

## Motor Fuel Taxes

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January 25, 2018 | 2018-R-0054

### Issue

Briefly explain the Connecticut taxes that apply to motor fuels (gasoline, gasohol, and diesel) and how the rates have changed since 1990. How much revenue do they raise and how do they compare to similar taxes in other states?

### Summary

Connecticut has two taxes that generally apply to motor fuels: the motor vehicle fuels tax and the petroleum products gross earnings tax (known as PGET). Motor fuels sold for use in motor vehicles are exempt from the sales and use tax ([CGS § 12-412 \(15\)](#)).

The motor vehicle fuels tax is a per-gallon excise tax that applies to sales of gasoline, gasohol, and diesel, among other fuels. The current fuel tax rate on gasoline and gasohol is 25 cents per gallon; the rate has ranged from 22 to 39 cents per gallon since 1990. It has been 25 cents per gallon since 2000 (for gasoline) and 2004 (for gasohol). The FY 18 rate for diesel fuel is 41.7 cents per gallon. It ranged from 18 to 37 cents per gallon from 1990 to 2008. Since 2008, the diesel rate has consisted of a flat rate and an annually-adjusted variable rate. In FY 17, the state collected \$484.5 million in motor vehicle fuels tax revenue.

PGET is charged on the gross earnings of companies who distribute petroleum products in Connecticut. The tax is 8.1% of the revenue from the initial sale of petroleum products, which typically occurs at the wholesale level. It applies to sales of gasoline and gasohol, but diesel sales are generally exempt. (However, the PGET rate is a factor in the calculation of the fuel excise tax

rate for diesel.) Taxable gross earnings from first sales of gasoline and gasohol, but not other taxable petroleum products, are limited to the first \$3 per gallon. The PGET rate has ranged from 3% to 8.1% since 1990. In FY 17, the state collected \$238.4 million in PGET revenue.

According to the American Petroleum Institute, total motor fuel state taxes in Connecticut equal 39.3 cents per gallon of gasoline and 41.7 cents per gallon of diesel, making it the ninth highest among all states in total state taxes.

## Motor Vehicle Fuels Tax

Motor fuel used or sold in Connecticut, including gasoline, diesel, and gasohol, is subject to the motor vehicle fuels excise tax ([CGS § 12-458](#)). (The tax also applies to propane and natural gas at different rates.) Fuel distributors pay the tax on a monthly basis. Distributors include any person who (1) distributes fuel by tank wagon in the state; (2) imports fuel into the state; or (3) produces, refines, manufactures, or compounds fuel in the state ([CGS § 12-455a](#)).

### *Tax Rate*

*Gasoline and Gasohol.* The current fuel tax rate for gasoline and gasohol is 25 cents per gallon. Table 1 shows gasoline fuel tax rate changes since 1990. Over the same period of time, the gasohol rate was generally one cent less than the gasoline rate, until July 1, 2004 when the gasohol rate increased from 24 to 25 cents ([CGS § 12-458\(a\)\(2\)\(B\)](#)).

**Table 1. Gasoline Tax Rate Changes Since 1990 (cents per gallon)**

Effective Date	Rate	Effective Date	Rate	Effective Date	Rate
7/1/90	22	7/1/94	31	10/1/96	38
7/1/91	23	1/1/95	32	1/1/97	39
9/1/91	25	7/1/95	33	7/1/97	36
1/1/92	26	10/1/95	34	7/1/98	32
1/1/93	28	1/1/96	35	7/1/00	25
7/1/93	29	4/1/96	36		
1/1/94	30	7/1/96	37		

Source: [Governor's Transportation Finance Panel Final Report](#)

*Diesel*. Since 2008, the diesel rate has had two components – a flat rate and a variable rate – which are added together to get the total rate. The flat rate is set in statute (currently at 29 cents), and the variable rate is recalculated by the Department of Revenue Services (DRS) every fiscal year ([CGS § 12-458h](#)). The variable rate is the product of the average wholesale per-gallon price of diesel for the prior year multiplied by the PGET rate in effect for the upcoming year starting every July 1. (Diesel fuel is generally exempt from PGET, see below.) The current (FY 18) variable rate is 12.7 cents, the same as it was in FY 17. In FY 16, the variable rate was 21.3 cents (see [DRS' Annual Report](#)).

