operating 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 is distributed as follows:

- \$100,000 is transferred monthly to the Grade Crossing Fund; this levy contributes 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>2</sup>;
- 25 percent to all counties in equal amounts<sup>2</sup>;
- 45 percent to the state.

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

**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>2</sup>;
- 17.5 percent to all townships in equal amounts<sup>2</sup>;
- 7.5 percent to municipalities in proportion to their motor vehicle registrations<sup>2</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
- 20.0 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 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<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 Tax Commissioner administers the motor vehicle fuel excise tax and the motor fuel use tax.

### Ohio Revised Code Citations

Chapters 5728 and 5735.

### Recent Legislation

#### House Bill 51, 130th General Assembly

**Shrinkage Allowance** – Extends through the FY 2014–15 biennium the existing reductions in motor fuel dealers prompt payment and shrinkage allowances that applied during FY 2008–FY 2013. (Temporary Law Sec. 757.10)

#### House Bill 59, 130th General Assembly

**Motor Fuel Excise Tax on Liquid Natural Gas** – Previously, the tax on liquid natural gas was measured in gallons (like all other motor fuel). Effective from Jan. 1, 2014, the tax on liquid natural gas must be measured in pounds. The law provides for a conversion process.

**Township Use of Motor Fuel Tax Revenue** – Allowed townships receiving motor fuel distributions to use the revenue to pay debt service on bonds issued to finance the purchase of road machinery and equipment, the planning, construction and maintenance of buildings that house such machinery and equipment and any highway improvement project for which the township is authorized to issue bonds.

**Electronic Filing** - Required electronic payments and provided for penalties for failure to do so.

**Exporter License** - Consolidated the two different types of exporters’ licenses.

### History of Major Changes

1925	2 cents per gallon tax enacted.	2 cents
1927	1 cent increase	3 cents
1929	1 cent increase	4 cents
1933	1 cent decrease	3 cents
1947	1 cent increase	4 cents
1953	1 cent increase	5 cents
1959	2 cent increase	7 cents
1981	3.3 cent increase, Ohio Motor Vehicle Use Tax becomes effective July 1, 1980.	10.3 cents
1982	1.4 cent increase	11.7 cents
1983	0.3 cent increase	12 cents
1987	2.7 cent increase	14.7 cents
1988	0.1 cent increase	14.8 cents
1989	3.2 cent increase	18 cents
1990	2 cent increase	20 cents
1991	1 cent increase	21 cents
1993	1 cent increase	22 cents
1995	Ohio joins the International Fuel Tax Agreement (IFTA) <sup>1</sup>	
2003	2 cent increase	24 cents
2004	2 cent increase	26 cents
2005	2 cent increase	28 cents

<sup>1</sup> IFTA is a pact between the lower 48 states and Canadian provinces that simplifies the reporting of fuel taxes by carriers operating in more than one of these jurisdictions. IFTA is administered by the International Fuel Tax Association, an Arizona non-profit corporation. IFTA audits are conducted for Ohio by the Ohio Department of Taxation.

## Comparisons with Other States

(As of July 1, 2015)

Unless noted, the motor vehicle fuel tax rates listed in this table do not reflect the application of sales tax or local permissive motor fuel taxes. Rates listed include all other applicable state taxes, fees and levies.

Tax Rates (cents per gallon)			
State	Gasoline	Diesel	Sales Tax Applicable?
Georgia	26	29	No
Indiana	18	16 <sup>1</sup>	Yes
Kentucky	26	24.6	No
Michigan	19	15	Yes
North Carolina	36.25	36.25	No
Pennsylvania	50.5	64.2	No
Tennessee	21.4	18.4	No
Texas	20	20	No
West Virginia	34.6	34.6	No

<sup>1</sup> An 11 cents per gallon surcharge applies to the in-state consumption of motor fuel by commercial carriers.

Table 1			
Motor Vehicle Fuel Tax Collections (dollars in millions), Fiscal Years 2011-2015			
Fiscal Year	Gross Collections	Refunds	Net Tax After Refunds
2011	\$1,775.8	\$18.6	\$1,757.2
2012	1,702.2	18.0	1,684.2
2013	1,742.7	17.7	1,725.0
2014	1,844.8	19.3	1,825.5
2015	1,822.1	21.5	1,800.6

Source: Ohio Office of Budget and Management financial reports.

