Highway Finance

The Evolution of the Highway-User Charge Principle

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THE EVOLUTION OF THE HIGHWAY-USER CHARGE PRINCIPLE

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INTRODUCTION

It is 1982. Over 370 years from the first American roads in Jamestown, Virginia. Almost 350 years from the first act in our history establishing a system of road administration. 1/ The automobile is almost 90 years old. 2/ The first tax on it appeared 9 years later, in New York. 3/ The first tax on its use, Oregon's motor-fuel tax, is over 60 years old. 4/ Our most comprehensive and advanced highway system, the Interstate System, has been underway since 1956 and some sections are a quarter of a century old.

While our road system is undoubtedly the most extensive and advanced in the world, still there are problems. The cost of the energy to drive our vehicles has skyrocketed in the last few years. Relatively high inflation (for the United States) has eroded the purchasing power of the highway-finance dollar. The ability, or at least the willingness, of our citizens to absorb higher taxes to pay for their roads and the upkeep of them is questionable, considering the effects of inflation, and of course, there is acquisitive pressure on the tax dollar from other, competing governmental services.

It seems appropriate now to examine the financing concept that, for the most part, pays for building our highways, their maintenance and other related highway costs. This paper will examine the history of road and highway financing in this country and the development of the "user-pays" concept. We will describe the user-nonuser debate, including who benefits from highways. We will explore various definitions of what a "user" tax is and is not - according to various authorities (including the ultimate arbiter, the tax-paying citizenry). What might be called grey areas will be discussed: elements of vehicle-related government income which may or may not be highway-user in nature. Finally, we will discuss how and how much highway beneficiaries pay for the highways.

It is our intent to explain and analyze the idea of highway-user taxation by putting it in historical perspective and exploring various points of view. Though the orientation of the office publishing this report will be described, there is no intent to advocate a particular position.

CHAPTER 1

BACKGROUND

The financing of highway transportation in the United States will be a major concern for at least the next 5 or 10 years. In many States highway-user revenues have leveled off or even decreased. The situation is comparable for the Federal Highway Trust Fund. According to the Alabama Highway Department, highway construction and maintenance costs have increased even faster than consumer prices generally, thus increasing State highway-agency operating expenses and construction costs. 5/ The petroleum shortages of 1973/74 and 1979 increased the public's sense of energy vulnerability, altered consumption patterns, and reinforced the trend toward more fuel-efficient motor vehicles. Fuel consumption has leveled and even declined lately. Since the motor-fuel tax has been the most productive, and for over a half-century, the most stable of the highway-user taxes, the financial base of the Nation's highway system is thus being eroded from the income side, as well as from the standpoint of expenditures, according to T. W. Cooper, a transportation economist for the Federal Highway Administration (FHWA). 6/ FHWA reports State motor-fuel tax receipts for 1980 decreased for 39 States. Nationally, the decrease from 1979 is approximately $210 million, or 2.2 percent. 7/

Data for 1980 indicates that revenue from imposts on highway users to the Federal Highway Trust Fund will shrink by about $639 million or 9.1 percent. 8/ At the end of 1980 the Federal-aid highway construction index stood at 346.9 percent above its 1967 level, and the highway maintenance and operation index was 169.8 percent above 1967. For comparison, the consumer-price index rose "only" 256.2 percent in the same period. 9/ It is generally accepted that the Nation's road system is deteriorating at an alarming rate. Now that the Interstate System is largely open to traffic, it is increasingly obvious that the most urgent need for highway dollars for the immediate future will be for highway preservation. Thus, the pressure on State funding sources will be even greater in the future.

For these reasons, highway financing is currently seen to be a "problem." In fact, it is increasingly rare these days to see the term "highway finance" without that disparaging term lurking somewhere in the vicinity. Many authorities at all governmental levels, in academia, and in industry are studying various aspects of the problem. Some are studying ways to manage highway revenues more efficiently. Others are studying ways to get more mileage out of current taxes by going after tax evaders, or by broadening their base (making more people pay and/or making people pay more).

The portion of the public that contributes most of the money expended for highways and streets is generally classed as "highway users." Leaving aside for the moment matters of

historic evolution, the "user-pays" principle seems well and firmly established, at least insofar as the highway transportation mode is concerned. Highway-user taxes, as they are understood by the general public and their elected representatives, appear to be basically acceptable to the citizenry. Essentially, user taxes and fees are perceived to be fair. Those with vehicles pay, and those without do not, and they are fairly levied. The road is available to be used if the driver chooses (via the yearly registration fee), and if he chooses to use the road he pays according to how much he uses it (via the fuel tax).

The idea of the user of a highway paying for using it (along with the planning, construction, operation, and upkeep as well) seems simple.

Except, in a country as big as the United States, and a complex society with so many special interests, nothing is simple. As we shall see, the (highway) user-pays principle evolved more-or-less willy-nilly, almost an afterthought rather than a carefully reasoned solution devised in advance.

Apparently, no one specifically intended, at first anyway, for it to turn out the way it has. And defining exactly who a highway user is, as distinguished from other tax-paying citizens who also benefit from highways, is far from universally agreed upon. Nor is there agreement on how to tax those who benefit from roads, and how much to tax the various classes of users, especially when all other taxes are considered. There are also divergent opinions as to whether particular tax levies and elements of governmental revenue are, or are not, properly classed as highway-user revenues, and whether they are available to be used for highway purposes.

Considering the current and expected future interest in highway-financing mechanisms, this report explores these diverse opinions - thus, providing a building block for researchers and governmental authorities to study the highway finance problem.

CHAPTER 2

THE EVOLUTION OF HIGHWAY FINANCING AND THE USER-PAYS PRINCIPLE

The establishment of highway facilities by government, as they mostly are today, is by no means new. Roads built by the Roman empire and earlier governments are still with us. The "right-of-passage" was developed in common law and enacted as a statute in England in 1555. A California legislative report notes that "working out the road tax" has early European antecedents and was common in America well into the 19th century. 10/ As land near navigable waters became occupied, settlers moved inland, necessitating roads to serve their needs. The maintenance of these roads, either by labor or assessment, generally became a legal obligation of the land owners along the road. 11/

The idea of assessments was expanded to cover streets, lanes, and other roads by a statute of William and Mary in 1691. It provided that roads were to be maintained by charges to the householders or inhabitants whose property abutted the streets. 12/

Highways and streets were considered primarily a local government responsibility in this country through the early part of the 19th century, though States occasionally contributed aid in anticipation of economic benefits for the State as a whole. For about two centuries, highways were built and maintained by local governments and financed through poll and property taxes. Typically, the local farmers and settlers paid the taxes in the form of work on the roads. Male citizens had to furnish a certain number of days of labor per year on road construction and repair. 13/ A Department of Commerce report to Congress on highway cost allocation states, "The inefficiencies of this method, coupled with the tendency of the more substantial citizens to substitute a money payment, caused the gradual replacement of statute labor by road-tax levies." 14/ Ohio enacted a State road tax of one-half to 1 cent per acre of land in 1819. 15/ A 1975 FHWA report notes: "The practice of special assessments on abutting or nearby property for highway improvements was a prominent feature of the early days of the highway era and still persists strongly in urban residential development. For the more important streets and highways, appropriations from the general fund of city, county or State were not uncommon." 16/ The main function of roadways was access to property, and it was believed the adjacent property owners should pay for them. 17/

As the midwestern region was settled and began to produce large quantities of agricultural products, the problem of adequate transportation to the eastern seaboard for consumption and export became acute. Local governments were not capable of developing highways to the degree that was needed. Because of this and because the idea of centralizing any function in a State or Federal Government

was generally opposed, a toll road movement developed. The first toll road was the Little River Turnpike, built in 1785 from Alexandria to Snickers' Gap, Virginia. 18/

