

## Motor Fuel Taxes

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### Issue

Briefly explain the Connecticut taxes that apply to gasoline, gasohol, and diesel (i.e., motor fuels) and provide (1) the rate changes since 1990, (2) the annual revenue raised, and (3) a comparison to similar taxes in other states.

This report updates OLR Report [2018-R-0054](#).

### Summary

Connecticut has two taxes that generally apply to motor fuels: the motor vehicle fuels tax (often referred to as the “gas 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, which has not been changed since 2000 and 2004, respectively. The gasoline rate has ranged from 22 to 39 cents per gallon since 1990, and the gasohol rate was generally one cent lower until 2004. The FY 21 rate for diesel fuel is 44.6 cents per gallon. Since 2008, the diesel rate has consisted of a flat rate and an annually-adjusted variable rate. Prior to 2008, the flat rate ranged from 18 to 37 cents per gallon. In FY 19, the state collected \$497.9 million in motor vehicle fuels tax revenue.

PGET is charged on the gross earnings of companies that 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 motor vehicle fuels 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. Since 1990, the PGET rate has ranged from 3% to of the current rate of 8.1%. In FY 19, the state collected \$318.5 million in PGET revenue.

According to the American Petroleum Institute, total state taxes on motor fuel in Connecticut equal 35.75 cents per gallon of gasoline and 44.6 cents per gallon of diesel, making it the 15<sup>th</sup> highest among all states for gasoline and ninth for diesel as of July 1, 2020.

## Motor Vehicle Fuels Tax

Motor fuel used or sold in Connecticut, including gasoline, diesel, and gasohol, is generally 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
1/1/90*	20	1/1/94	30	7/1/96	37
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		

Source: [Governor's Transportation Finance Panel Final Report](#) 2016, page 11

\*Initially took effect 7/1/1989

*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 21) variable rate is 15.6 cents, which is a 1.9 cent decrease from the variable rate in FY 20 ([DRS AN 2020\(2\)](#)).

Prior to 2008, diesel fuel was subject only to a flat rate set in statute. Table 2 shows the rate changes 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 15-19**

FY	Revenue (\$)
19	497,860,153
18	487,327,084
17	484,479,311
16	501,599,299
15	497,541,459

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>
1/1/90*	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](#)

\*Initially took effect 7/1/1989

### *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 Department of Revenue Services, about 90% of PGET revenue is attributable to gasoline sales.

**Table 5. PGET Revenue, FYs 15-19**

FY	Revenue (\$)
19	318,518,185
18	320,890,549
17	238,354,213
16	250,170,373
15	337,903,492

Source: [DRS Annual Reports](#)

## 50-State Comparison

According to the [American Petroleum Institute](#) (API), as of July 1, 2020, the national average state excise tax on motor fuel was 25.64 cents per gallon of gasoline and 26.25 cents per gallon of diesel fuel. The national average total state tax (which includes other state taxes and fees) was 36.38 cents per gallon of gasoline and 37.48 cents per gallon of diesel fuel. (The national average is volume weighted and takes into account fuel consumption in each state.)

Tables 6-9 below provide regional and individual state data for state taxes on gasoline and diesel. 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 and fees charged on gasoline. Depending on the state, these other taxes and fees include, among other things, sales taxes, environmental fees, petroleum companies gross earnings taxes, and taxes imposed by counties or municipalities. In addition to the state taxes and fees discussed in this report, a federal excise tax also applies to motor fuels.

Connecticut ranks 15<sup>th</sup> in the nation for total state taxes on gasoline and 9<sup>th</sup> for total state taxes on diesel. In 2018, Connecticut ranked 9<sup>th</sup> in the nation for total state taxes on both gasoline and diesel.