Table 2			
Motor Vehicle Fuel Use Tax Collections (dollars in millions) Fiscal Years 2011-2015			
Fiscal Year	Gross Collections	Refunds	Net Tax After Refunds
2011	\$32.9	\$0.5	\$32.4
2012	31.7	0.5	31.2
2013	32.7	0.6	32.1
2014	35.2	0.5	34.7
2015	35.9	0.8	35.1

Source: Ohio Department of Taxation records. Table reflects revisions to prior year data.

<b>Table 3</b>					
<b>Taxable Gallons of Motor Vehicle Fuel, Fiscal Years 2011-2015</b>					
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Gasoline	4,988,781,906	4,969,895,959	4,949,476,989	4,947,722,865	5,064,778,689
Diesel <sup>1</sup>			1,526,316,825	1,564,749,514	1,602,376,815
Special Fuels <sup>2</sup>	1,491,098,136	1,533,844,630	4,386,730	6,648,367	11,508,854
<b>Totals</b>	<b>6,479,880,042</b>	<b>6,503,740,589</b>	<b>6,480,180,544</b>	<b>6,519,120,746</b>	<b>6,678,664,358</b>
Source: Ohio Department of Taxation records. Table reflects revisions to prior year data.					
<sup>1</sup> Diesel reported as special fuels prior to FY 2013.					
<sup>2</sup> Includes kerosene, biodiesel, and propane fuel used to operate motor vehicles on public highways and waterways.					