The advent of the steam locomotive in 1830 tolled the demise of toll roads. The country's resources were soon committed to building railroads and the importance of highways receded. They could not compete. Most toll roads went bankrupt and, except for local travel, the whole highway transportation system fell into disrepair. Highways reverted to government responsibility, the funds coming mainly from general property taxation and poll taxes. 19/

Then came the automobile in 1893. The growth of vehicle production and use in the first 20 years of the 20th century was rapid. Concurrently there was an increasing demand for more and better roads. It became clear that the main sources of road financing, especially the property tax, were inadequate, and States began searching for alternative revenue sources. 20/

The first of what we now call highway-user imposts was enacted by New York in 1901. This was a fee on all motor vehicles and was levied for registration purposes, rather than as a revenue-raising measure. 21/ By 1915 all States had a registration law, but it was not until 1921 that annual registration was required by all States. 22/

The following brief description of the evolution of the highway-user tax family is derived from several sources, primarily a 1968 FHWA study of third-structure taxes: "The patriarch of the (highway user) family of taxes is the registration fee, in its youth a modest one-time payment to cover motor-vehicle registration for purposes of identification. This period of youthful freedom from serious fiscal responsibility was shortlived, and at an early age the registration fee was called upon to assume the adult role of an annual revenue measure to help finance the roads. Despite this change in status, it is still frequently referred to as a fee rather than a tax." 23/

"The revenues necessary to meet the demand for better roads to accommodate the growing number of motor vehicles and the increasing vehicular traffic proved to be far in excess of the capacity of the registration fee (tax). Consequently the sovereign legislatures gave to the registration fee (tax) as spouse the promising young motor-fuels (ne gasoline) tax as helpmate. This was a happy union. Not only did the motor-fuels tax prove healthy and vigorous, but the partners complimented each other so that the weaknesses of the one tended to be offset by the virtues of the other." 24/ The first tax on gasoline was adopted by the Oregon legislature in February 1919. 25/ The tax proceeds were legislatively dedicated to the maintenance of State highways. 26/ By 1929 all States were imposing a tax on motor fuel and 3 years later a 1-cent Federal tax on gasoline was enacted as part of the Revenue Act of 1932. 27/ It might be

noted in passing that New York, the first State to impose a motor-vehicle registration fee, was the last to enact a gasoline tax. 28/

"Various additions have been made to the user tax family through the years." The offspring of the older generation taxes, the registration fee and motor-fuels tax (often referred to as first and second-structure taxes, respectively), include gross-receipts taxes and various kinds of taxes based on miles traveled, such as weight-mile and axle-mile taxes. These newer generation fees are usually referred to as third-structure taxes. Typically, they reflect acceptance of a greater highway cost responsibility on the part of heavier and/or commercial vehicles, as well as an intent to tax out-of-State as well as in-State users. 29/

"The motor-fuels tax assumed the dominant fiscal role and out performed its partner, the registration fee (tax). It also is apparent from the character of the newer family members and the changes effected in the older members that a basic concept of the motor-fuels tax-the metering of highway services-has dominated the nature of the newer 'third-structure' taxes and has influenced the modifications in the old." 30/

R. M. Zettel says that "history reveals that no carefully worked out theory anteceded the adoption of user taxation as we know it today. The theoretical foundation, such as it is, was built after the framework was erected." 31/

There are various theories as to what impelled the development of user taxation. One is that user taxation was primarily a response to the demands for better roads required to accommodate the explosive growth of the motor vehicle. There is no doubt that accommodating the growing volume of motor vehicle traffic greatly increased the States' revenue needs.

However, a number of States had adopted State highway systems and provided funds for them years before any thought was given to the significance of motor vehicles or to their taxation. 32/

Zettel also notes that forces not directly related to transportation were at work in the early part of this century. There was considerable dissatisfaction with the general tax structure, especially the property tax which was the major support of highways. The property tax "...was said to have two faults: it was wrong in theory and it didn't work in practice." Therefore, the States began searching for other revenue sources. The motor-vehicle and its user were an obvious target, especially since the highway-user charge rationalization was ready at hand. 33/

According to Shorey Peterson of Princeton in 1950, another impetus for the development of highway-user taxes is

believed to be that the development of motor-vehicle traffic removed highways from their local role because "...the close connection between community benefit and individual advantage dissolved ...." The result was acceptance of the idea that "...highway service, unlike other basic government activities, might be developed by ordinary investment standards and financed by specific beneficiaries, rather than the general public." 34/

Peterson adds: "Effective changes in policy do not come through formulating new theories and imposing them." Insofar as the evolution of highway financing mechanisms goes, "...change has come through the practical pressure of new problems. But the change has been possible because of the inherent nature of highway service which, in its primary modern role as part of the motor-transport industry, serves specific users in a roughly measurable way and assumes a competitive place in the private economy. Changes so induced go no further than the impelling circumstances require; so that there has been no clear break with the older way of viewing roads or of providing them." 35/

We have now sketched the evolution of the "user-pays" principle of highway financing in the United States. However it all came about, the idea of financing highways mainly by taxing the highway user now seems firmly established. That is not to say that everything is settled and decided for the principle - or rationalization - is not universally accepted. And where it is accepted, the practical means of applying it are subject to various opinions. Further, there are disagreements with what constitute user charges and whether only user charges should finance the highway function. Nevertheless, the user-pays principle has held sway in highway financing for roughly half a century. Why?

The short answer is the tax-paying and voting citizen accepts the idea. The slightly longer answer is the public and its legislators accept the rationales underlying the user-pays concept as reasonable and equitable. And since the only value any report has is in helping to anticipate and deal with the future, it is worth a little space to describe the underlying characteristics of the highway-user finance system to ensure that the theoretical foundation is still viable.

A bit of amplification. First, the user-pays concept involves two elements. The user pays, and the government uses that money-that <u>particular</u> money--for highway purposes. We usually speak of the user paying for the highways. But in part, there is a time-shift at work. The highway he uses at the time he pays the taxes or fees, for example, the fuel tax, is already there; thus the highway user is partially paying to amortize the cost of existing highway, but also, he is paying the cost to maintain the highway and ultimately to replace the highway. The road user pays the taxes in the expectation that all of the money that he pays the

government will be used for highway purposes. The subject of the dedication of highway-user revenues to highway purposes or their diversion to nonhighway purposes is for the most part tangential to the subject of this report, but there is definite linkage which needs at least to be noted. In Zettel's words, "On first impression the sole purpose of user taxation seems to be to raise money with convenience and certainty in order to finance highway programs." In broader terms, "...the purpose of user taxation is to recover for government some part or all of the costs of supplying highway service through direct charges on those using the service." 36/

Why should the highway function of government be singled out for special treatment? Zettel offers three reasons: (1) Equity. Highway services are not distributed equally throughout society and it does not appear likely that the public will, as of now, support the idea of financing highways completely through general tax levies, as is done for the education function. So, since highways must be provided and paid for, user charges seem about the only practical mechanism. (2) Neutrality. User charges "...remove all or the major subsidy elements involved in government provision of highways," relative to other transportation modes "thereby promoting the economic allocation of resources." (3) Investment criteria. "Highway-user taxation tends to establish a direct connection between the costs of supply and effective demand." Comparing user-tax requirements and highway benefits in terms of savings or other values to the highway user indicates whether a highway program is economically justified. Also, "...the vehicle owner/taxpayer's economic decision to pay for highway facilities, as evidenced by his buying vehicles and fuel (and thereby paying user charges) and using the existing facilities is at least a rough indicator of the wisdom of maintaining, or even enhancing, the existing plant." In sum, user taxation provides a "...basis for correlating the effective demand for highway service with the economic costs of supplying the service" and thus "...tends to promote the economic allocation of resources as between highways and alternative uses." 37/

We have tracked highway financing mechanisms to the early part of this century and explored the development of the user-pays concept. In the next chapter we will discuss the highway user.