Prior to 2008, diesel fuel was subject only to a flat rate set in statute. Table 2 shows the changes to the flat rate since 1990.

**Table 2. Diesel Rate Changes Since 1990 (cents per gallon)**

Effective Date	Rate
7/1/90	22
7/1/91	23
9/1/91	18
8/1/02	26
7/1/07	37
7/1/08	26 + variable rate
7/1/11	29 + variable rate

Source: CGS [§ 12-458](#) & [§ 12-458h](#)

## *Revenue*

Table 3 provides the total revenue collected from the motor vehicle fuels tax in the past five fiscal years. Revenue from the tax goes to the Special Transportation Fund (STF).

**Table 3. Motor Vehicle Fuel Tax Revenue, FYs 13-17**

FY	Revenue (\$)
17	484,479,311
16	501,599,299
15	497,541,459
14	488,751,204
13	483,880,877

Source: [DRS Annual Reports](#)

## Petroleum Products Gross Earnings Tax

Companies distributing products made from petroleum or a petroleum derivative in Connecticut are subject to PGET. The tax applies to the gross revenue from the first sale of a taxable petroleum product in the state, which generally occurs at the wholesale level. Gasoline and gasohol are taxable petroleum products, but diesel is generally exempt, unless it is sold for use in an electric generating facility. Taxable petroleum products also include, among other things, other types of fuel, such as aviation fuel and kerosene; greases; lubricants; mineral oils; and motor oils. Taxable gross earnings from first sales of gasoline and gasohol, but not other taxable petroleum products, are limited to the first \$3 per gallon ([CGS § 12-587](#)).

### *Tax Rate*

The current PGET rate is 8.1%. Table 4 provides the history of changes to the PGET rate since 1990.

**Table 4. PGET Rate Changes since 1990**

<b>Effective Date</b>	<b>Rate (%)</b>
7/1/90	3.0
10/1/91	5.0
7/1/05	5.8
7/1/06	6.3
7/1/07	7.0
7/1/13	8.1

Source: [CGS §12-587](#)

### *Revenue*

Table 5 provides the total revenue collected from PGET in the five most recent completed fiscal years. Since 2015, the law has required all PGET revenue to be deposited into the STF. Prior to that, the law specified an annual amount of PGET revenue to be transferred to the STF ([CGS § 13b-61a](#)). According to the Office of Fiscal Analysis, approximately 90% of PGET revenue is attributable to gasoline sales.

**Table 5. PGET Revenue, FYs 13-17**

FY	Revenue (\$)
17	238,354,213
16	250,170,373
15	337,903,492
14	416,109,657
13	374,925,895

Source: [DRS Annual Reports](#)

## 50-State Comparison

According to the [American Petroleum Institute](#) (API), as of January 2, 2018, the average state excise tax on motor fuel was 23.08 cents per gallon of gasoline and 22.9 cents per gallon of diesel fuel. The average total state tax (including other state taxes and fees) was 33.56 cents per gallon of gasoline and 35.36 cents per gallon of diesel fuel.

The tables below provide regional and individual state data for state taxes on gasoline (tables 6 and 7) and diesel (tables 8 and 9). The states and regions are listed in order from the highest total state taxes and fees to the lowest. The total state taxes and fees amount reflects the sum of the (1) state excise tax rate and (2) any other taxes charged on gasoline. Depending on the state, “other taxes” include, among other things, sales taxes, environmental fees, petroleum companies gross earnings taxes, and taxes imposed by counties or municipalities.