County Name	County	Municipalities	Townships	Total	County Name	County	Municipalities	Townships	Total
ADAMS	\$2,334,894	\$276,895	\$1,300,707	\$3,912,496	LOGAN	\$2,334,894	\$793,266	\$1,474,836	\$4,602,996
ALLEN	2,334,894	1,653,811	1,157,577	5,146,282	LORAIN	2,334,894	7,622,085	1,583,948	11,540,927
ASHLAND	2,334,894	923,204	1,300,707	4,558,805	LUCAS	2,334,894	10,491,432	1,211,746	14,038,072
ASHTABULA	2,334,894	1,637,992	2,348,986	6,321,871	MADISON	2,334,894	701,079	1,213,994	4,249,966
ATHENS	2,334,894	614,003	1,224,120	4,173,017	MAHONING	2,334,894	3,151,206	1,627,315	7,113,414
AUGLAIZE	2,334,894	1,080,455	1,213,994	4,629,343	MARION	2,334,894	1,194,862	1,304,412	4,834,168
BELMONT	2,334,894	1,133,036	1,423,878	4,891,807	MEDINA	2,334,894	3,069,919	1,559,962	6,964,774
BROWN	2,334,894	460,273	1,387,421	4,182,588	MEIGS	2,334,894	197,905	1,040,566	3,573,365
BUTLER	2,334,894	6,137,497	1,714,137	10,186,528	MERCER	2,334,894	849,023	1,213,994	4,397,910
CARROLL	2,334,894	198,382	1,221,165	3,754,441	MIAMI	2,334,894	2,397,539	1,047,022	5,779,454
CHAMPAIGN	2,334,894	602,960	1,040,566	3,978,419	MONROE	2,334,894	151,866	1,560,849	4,047,608
CLARK	2,334,894	2,118,381	1,020,450	5,473,725	MONTGOMERY	2,334,894	13,657,574	1,141,015	17,133,482
CLERMONT	2,334,894	791,380	1,760,398	4,886,672	MORGAN	2,334,894	102,625	1,213,994	3,651,512
CLINTON	2,334,894	696,159	1,127,280	4,158,332	MORROW	2,334,894	248,052	1,387,421	3,970,367
COLUMBIANA	2,334,894	1,591,808	1,616,862	5,543,563	MUSKINGUM	2,334,894	1,108,916	2,202,139	5,645,949
COSHOCTON	2,334,894	533,354	1,907,704	4,775,952	NOBLE	2,334,894	103,088	1,300,707	3,738,689
CRAWFORD	2,334,894	961,899	1,387,421	4,684,214	OTTAWA	2,334,894	583,720	1,040,566	3,959,180
CUYAHOGA	2,334,894	36,420,480	190,853	38,946,226	PAULDING	2,334,894	302,271	1,040,566	3,677,731
DARKE	2,334,894	939,788	1,742,076	5,016,757	PERRY	2,334,894	394,827	1,213,994	3,943,714
DEFIANCE	2,334,894	746,838	1,040,566	4,122,297	PICKAWAY	2,334,894	802,090	1,300,707	4,437,691
DELAWARE	2,334,894	1,795,967	1,823,128	5,953,988	PIKE	2,334,894	218,386	1,213,994	3,767,273
ERIE	2,334,894	1,707,155	813,272	4,855,320	PORTAGE	2,334,894	2,309,998	1,609,358	6,254,250
FAIRFIELD	2,334,894	2,247,771	1,282,928	5,865,592	PREBLE	2,334,894	657,778	1,040,566	4,033,238
FAYETTE	2,334,894	534,437	867,138	3,736,469	PUTNAM	2,334,894	653,920	1,300,707	4,289,521
FRANKLIN	2,334,894	36,019,656	1,584,652	39,939,202	RICHLAND	2,334,894	2,524,296	1,613,372	6,472,561
FULTON	2,334,894	785,146	1,051,621	4,171,660	ROSS	2,334,894	932,502	1,418,347	4,685,742
GALLIA	2,334,894	169,920	1,301,762	3,806,576	SANDUSKY	2,334,894	1,021,063	1,052,585	4,408,542
GEAUGA	2,334,894	888,340	1,519,052	4,742,286	SCIOTO	2,334,894	683,868	1,417,802	4,436,564
GREENE	2,334,894	4,063,662	1,070,808	7,469,364	SENECA	2,334,894	1,217,823	1,300,707	4,853,423
GUERNSEY	2,334,894	529,033	1,648,498	4,512,424	SHELBY	2,334,894	1,045,952	1,213,994	4,594,839
HAMILTON	2,334,894	16,177,052	1,991,707	20,503,652	STARK	2,334,894	5,631,944	2,341,729	10,308,567
HANCOCK	2,334,894	1,769,884	1,486,989	5,591,766	SUMMIT	2,334,894	14,754,123	956,612	18,045,628
HARDIN	2,334,894	553,858	1,300,707	4,189,459	TRUMBULL	2,334,894	3,319,250	2,260,138	7,914,281
HARRISON	2,334,894	265,725	1,300,707	3,901,326	TUSCARAWAS	2,334,894	2,051,353	1,916,698	6,302,945
HENRY	2,334,894	544,851	1,127,280	4,007,024	UNION	2,334,894	823,088	1,213,994	4,371,975
HIGHLAND	2,334,894	461,729	1,477,958	4,274,581	VAN WERT	2,334,894	511,015	1,040,566	3,886,475
HOCKING	2,334,894	287,374	961,939	3,584,206	VINTON	2,334,894	106,635	1,040,566	3,482,095
HOLMES	2,334,894	177,998	1,213,994	3,726,885	WARREN	2,334,894	3,352,282	1,316,749	7,003,925
HURON	2,334,894	1,355,617	1,647,563	5,338,073	WASHINGTON	2,334,894	836,088	1,919,120	5,090,101
JACKSON	2,334,894	467,252	1,040,566	3,842,712	WAYNE	2,334,894	1,931,109	1,408,545	5,674,548
JEFFERSON	2,334,894	1,242,951	1,229,556	4,807,400	WILLIAMS	2,334,894	736,974	1,040,566	4,112,434
KNOX	2,334,894	712,990	1,918,699	4,966,583	WOOD	2,334,894	2,638,039	1,726,482	6,699,415
LAKE	2,334,894	6,024,229	579,695	8,938,817	WYANDOT	2,334,894	497,108	1,127,280	3,959,282
LAWRENCE	2,334,894	700,770	1,255,700	4,291,364					
LICKING	2,334,894	3,181,309	2,214,714	7,730,916	<b>TOTALS</b>	<b>\$205,470,628</b>	<b>\$238,561,214</b>	<b>\$120,007,731</b>	<b>\$564,039,573</b>