CHAPTER 3

HIGHWAY USERS AND NONUSERS: BASIC CONCEPTS

We now turn to the highway user who pays the taxes and provides the highway revenue. Assuming the user-pays principle is accepted, is there at least agreement on who the highway user is, and who should be paying for the highways?

There are two points here that need clarifying and exploring.

First, we will explore the motor-fuel tax as a user tax. Apart from the possible presumptive presence of a sales-tax component in some States (see Chapter 4), the State (and Federal) gasoline tax (as opposed to the highway diesel-fuel tax) is not a highway-user tax by strict definition, as it is actually levied in all States today. It is universally levied on wholesalers and/or middle-level distributors on the basis of gross quantities imported, on hand, or sold. The tax that the distributor forwards to the State then becomes, in economic terms, another cost of doing business, just like any other overhead cost such as other (general) taxes, utilities, rent, raw-product costs, etc. All such costs, including the gasoline tax, plus profit, are passed along the sales chain to the motorist. The price that the vehicle operator pays for the gasoline includes the taxes of course, but the point is that the motorist is not paying the gasoline tax to the State (or Federal Government), he is simply paying the service-station owner for all of the product-cost components (plus profit) that are attached to the gallon of gasoline at the time of purchase. A clarifying analogy can be found in the service-station dealers' licenses and pump fees levied in many States. These are usually considered to be highway revenues for the States, but the costs are also overhead costs and are passed on to the purchaser as part of the price of the fuel. Having made the point, we will now concede that it does not really make much practical difference. The intended target of the gasoline tax is the highway user, and regardless of the collection mechanism employed by the State, it is ultimately he who pays the bill. However, the point of this report is to delineate various definitions and points of view concerning highway-user taxation, so it is helpful to be as precise as possible when defining and using terms.

As noted, gasoline taxes are levied at the wholesale level. Since these taxes are intended to be "road tolls" (the actual language in many State laws), exemptions and/or refunds are commonly allowed for various nonhighway uses. But not all nonhighway uses are fully exempted or refunded in all States, and not all eligible refunds are claimed. Also, some highway uses (such as for transit or government use) are partially or fully exempted or refunded. Thus, in some States, there is a contribution to highways by

nonhighway users of motor fuel, and in others there is a subsidy from highway users to other functions. In a few States there are indications that the enforcement of the gasoline tax and refund laws is lax because refund claims allowed appear to be excessive when compared to other similar States (meaning that there may be fraud involved). Also, some State and Federal tax authorities believe there is substantial evasion of diesel-fuel taxes, which are commonly levied at the retail and/or user level. This is possible because some grades of heating oil and highway diesel fuel are identical, or at least nearly so, and investigative staffs are inadequate to the task of policing the thousands of dealers involved. In the context of this report, both of these situations involve the subsidizing of one class of highway users (law-evaders) by others (law-abiders) and therefore a further, albeit unintended, distortion of the "user-pays" concept. Thus, while it is common practice to label net motor-fuel tax receipts as "highway-user" revenues, these revenues are not in fact purely so in all States, in the sense that they include only taxes contributed by highway users and are paid by all highway users. There are also comparable distortions with regard to motor-vehicle registration fee revenue. Some classes of highway vehicles are granted lower rates, or are not charged at all; and there is evasion and fraud connected with vehicle registration fees, titling fees, and property taxes.

The other major point is how users and nonusers fit into the highway finance mosaic: who they are, why and how they should pay, and how they are paying today.

A continuing issue in highway finance is the proper allocation of highway costs among the various classes of taxpayers. A 1932 study by the National Industrial Conference Board explored the various schools of thought: "A vital social question is involved in the choice of sources of income for highway purposes ... On the one hand, there are those who emphasize the general utility of highways, placing the expenditures for roads in the class of schools and protection. Because of this general utility, shared by all citizens, it is argued that roads should be supported from funds derived from general taxation. On the other hand, there are those who support the theory that users of the highways derive immediate and special benefits from such use and accordingly should be called upon to pay all or a part of the cost of highways. ... Each of these contending views has a measure of justification. They are not mutually exclusive, but complementary. It cannot be denied that highways furnish a general utility or benefit to the public at large, but it is also true that the users of the roads realize a special benefit that justifies the payment of a special tax. The main issue is whether such a special tax levy in the form of motor fuel, motor vehicle, and similar taxes represents a reasonable contribution toward the cost of road construction and maintenance." 38/

These two extreme points of view epitomize the question of who should pay for highways. It is essentially an argument about who benefits from the existence of highways. There seems to be general agreement that most of us benefit, so it seems to come down to a debate about who benefits by how much. This has to be determined before you can decide how much the various classes of highway user and citizens generally should pay and what taxing mechanism(s) to use.

The 1975 FHWA study of highway cost allocation says, "Property access is the primary function assigned as a benefit to the nonuser. Yet more nonuser economic benefits result from the existence of a highway system than just those to property owners. Availability of service such as fire trucks, ambulances, service vehicles and the like benefit the public who do not directly operate motor vehicles. The availability of bus transit service falls under this category. Products and services are available in parts of the country not served by any other transport mode, due to highways. Lifestyles and quality of life of the residents not owning or operating motor vehicles are significantly enhanced." 39/ The Interstate and other arterial highway systems benefit all of us by linking agricultural and industrial centers and enhancing the efficiency of our defense establishment.

From a 1970 U.S. Bureau of Public Roads study of highway cost responsibility by J.C. Oehmann and S.F. Bielak: The problem in highway financing then "... is to find an acceptable means of measuring and pricing the benefits that can clearly be assigned to ..." the various classes of beneficiaries. But this is difficult because it is hard to pin down exactly who ultimately benefits from each highway facility or class of facility and pays the various user charges levied. "Many economists have turned to a modification of the 'concept of cost occasioned' to reach a satisfactory answer. This approach presumes that the primary reason for providing main arterials is to meet the needs of the highway user, while the local access roads are intended to provide access to abutting property. Based on these premises, the cost for main arterials should be met by user taxes while the cost for the local access roads should be met by local property taxes. Of course, except for controlled-access highways, all arterials provide some degree of access to adjacent property. Similarly most local roads offer some service or congestion relief to through traffic. Therefore, it seems reasonable to have the costs for all roads shared in varying degrees, depending on intended service, by both these groups." 40/

Today Federal-aid and State highway system finance is supported primarily by user taxation. "County and local streets and road programs are basically supported by revenues from both users and nonusers. These latter systems have strong access functions." Property owners (in their nonhighway-user role) support these systems through property taxes and and special assessments. 41/ County and local

governments also receive substantial amounts of revenue from State highway-user receipts transferred to them by the State government. The 1951 California study noted that in practice what usually happens is that " ... roads and streets under local government are financed with user taxes to the extent that grants by the State permit. If State grants are insufficient they will be supplemented by locally-raised revenues to bring the program up to an acceptable level. Thus, the general tax contribution, if any, varies inversely with the generosity of the State legislature in returning user taxes to local government." 42/ In a 1979 study Zettel described another means of financing local roads, to date largely unexplored: "More recently, subdividers and developers have put roads and other infrastructure in place and sold them along with the properties. In effect, purchasers are buying their way into the transport system. The amount of investment in roads and streets through subdivision proceedings is largely unknown, inasmuch as the expenditures are not often recorded in public accounts." 43/

To sum up, the answer to the question posed at the beginning of the chapter is, to paraphrase Walt Kelly's Pogo, "We have met the highway user - and he is us."