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

Region	Excise Tax	Total State Taxes and Fees
West	43.17	52.12
Mid Atlantic	9.67	45.39
South Atlantic	19.67	35.20
Midwest	29.33	34.80
Northeast	24.64	29.47
Mountain	26.71	27.01
South	20.46	20.99

Source: ["State Motor Fuel Taxes,"](#) API, July 2020

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

<b>State</b>	<b>Excise Tax</b>	<b>Total State Taxes and Fees</b>
California	50.50	62.47
Pennsylvania	0.00	58.70
Illinois	38.70	52.01
Washington	49.40	49.40
Indiana	31.00	47.62
Hawaii	16.00	46.28
New York	8.05	43.12
Florida	4.00	42.29
Michigan	26.30	41.98
New Jersey	10.50	41.40
Oregon	36.00	38.83
Ohio	38.50	38.51
<b>US Average*</b>	<b>25.64</b>	<b>36.38</b>
North Carolina	36.10	36.35
Maryland	26.70	36.30
<b>Connecticut</b>	<b>25.00</b>	<b>35.75</b>
West Virginia	20.50	35.70
Rhode Island	34.00	35.00
Nebraska	33.20	34.10
Nevada	23.00	33.78
Idaho	32.00	33.00
Wisconsin	30.90	32.90
Montana	32.00	32.75
Georgia	27.90	32.20
Utah	31.10	31.11
Iowa	30.50	30.50
Vermont	12.10	30.17
Maine	30.00	30.01
South Dakota	28.00	30.00
Virginia	21.20	29.40
Minnesota	28.50	28.60
Tennessee	26.00	27.40
Alabama	24.00	27.21
Massachusetts	24.00	26.54
Kentucky	24.60	26.00
Arkansas	24.50	24.80
South Carolina	24.00	24.75
Kansas	24.00	24.03

**Table 7 (continued)**

State	Excise Tax	Total State Taxes and Fees
Wyoming	23.00	24.00
New Hampshire	22.20	23.83
District of Columbia	23.50	23.50
Delaware	23.00	23.00
North Dakota	23.00	23.00
Colorado	22.00	22.00
Louisiana	20.00	20.01
Oklahoma	19.00	20.00
Texas	20.00	20.00
Arizona	18.00	19.00
New Mexico	17.00	18.88
Mississippi	18.00	18.79
Missouri	17.00	17.42
Alaska	8.95	13.77

Source: [Notes to State Fuel Excise Tax Report](#), API, July 2020

\*Volume weighted

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

Region	Excise Tax	Total State Taxes and Fees
West	36.19	60.45
Mid Atlantic	8.83	53.97
Midwest	33.17	36.47
South Atlantic	21.85	33.60
Northeast	30.82	32.19
Mountain	26.33	26.73
South	21.02	21.50

Source: ["State Motor Fuel Taxes."](#) API, July 2020

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

<b>State</b>	<b>Excise Tax</b>	<b>Total State Taxes and Fees</b>
California	38.50	81.28
Pennsylvania	0.00	75.20
Illinois	46.20	58.44
Indiana	51.00	52.00
Washington	49.40	49.40
Hawaii	16.00	49.25
New Jersey	13.50	48.50
Ohio	47.00	47.01
<b>Connecticut</b>	<b>44.60</b>	<b>44.60</b>
New York	8.00	43.43
Michigan	26.30	43.18
Oregon	36.00	38.06
Georgia	31.30	37.54
<b>US Average *</b>	<b>26.25</b>	<b>37.48</b>
Maryland	27.45	37.05
North Carolina	36.10	36.35
West Virginia	20.50	35.70
Florida	4.00	35.27
Rhode Island	34.00	35.00
Nebraska	33.20	33.50
Idaho	32.00	33.00
Wisconsin	30.90	32.90
Iowa	32.50	32.50
Vermont	28.00	32.00
Maine	31.20	31.21
Utah	31.10	31.11
Montana	29.45	30.20
South Dakota	28.00	30.00
Arkansas	28.50	28.80
Minnesota	28.50	28.60
Nevada	27.00	28.56
Virginia	20.20	28.50
Tennessee	27.00	28.40
Alabama	25.00	28.15
Arizona	26.00	27.00
Massachusetts	24.00	26.54
Kansas	26.00	26.03
South Carolina	24.00	24.75



Table 9 (continued)

State	Excise Tax	Total State Taxes and Fees
Wyoming	23.00	24.00
New Hampshire	22.20	23.83
District of Columbia	23.50	23.50
Kentucky	21.60	23.00
North Dakota	23.00	23.00
New Mexico	21.00	22.88
Delaware	22.00	22.00
Colorado	20.50	20.50
Louisiana	20.00	20.01
Oklahoma	19.00	20.00
Texas	20.00	20.00
Mississippi	18.00	18.40
Missouri	17.00	17.42
Alaska	8.95	13.69

Source: [Notes to State Fuel Excise Tax Report](#), API, July 2020

\*Volume weighted

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