**Table 6. Average State Taxes on Gasoline, by Region (Cents per Gallon)**

Region	Excise Tax	Total State Taxes and Fees
West	37.64	46.40
Mid Atlantic	9.69	44.22
South Atlantic	18.70	33.08
Midwest	24.68	30.46
Northeast	24.70	30.21
Mountain	26.20	26.50
South	19.58	20.08

Source: [“State Motor Fuel Taxes.”](#) API

**Table 7. State Taxes on Gasoline (Cents per Gallon)**

	Excise	Total
Pennsylvania	0	58.7
California	41.7	53.49
Washington	49.4	49.4
Hawaii	17	46.03
New York	8.05	44.3
Michigan	26.3	42.38
Indiana	28	41.9
Florida	4	41.59
<b>Connecticut</b>	<b>25</b>	<b>39.3</b>
New Jersey	10.5	37.1
Oregon	34	36.77
West Virginia	20.5	35.7
North Carolina	35.1	35.35
Illinois	19	35.22
Rhode Island	33	34
Maryland	25.5	33.8
Nevada	23	33.52
Idaho	32	33
Wisconsin	30.9	32.9
Montana	31.5	32.25
Georgia	26.8	31.59
Vermont	12.1	30.72
Iowa	30.5	30.5
Maine	30	30.01
South Dakota	28	30
Utah	29.4	29.41
Nebraska	28.4	29.3
Minnesota	28.5	28.6
Ohio	28	28.01
Massachusetts	24	26.54
Kentucky	24.6	26
Tennessee	24	25.4
Kansas	24	24.03
Wyoming	23	24
New Hampshire	22.2	23.83
Delaware	23	23
North Dakota	23	23
Virginia	19.9	22.4
Colorado	22	22

Arkansa	21.5	21.8
Alabama	18.00	20.91
South Carolina	20	20.75
Louisiana	20	20.01
Texas	20	20
Arizona	18	19
New Mexico	17	18.88
Mississippi	18	18.79
Missouri	17	17.35
Oklahoma	16	17
Alaska	8.95	12.3

Source: [Notes to State Fuel Excise Tax Report](#), API

**Table 8. Average State Taxes on Diesel, by Region (Cents per Gallon)**

<b>Region</b>	<b>Excise Tax</b>	<b>Total State Taxes and Fees</b>
West	33.84	58.79
Mid Atlantic	9.03	52.60
Northeast	30.26	31.63
South Atlantic	21.53	31.58
Midwest	24.24	30.40
Mountain	26.16	26.58
South	20.02	20.49

Source: ["State Motor Fuel Taxes."](#) API

**Table 9. State Taxes on Diesel (Cents per Gallon)**

<b>State</b>	<b>Excise Tax</b>	<b>Total State Taxes and Fees</b>
California	36.00	81.71
Pennsylvania	0.00	75.10
Washington	49.40	49.40
Hawaii	17.00	48.60
Indiana	26.00	48.00
New Jersey	13.50	44.20
New York	8.00	43.74
Michigan	26.30	43.28
<b>Connecticut</b>	<b>41.70</b>	<b>41.70</b>
Illinois	21.50	39.16
Oregon	34.00	36.01
West Virginia	20.50	35.70
North Carolina	35.10	35.35
Georgia	30.00	34.79
Maryland	26.25	34.55
Florida	4.00	34.37
Rhode Island	33.00	34.00
Idaho	32.00	33.00
Wisconsin	30.90	32.90
Iowa	32.50	32.50
Montana	31.75	32.50
Vermont	28.00	32.00
Maine	31.20	31.21
South Dakota	28.00	30.00
Utah	29.40	29.41
Nebraska	28.40	28.70
Minnesota	28.50	28.60
Nevada	27.00	28.56
Ohio	28.00	28.01
Arizona	26.00	27.00
Massachusetts	24.00	26.54
Virginia	23.39	26.09
Kansas	26.00	26.03
Wyoming	23.00	24.00
New Hampshire	22.20	23.83
Kentucky	21.60	23.00
North Dakota	23.00	23.00
New Mexico	21.00	22.88



Table 9 (continued)

<b>State</b>	<b>Excise Tax</b>	<b>Total State Taxes and Fees</b>
Arkansa	22.50	22.80
Tennessee	21.00	22.40
Delaware	22.00	22.00
Alabama	19.00	21.89
South Carolina	20.00	20.75
Colorado	20.50	20.50
Louisiana	20.00	20.01
Texas	20.00	20.00
Mississippi	18.00	18.40
Missouri	17.00	17.30
Oklahoma	13.00	14.00
Alaska	8.95	12.37

Source: [Notes to State Fuel Excise Tax Report](#), API

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