TABLE 1-1

State Highway Receipts in Current and Constant Dollars, 1970-1982 1/

	Highway-User Revenue ($ million)	Construction Index 2/	Constant Dollars 3/ ($ million)	Index 4/	Total Current Revenue ($ million)	Construction Index 2/	Constant Dollars 3/ ($ million)	Index 4/
1970	9,688	58.0	16,703	100	10,432	58.0	17,986	100
1971	10,055	60.8	16,538	99	10,710	60.8	17,616	98
1972	11,186	63.9	17,506	105	11,879	63.9	18,590	103
1973	12,186	70.8	17,212	103	13,072	70.8	18,464	102
1974	12,192	96.3	12,661	76	13,392	96.3	13,907	77
1975	12,387	96.7	12,810	77	13,693	96.7	14,161	79
1976	13,302	93.4	14,242	85	14,667	93.4	15,704	87
1977	13,893	100.0	13,893	83	15,517	100.0	15,517	86
1978	14,769	119.4	12,369	74	16,824	119.4	14,091	78
1979	15,125	142.6	10,607	64	17,566	142.6	12,319	68
1980	15,455	163.0	9,481	57	18,538	163.0	11,373	63
1981	16,656	156.7	10,629	64	20,069	156.7	12,807	71
1982	17,095	146.8	11,645	70	20,499	146.8	13,964	78

1/ Table HF-11, Highway Statistics Division, FHWA
2/ FHWA, Federal-Aid Highway Construction Index
3/ 1977 dollars
4/ 1970 = 100

Source: State Highway Finance Trends, FHWA, April 1983

CHAPTER 4

DEFINITIONS OF HIGHWAY-USER CHARGES

Highway user charges are the heart of the highway financing mechanisms for the Federal Government and the States. User charges provide most of the revenues for highways and, because in most States these charges are dedicated (earmarked) for highway purposes, they provide the highway planner with reasonable assurance that funds will be available to pay for the highway projects planned for the future. However, since there is not universal agreement on what consitutes a highway user, there is no agreement on what taxes or charges are user charges. This means that there isn't agreement on which revenues should be set aside for highway purposes and, therefore, no full agreement on what government income can be counted on in the future to finance highways.

First, the easy ones. Following are definitions of several of the basic terms used, often interchangeably, in discussing highway-user charges and revenues.

Fee - A charge intended to meet specific service costs. 44/ Motor-fuel inspection fees, drivers-license fees, and some vehicle registration fees are "fees" in the sense they are often intended to offset the administrative cost involved in administering the particular service (vehicle identification, petroleum-product quality control, etc.). In the highway-user field, the governmental activity for which a fee is charged is usually regulatory.

Tax - A compulsory government levy on the exercise of some right. "This type of tax is frequently designated as an excise." 45/ Generally, the purpose of a tax is to generate revenue.

A tax can have a fee component, either explicit or implied. The amount paid by a vehicle owner to register a vehicle often includes a specific fee for the office or official administering the fee. Highway-user revenues dedicated for highway functions are usually "net," after collection costs are taken "off the top." Fees for such things as safety inspections are sometimes "piggybacked" on the registration fee. An FHWA report reveals that as of January 1, 1980, 22 States allowed motor-fuel distributors to retain a portion of the motor-fuel tax otherwise owed the State as compensation for acting as a tax collection agent for the State. 46/

As noted previously in this report, there are some differences of opinion as to what constitutes a highway-user charge (or fee, or tax). No particular definition is the only correct definition. Highway-user charges are

constructed from the particular perspective of a specific task, goal, or educational or professional orientation. Following is a spectrum of definitions of highway-user charges.

> From Section 126, Title 23, United States Code (known as the Hayden-Cartwright Act, passed in 1934): "...motor vehicle registration fees, licenses, gasoline taxes, and other special taxes on motor-vehicle owners and operators of all kinds ...".

The Highway Statistics Division (HSD) of the FHWA compiles and publishes statistics on State highway-user receipts and expenditures. These statistics are used to judge whether the Secretary of Transportation should withhold a portion of a State's Federal-aid highway apportionment because that State may have diverted more of their user revenues to nonhighway purposes than authorized by the Hayden-Cartwright Act. HSD's definition of a highway-user charge is in line with the terminology of that Act: "By definition, highway-user imposts are those levied on owners and operators of motor vehicles because of their use of the public highways. These imposts consist chiefly of motor-fuel taxes, drivers licenses, and other fees closely allied with the ownership and operation of motor vehicles. Also included are fines and penalties for registration violations and vehicle size and weight violations. Not all taxes paid by highway users are included in the definition. Sales and use taxes, gross receipts taxes, and ad valorem property taxes are among those that have been excluded when such taxes are parts of general tax structures applicable to a variety of commodities, operations, and commercial activities." 47/

Internally, the HSD analysts use the following criteria in analyzing State statistical reports and the effect of State tax-law changes:

> SUGGESTED CRITERIA FOR IDENTIFYING A TAX OR CHARGE AS A HIGHWAY-USER REVENUE
>
> IT IS A HIGHWAY USER REVENUE IF:
>
> 1. It is charged exclusively to the highway user and is not part of a tax or charge levied on a broader base.
>
> 2. It is charged for the use of the highways, or is directly related to the operation of a vehicle on the highways, or is for legally preparing the vehicle to be used on the highways.
>
> 3. It is an in-lieu tax on the vehicle and the tax that it replaces cannot be levied

because of conflict with the laws of the State or its constitution.

4. The application feature of an in-lieu tax specifies payment only for the time the vehicle is legally eligible to be used on the highways.

5. It is a fee or other revenue incidental to the operation of a motor vehicle on public highways.

(The origin of these rules is not known, but they originated in HSD and are believed to date from the early 1950's.)

A similar FHWA definition appeared in the 1968 FHWA study of third-structure taxes: "The highway-user tax family consists of those charges peculiarly applying to the owners and operators of motor-vehciles as distinguished from more general taxes or regulatory fees which apply only incidentally to such owners or operators as, e.g., a general property or sales tax, or public utility commission regulatory charges." 48/

The 1961 report from the Secretary of Commerce to the 87th Congress on The Highway Cost Allocation Study described State road-user taxes thus: "It is easier to describe road-user taxes informatively rather than to define them precisely. They may be defined in general terms as taxes imposed on the ownership and use of motor vehicles for the purpose of raising revenue for highways. At the State-government level, where user taxes have achieved their highest state of development, they are principally of three kinds: (1) Gallonage taxes on motor fuel; (2) registration fees graduated with some measure or measures of size and weight of vehicle; and (3) the so called third structure taxes, of which the weight-distance taxes levied in a number of States are best known. Miscellaneous motor-vehicle fees, such as drivers' licenses and titling fees are also included in this category." 49/

The Bureau of the Census of the Department of Commerce in a recent compilation of State government finances includes motor-fuel taxes as a category under "Selected Sales and Gross Receipt Taxes" and does not define fuel taxes separately. Their definition of motor-vehicle taxes is: "License taxes imposed on owners or operators of motor vehicles, commercial and noncommercial, for the right to use public highways, including charges for title registration and inspection of vehicles. Does not include personal property taxes or sales and gross receipts taxes relating to motor vehicles, taxes on motor carriers based on assessed value of property, gross receipts, or net income, or other taxes on the business of motor transport." 50/

The National Highway Users Conference (now known as the Highway Users Federation for Safety and Mobility) in a 1965

publication on State legal provisions reserving highway-user revenues for highway purposes describes highway-use taxes as "... fees, excises, license taxes relating to registration, operation, or use of vehicles on the public highways, or to fuels used for the propulsion of such vehicles...." 51/

In the 1979 University of California report, Zettel distinguished between general taxes and user charges: "By definition general taxes are for any or all general purposes of government. Again by definition, user charges are imposed for the use of specific facilities or services. A workable definition of user charges (or taxes) might read: user charges are impositions on motor vehicle ownership and/or use that are over and above the general tax obligations of the users. They might also be seen as charges which have no counterpart in the general tax structure." 52/ In a 1962 analysis Zettel also noted that: "... from an analytic standpoint it is unsatisfactory to adopt the legal approach which is almost to say that a user charge is whatever a legislative body decides to earmark for highways and a general tax is whatever it decides to use for general purposes." 53/

The above definitions are roughly similar, though they differ somewhat according to the orientation of their authors. We will now describe what might be called "grey areas," kinds of user charges or economic costs (to users) and ways of looking at the user charges that go beyond the relatively simple definitions noted so far.

As described above, taxes and fees for various purposes are often combined into one levy from the standpoint of the motorist. A 1979 Transportation Research Board (TRB) report explains: "A single charge may be imposed, which is made up of several components, conceptually separable but not specifically identified." The first component is a fee for the registration process, which is for vehicle identification and property protection, including titling. The second component is a highway-use charge and was included in most States at or soon after the institution of a system of user-charge highway financing. Since registration likely would be undertaken in any case, some States have taken advantage of the registration process and user-charge system to assist in the administration of general taxation, including retail sales taxes and property taxes, "... perhaps because the incremental cost involved is thought to be negligible." 54/

From a 1944 congressional report: "In the early period of development of motor transportation, motor vehicles were subject to general property taxes on the same terms as other types of personal property. However, voluntary listing, which was the principal means of identifying taxable property, often resulted in the complete escape of personalty from taxation or in gross under assessment. Collection methods were even more inadequate to cope with the problem of taxing motor vehicles as property." In

addition to in-lieu taxes and requiring taxes to be paid before registration (see above), the main method for coping with this problem was to exempt vehicles from property taxes completely. This was almost always accompanied by an increase in vehicle registration fees. Though the evidence is circumstantial, it is reasonable to presume that the registration charge includes a property-tax component in many or all such States. (It might also be noted that in several States the property-tax exemption was associated with increases in motor-fuel taxes rather than in vehicle-registration taxes.) 55/

The 1944 congressional report also discussed motor fuels and sales taxes: The exemption of motor fuels from sales taxes is an entirely different situation from the vehicle/property-tax one described above. There was no insuperable administrative problem, and no concurrent increase in existing taxes to compensate for the exemptions. The only reasonable conclusion is that it was thought undesirable to tax a commodity already subject to a selective tax (the motor-fuel tax). However, some authorities feel that this reasoning is not valid. The motor-fuels tax is a fee, or toll, specifically for the use of publicly provided facilities (the highways) and, assuming that it is reasonably well adjusted to the benefits derived therefrom, "... its payment does not in any way exonerate the motorist from sharing the cost of the nonhighway functions of government. ... Charges of double taxation are irrelevant since the two taxes are levied for entirely different purposes." [Emphasis supplied.] Thus, there is presumptive evidence of a sales-tax component of the motor-fuel tax in States which exempt motor fuels from sales taxes. 56/ According to Cooper, of the 45 States which have general sales taxes, 37 exempt gasoline, while "... 8 States - California, Georgia, Hawaii, Illinois, Indiana, Michigan, Mississippi, and New York - impose both a motor-fuel tax and a general-sales tax on motor fuel sales." 57/

So, the "simple" motor-fuel tax and vehicle-registration fee may not be so simple after all.

The previous suggestions indicate there may be general-tax components in some States' user taxes, implying that the general-tax part is smaller than the user tax. But, of course, that is not necessarily true. For example, Texas exempts motor fuel from its sales tax. Applied to the recent pump price of gasoline in Texas (excluding tax), the sales tax (4 percent) would produce the equivalent of 5 cents per gallon. Texas' gasoline tax is 5 cents per gallon. Does the "component" theory mean that Texas does not, in effect, have a highway-gasoline user tax? And what if the price of fuel goes even higher and the imputed sales-tax component becomes larger than the fuel tax?

As noted previously, the generally accepted definition of highway-user tax is that it is levied only on highway users

and has no general-tax counterpart. But Georgia has a "second gasoline tax" (in addition to their 7.5-cent gallonage tax) of 3 percent of the retail fuel price (excluding State gallonage tax). The revenue is reserved for highway purposes, but Georgia's regular sales-tax rate is also 3 percent. Is the Georgia tax a regular sales tax which is dedicated to highways, or is it an ad valorem motor-fuel (i.e., highway user) tax?

As noted in Chapter 3, not all nonhighway uses are fully exempted or refunded in all States. If the the main criterion of a highway-user tax is to aim only (or even just mostly) at highway users, consider Vermont's tax. Vermont taxes gasoline (though not special fuels) and dedicates all of the revenue to highway purposes, but Vermont does not offer any refunds or exemptions for any nonhighway uses. Is Vermont's gasoline tax a highway-user tax? 58/

Motor-fuel inspection fees are often considered to be "miscellaneous" or "other" highway-user fees. However, 15 of the 16 States that charge an inspection fee inspect petroleum products in addition to motor fuels (Mississippi is the exception). Only three States dedicate at least some inspection revenues to highway purposes: Alabama, North Carolina, and Tennessee. It should be noted that Tennessee recently renamed their inspection fee a "special petroleum tax." 59/ Is Mississippi's inspection fee the only true user fee? Is Tennessee's special petroleum tax a highway-user fee?

Cooper also notes that motor-vehicle titling taxes are similiar to sales taxes because they are based on a percentage of the purchase price or current market value of the vehicle. Ten States reported titling-tax receipts to FHWA for 1980, and the titling revenue represented 49 percent of total motor-vehicle revenue and 26 percent of total highway-user revenue for those States. 60/ Nine of those 10 States also have sales taxes. Are the titling taxes in those nine States user taxes, because they are levied on motor vehicles and not called sales taxes, or are they general taxes because they are based on price (or value) and the States also have general sales taxes, which are also based on price?

Some authorities think of highway-user charges in terms of who should be or is contributing money for highway purposes. Their considerations are not only in terms of actual out-of-pocket outlays, such as handing money to a service station attendant or a State motor-vehicle registrar, but rather in terms of lost capital-use opportunity however it is lost. (In other words, economic cost.) Thus, revenues received from motor-fuel taxes, motor vehicle fees and other user charges are usually invested by the State (or Federal Government) until they are needed for the highway program, and of course the investment earns interest. The taxpayer loses the use of the tax payments, and therefore loses whatever benefit, interest, or profit gained had he not made

the tax payment. Similarly, bonds posted with a State by a gasoline distributor (to ensure tax compliance) earn interest for the State, and the lost capital-investment return is a cost of doing business for the distributor which is ultimately passed on to the highway user. Uninsured motorist funds held in escrow in some States produce a similar revenue and economic-cost situation. So, interest earned by a State may be considered to be a highway-user revenue.

To sum up, the real world is not as simple as the ideal or theoretical world. What is or is not a highway-user tax, fee, charge, or revenue depends on who you are talking to or reading, or your particular orientation and purpose.

CHAPTER 5

HIGHWAY USER AND NONUSER REVENUES

In this chapter we are leaving the theoretical discussions behind and are presenting five tables intended to show the extent and relative importance of user and nonuser highway financing. For this particular purpose, we use the highway-finance statistics published by the Highway Statistics Division (HSD) of FHWA, also employing HSD's identifing criteria for fees, taxes, and charges (see Chapter 4).

Table 5A shows highway-user and nonuser receipts by collecting agency since user imposts became universal in all States. The total revenue available for highways from direct imposts and derivative sources (such as interest) now stands at about $38 billion (estimated for 1981). The 1981/1971 percent change is:

	Federal	State	Local	Total
Highway-User Imposts	13.41	58.60	79.89	43.16
Other Receipts	248.31	395.73	151.68	203.12
Total Receipts	47.09	79.22	144.89	80.49

The slowest horse in the field is Federal-user taxes, reflecting that the tax rates have not changed for a long time; for example, the Federal fuel tax (4 cents per gallon) has not changed since October 1959. Local revenues have risen at about double the rate of State receipts. Nonuser revenues across the board have risen faster than highway-user receipts, in total nearly five times as much.

Table 5B is a percent distribution of Table 5A. User imposts still provide the majority of highway revenues, but the share has been dropping for the last 10 years for all levels of government. Overall, we are about where we were 30 years ago.

Table 5C shows more detail on the source of the revenues. It also illustrates that the Federal Government transfers most of its revenue to the States, and State governments transfer more than 20 percent of their funds to local governments, increasing the funds available to local government by more than half. For counties, State and Federal aid nearly matches local revenue.

Table 5D is a percent distribution of user and nonuser revenues for 1980, by collecting agency. About two-thirds of the Federal revenue comes from motor-fuel and vehicle taxes, and about 84 percent of State receipts is from user imposts. In contrast, local governments derive most of their highway income from nonuser sources (about 27 percent

from property taxes and assessments). State governments produce half of the total revenue.

Table 5E is a percent distribution of State motor-fuel and vehicle taxes for 1980. Motor fuel accounts for about 55 percent of the total, and gallonage taxes produce virtually all of that. In contrast, registration fees account for about two-thirds of the vehicle fees. The largest single category of "other" vehicle fees, titling taxes, produces about 10 percent of total vehicle-related revenues.

Extensive details of highway-related receipts and expenditures for all units of government, much of it State-by-State, can be found in the publications of HSD, especially Highway Statistics (published annually for the last 34 years, with summaries every 10 years).

TABLE 5A

HIGHWAY USER AND NONUSER REVENUES[1]

1930 - 1981

CLASSIFIED BY COLLECTING AGENCY

(IN MILLIONS OF DOLLARS)

YEAR 2/	FEDERAL			STATE			LOCAL			TOTAL			YEAR 2/
	HIGHWAY-USER IMPOSTS (1)	OTHER RECEIPTS (2)	TOTAL (3)	HIGHWAY-USER IMPOSTS (4)	OTHER RECEIPTS (5)	TOTAL (6)	HIGHWAY-USER IMPOSTS (7)	OTHER RECEIPTS (8)	TOTAL (9)	HIGHWAY-USER IMPOSTS (10)	OTHER RECEIPTS (11)	TOTAL (12)	
1930	-	112	112	823	76	899	-	1,337	1,337	823	1,525	2,348	1930
1935	-	480	480	782	16	798	1	613	614	783	1,109	1,892	1935
1940	-	752	752	1,113	28	1,141	22	592	614	1,135	1,372	2,507	1940
1945	-	93	93	1,133	68	1,201	29	549	578	1,162	710	1,872	1945
1950	-	500	500	2,347	86	2,433	85	933	1,018	2,432	1,519	3,951	1950
1955	-	791	791	3,792	151	3,943	142	1,284	1,426	3,934	2,226	6,160	1955
1960	2,827	236	3,063	5,158	217	5,375	221	1,607	1,828	8,206	2,060	10,266	1960
1965	3,779	300	4,079	6,684	353	7,037	227	2,025	2,252	10,690	2,678	13,368	1965
1970	5,295	849	6,144	9,688	744	10,432	328	2,957	3,285	15,311	4,550	19,861	1970
1971	5,640	944	6,584	10,055	655	10,710	343	3,282	3,625	16,098	4,881	20,919	1971
1972	5,370	916	6,286	11,186	693	11,879	427	3,432	3,859	16,983	5,041	22,024	1972
1973	6,069	1,350	7,419	12,186	886	13,072	459	3,799	4,258	18,714	6,035	24,749	1973
1974	6,104	1,742	7,846	12,192	1,200	13,392	503	4,184	4,687	18,799	7,126	25,925	1974
1975	5,699	2,042	7,741	12,387	1,262	13,649	538	4,527	5,065	18,624	7,831	26,455	1975
1976	5,995	2,043	8,038	13,302	1,365	14,667	514	5,391	5,905	19,811	8,799	28,610	1976
1977	6,898	2,332	9,230	13,893	1,624	15,517	548	2,718	6,266	21,339	9,674	31,013	1977
1978	7,006	2,744	9,750	14,769	2,055	16,824	585	6,462	7,047	22,360	11,261	33,621	1978
1979	7,054	3,506	10,560	15,125	2,441	17,566	584	7,471	8,055	22,763	13,418	36,181	1979
1980 3/	6,415	3,634	10,049	15,455	2,852	18,307	599	7,615	8,214	22,469	14,101	36,570	1980 3/
1981 3/	6,396	3,288	9,684	15,947	3,247	19,194	617	8,260	8,877	22,960	14,795	37,755	1981 3/

1/ EXCLUDES BOND SALES. STATE AND LOCAL DATA INCLUDES ALASKA AND HAWAII STARTING WITH 1960.
2/ FEDERAL AND STATE DATA SINCE 1935 ARE FOR CALENDAR YEARS. LOCAL DATA AND 1930 STATE DATA ARE FOR VARIOUS FISCAL YEARS.
3/ SUBJECT TO FUTURE ADJUSTMENT.

SOURCE: "HIGHWAY STATISTICS, SUMMARY TO 1975," TABLE HF-211; AND ANNUAL PRESS RELEASES, TABLE HF-11; FHWA

TABLE 5B

PERCENT DISTRIBUTION
OF
HIGHWAY USER AND NONUSER REVENUES
1930 - 1981

CLASSIFIED BY COLLECTING AGENCY

(PERCENT)

YEAR	FEDERAL			STATE			LOCAL			TOTAL			YEAR
	HIGHWAY-USER IMPOSTS (1)	OTHER RECEIPTS (2)	TOTAL (3)	HIGHWAY-USER IMPOSTS (4)	OTHER RECEIPTS (5)	TOTAL (6)	HIGHWAY-USER IMPOSTS (7)	OTHER RECEIPTS (8)	TOTAL (9)	HIGHWAY-USER IMPOSTS (10)	OTHER RECEIPTS (11)	TOTAL (12)	
1930	-	100.00	100.00	91.55	8.45	100.00	-	100.00	100.00	35.05	64.95	100.00	1930
1935	-	100.00	100.00	97.99	2.01	100.00	0.16	99.84	100.00	41.38	58.62	100.00	1935
1940	-	100.00	100.00	97.55	2.45	100.00	3.58	96.42	100.00	45.27	54.73	100.00	1940
1945	-	100.00	100.00	94.34	5.66	100.00	5.02	94.98	100.00	62.07	37.93	100.00	1945
1950	-	100.00	100.00	96.47	3.53	100.00	8.35	91.65	100.00	61.55	38.45	100.00	1950
1955	-	100.00	100.00	96.17	3.83	100.00	9.96	90.04	100.00	63.86	36.14	100.00	1955
1960	92.30	7.70	100.00	95.96	4.04	100.00	12.09	87.91	100.00	79.93	20.07	100.00	1960
1965	92.65	7.35	100.00	94.98	5.02	100.00	10.08	89.92	100.00	79.97	20.03	100.00	1965
1970	86.18	13.82	100.00	92.87	7.13	100.00	9.98	90.02	100.00	77.09	22.91	100.00	1970
1971	85.66	14.34	100.00	93.88	6.12	100.00	9.46	90.54	100.00	76.67	23.33	100.00	1971
1972	85.43	14.57	100.00	94.17	5.83	100.00	11.07	88.93	100.00	77.11	22.89	100.00	1972
1973	81.80	18.20	100.00	93.22	6.78	100.00	10.78	89.22	100.00	75.62	24.38	100.00	1973
1974	77.80	22.20	100.00	91.04	8.96	100.00	10.73	89.27	100.00	72.51	27.49	100.00	1974
1975	73.62	26.38	100.00	90.75	9.25	100.00	10.62	89.38	100.00	70.40	29.60	100.00	1975
1976	74.58	25.42	100.00	90.69	9.31	100.00	8.70	91.30	100.00	69.25	30.75	100.00	1976
1977	74.73	25.27	100.00	89.53	10.47	100.00	8.75	91.25	100.00	68.81	31.19	100.00	1977
1978	71.86	28.14	100.00	87.79	12.21	100.00	8.30	91.70	100.00	66.51	33.49	100.00	1978
1979	66.80	33.20	100.00	86.10	13.90	100.00	7.25	92.75	100.00	62.91	37.09	100.00	1979
1980	63.84	36.16	100.00	84.42	15.58	100.00	7.29	92.71	100.00	61.44	38.56	100.00	1980
1981	66.05	33.95	100.00	83.08	16.92	100.00	6.95	93.05	100.00	60.81	39.19	100.00	1981

(THIS IS A DISTRIBUTION OF TABLE 5A)

TABLE 5C

TOTAL RECEIPTS FOR HIGHWAYS, ALL UNITS OF GOVERNMENT, 1979-1982 [1]

(IN MILLIONS OF DOLLARS)

TABLE HF-11
DECEMBER 1981

ITEM	COLLECTING AGENCIES: FEDERAL GOVERNMENT: FEDERAL HIGHWAY ADMINISTRATION: HIGHWAY TRUST FUND	FEDERAL HIGHWAY ADMINISTRATION: OTHER FUNDS	OTHER FEDERAL AGENCIES	TOTAL FEDERAL	STATE AGENCIES AND D.C.	COUNTIES AND TOWNSHIPS	MUNICIPALITIES	TOTAL
	1979							
IMPOSTS ON HIGHWAY USERS: 2/								
MOTOR-FUEL AND VEHICLE TAXES	7,054	-	-	7,054	13,870	88	139	21,151
TOLLS	-	-	-	-	1,255	37	226	1,518
PARKING FEES	-	-	-	-	-	4	90	94
SUBTOTAL	7,054	-	-	7,054	15,125	129	455	22,763
OTHER TAXES AND FEES:								
PROPERTY TAXES AND ASSESSMENTS	-	-	-	-	-	1,177	940	2,117
GENERAL FUND APPROPRIATIONS	-	382	1,937	2,319	1,088	1,186	3,113	7,706
OTHER TAXES AND FEES	-	-	19	19	384	104	140	647
SUBTOTAL	-	382	1,956	2,338	1,472	2,467	4,193	10,470
INVESTMENT INCOME AND OTHER RECEIPTS	962	-	206	1,168	969	257	554	2,948
TOTAL CURRENT INCOME	8,016	382	2,162	10,560	17,566	2,853	5,202	36,181
BOND ISSUE PROCEEDS (PAR VALUE) 3/	-	-	-	-	941	279	684	1,904
GRAND TOTAL RECEIPTS	8,016	382	2,162	10,560	18,507	3,132	5,886	38,085
INTERGOVERNMENTAL PAYMENTS:								
FEDERAL GOVERNMENT:								
HIGHWAY TRUST FUND	-7,444	-	-	-7,444	7,311	8	125	-
ALL OTHER FUNDS	-	-291	-1,495	-1,786	670	490	626	-
STATE AGENCIES:								
HIGHWAY-USER IMPOSTS	-	-	-	-	-3,502	2,143	1,359	-
ALL OTHER FUNDS	-	-	-	-	-454	136	318	-
COUNTIES AND TOWNSHIPS	-	-	-	-	95	-157	62	-
MUNICIPALITIES	-	-	-	-	146	4	-150	-
SUBTOTAL	-7,444	-291	-1,495	-9,230	4,266	2,624	2,340	-
FUNDS DRAWN FROM OR PLACED IN RESERVES 4/	-250	-88	-22	-360	323	-136	-468	-641
TOTAL FUNDS AVAILABLE	322	3	645	970	23,096	5,620	7,758	37,444
	1980							
IMPOSTS ON HIGHWAY USERS: 2/								
MOTOR-FUEL AND VEHICLE TAXES	6,415	-	-	6,415	14,111	90	141	20,757
TOLLS	-	-	-	-	1,344	37	229	1,610
PARKING FEES	-	-	-	-	-	4	98	102
SUBTOTAL	6,415	-	-	6,415	15,455	131	468	22,469
OTHER TAXES AND FEES:								
PROPERTY TAXES AND ASSESSMENTS	-	-	-	-	-	1,200	980	2,180
GENERAL FUND APPROPRIATIONS	-	355	1,964	2,319	1,288	1,250	3,060	7,917
OTHER TAXES AND FEES	-	-	48	48	577	90	150	865
SUBTOTAL	-	355	2,012	2,367	1,865	2,540	4,190	10,962
INVESTMENT INCOME AND OTHER RECEIPTS	1,081	-	186	1,267	987	265	620	3,139
TOTAL CURRENT INCOME	7,496	355	2,198	10,049	18,307	2,936	5,278	36,570
BOND ISSUE PROCEEDS (PAR VALUE) 3/	-	-	-	-	1,128	240	650	2,018
GRAND TOTAL RECEIPTS	7,496	355	2,198	10,049	19,435	3,176	5,928	38,588
INTERGOVERNMENTAL PAYMENTS:								
FEDERAL GOVERNMENT:								
HIGHWAY TRUST FUND	-9,230	-	-	-9,230	9,027	12	191	-
ALL OTHER FUNDS	-	-333	-1,529	-1,862	669	516	677	-
STATE AGENCIES:								
HIGHWAY-USER IMPOSTS	-	-	-	-	-3,563	2,212	1,351	-
ALL OTHER FUNDS	-	-	-	-	-427	190	237	-
COUNTIES AND TOWNSHIPS	-	-	-	-	101	-166	65	-
MUNICIPALITIES	-	-	-	-	147	6	-153	-
SUBTOTAL	-9,230	-333	-1,529	-11,092	5,954	2,770	2,368	-
FUNDS DRAWN FROM OR PLACED IN RESERVES 4/	2,109	-38	-75	1,996	547	-68	-6	2,469
TOTAL FUNDS AVAILABLE	375	-16	594	953	25,936	5,878	8,290	41,057
	1981(PRELIMINARY)							
IMPOSTS ON HIGHWAY USERS: 2/								
MOTOR-FUEL AND VEHICLE TAXES	6,396	-	-	6,396	14,531	93	142	21,162
TOLLS	-	-	-	-	1,413	36	231	1,680
PARKING FEES	-	-	-	-	3	5	110	118
SUBTOTAL	6,396	-	-	6,396	15,947	134	483	22,960
OTHER TAXES AND FEES:								
PROPERTY TAXES AND ASSESSMENTS	-	-	-	-	-	1,250	1,120	2,370
GENERAL FUND APPROPRIATIONS	-	286	1,767	2,053	1,367	1,350	3,300	8,070
OTHER TAXES AND FEES	-	-	32	32	845	100	175	1,152
SUBTOTAL	-	286	1,799	2,085	2,212	2,700	4,595	11,592
INVESTMENT INCOME AND OTHER RECEIPTS	1,004	-	199	1,203	1,035	275	690	3,203
TOTAL CURRENT INCOME	7,400	286	1,998	9,684	19,194	3,109	5,768	37,755
BOND ISSUE PROCEEDS (PAR VALUE) 3/	-	-	-	-	950	250	640	1,840
GRAND TOTAL RECEIPTS	7,400	286	1,998	9,684	20,144	3,359	6,408	39,595
INTERGOVERNMENTAL PAYMENTS:								
FEDERAL GOVERNMENT:								
HIGHWAY TRUST FUND	-8,348	-	-	-8,348	8,108	15	225	-
ALL OTHER FUNDS	-	-263	-1,424	-1,687	656	471	560	-
STATE AGENCIES:								
HIGHWAY-USER IMPOSTS	-	-	-	-	-3,691	2,288	1,403	-
ALL OTHER FUNDS	-	-	-	-	-398	119	279	-
COUNTIES AND TOWNSHIPS	-	-	-	-	110	-180	70	-
MUNICIPALITIES	-	-	-	-	148	7	-155	-
SUBTOTAL	-8,348	-263	-1,424	-10,035	4,933	2,720	2,382	-
FUNDS DRAWN FROM OR PLACED IN RESERVES 4/	1,326	-	-	1,326	276	6	-245	1,363
TOTAL FUNDS AVAILABLE	378	23	574	975	25,353	6,085	8,545	40,958
	1982(FORECAST)							
IMPOSTS ON HIGHWAY USERS: 2/								
MOTOR-FUEL AND VEHICLE TAXES	6,737	-	-	6,737	14,809	94	143	21,783
TOLLS	-	-	-	-	1,485	36	232	1,753
PARKING FEES	-	-	-	-	3	5	112	120
SUBTOTAL	6,737	-	-	6,737	16,297	135	487	23,656
OTHER TAXES AND FEES:								
PROPERTY TAXES AND ASSESSMENTS	-	-	-	-	-	1,260	1,150	2,410
GENERAL FUND APPROPRIATIONS	-	386	1,655	2,041	1,468	1,280	3,200	7,989
OTHER TAXES AND FEES	-	-	33	33	1,207	90	180	1,510
SUBTOTAL	-	386	1,688	2,074	2,675	2,630	4,530	11,909
INVESTMENT INCOME AND OTHER RECEIPTS	859	-	203	1,062	1,050	270	670	3,052
TOTAL CURRENT INCOME	7,596	386	1,891	9,873	20,022	3,035	5,687	38,617
BOND ISSUE PROCEEDS (PAR VALUE) 3/	-	-	-	-	980	230	640	1,850
GRAND TOTAL RECEIPTS	7,596	386	1,891	9,873	21,002	3,265	6,327	40,467
INTERGOVERNMENTAL PAYMENTS:								
FEDERAL GOVERNMENT:								
HIGHWAY TRUST FUND	-7,879	-	-	-7,879	7,625	14	240	-
ALL OTHER FUNDS	-	-365	-1,349	-1,714	687	476	551	-
STATE AGENCIES:								
HIGHWAY-USER IMPOSTS	-	-	-	-	-3,732	2,314	1,418	-
ALL OTHER FUNDS	-	-	-	-	-398	119	279	-
COUNTIES AND TOWNSHIPS	-	-	-	-	120	-195	75	-
MUNICIPALITIES	-	-	-	-	150	7	-157	-
SUBTOTAL	-7,879	-365	-1,349	-9,593	4,452	2,735	2,406	-
FUNDS DRAWN FROM OR PLACED IN RESERVES 4/	669	-	-	669	-	-140	-263	266
TOTAL FUNDS AVAILABLE	386	21	542	949	25,454	5,860	8,470	40,733

1/ FEDERAL AND STATE DATA ARE GENERALLY FOR CALENDAR YEARS; LOCAL DATA FOR FISCAL YEARS ENDING IN VARIOUS MONTHS OF THE CALENDAR YEAR. DATA FOR 1979 ARE FINAL; THOSE FOR LATER YEARS ARE SUBJECT TO FUTURE ADJUSTMENTS.

2/ EXCLUDES AMOUNTS ALLOCATED FOR NONHIGHWAY PURPOSES. MOTOR-FUEL AND VEHICLE TAXES ARE NET AFTER REFUNDS AND COLLECTION EXPENSES. PARKING FEES ARE AMOUNTS IN EXCESS OF PARKING COSTS CONSIDERED AVAILABLE FOR HIGHWAYS.

3/ PROCEEDS OF SHORT-TERM NOTES AND REFUNDING ISSUES ARE EXCLUDED. PREMIUM AND DISCOUNTS ON SALE OF BONDS ARE INCLUDED WITH "INVESTMENT INCOME AND OTHER RECEIPTS".

4/ MINUS SIGNS INDICATE THAT FUNDS WERE PLACED IN RESERVES.

TABLE 5D

PERCENT DISTRIBUTION
OF
HIGHWAY USER AND NONUSER REVENUES
1980
CLASSIFIED BY COLLECTING AGENCY

	Percent			
	Federal	State	Local	Total
HIGHWAY-USER IMPOSTS				
Motor-Fuel and Motor-Vehicle Taxes	63.84	77.08	2.81	56.76
Tolls	-	7.34	3.24	4.40
Parking Fees	-	-	1.24	0.28
Subtotal (Table 5B)	63.84	84.42	7.29	61.44
OTHER RECEIPTS				
Property Taxes and Assessments	-	-	26.54	5.96
General Fund Appropriations	23.08	7.04	52.47	21.65
Other Taxes and Fees	0.48	3.15	2.92	2.37
Investment Income and Other Receipts	12.61	5.39	10.78	8.58
Subtotal (Table 5B)	36.16	15.58	92.71	38.56
GRAND TOTAL	100.00	100.00	100.00	100.00
	27.48	50.06	22.46	100.00
HIGHWAY-USER IMPOSTS				
Motor-Fuel and Motor-Vehicle Taxes	100.00	91.30	38.56	92.38
Tolls	-	8.70	44.41	7.17
Parking Fees	-	-	17.03	0.45
Total	100.00	100.00	100.00	100.00
	28.55	68.78	2.67	100.00
OTHER RECEIPTS				
Property Taxes and Assessment	-	-	42.78	15.49
General Fund Appropriations	64.00	45.16	44.56	56.13
Other Taxes and Fees	0.13	20.23	3.21	6.12
Investment Income and Other Receipts	35.87	34.61	9.45	22.26
Total	100.00	100.00	100.00	100.00
	25.77	20.23	54.00	100.00

Derived from Table 5C.

TABLE 5E

PERCENT DISTRIBUTION
OF
STATE MOTOR-FUEL AND MOTOR-VEHICLE TAXES

1980

MOTOR FUEL:	Percent	Percent
Gallonage Taxes	55.25	99.04
Inspection Fees	0.35	0.63
Other Fees	0.18	0.33
Subtotal	0.53	0.96
Total Motor Fuel	55.78	100.00
MOTOR VEHICLE:		
Registration Fees	30.06	67.98
Titling Taxes	4.64	10.50
Other Fees	9.52	21.52
Subtotal	14.16	32.02
Total Motor Vehicle	44.22	100.00
GRAND TOTAL	100.00	-

Estimated by author.

CHAPTER 6

SUMMARY

The idea that the highway user should pay for his highways and their operation and maintenance is the predominant highway-financing concept today. This report explains and analyzes the idea of highway-user taxation by putting it in historical perspective and exploring various points of view. We examine the history of road and highway financing in this country and the development of the "user-pays" concept. We explore various definitions of just what a "user" tax is and is not, as well as what it may be and may not be, and we discuss the user-nonuser debate: who benefits from highways and how, and how much they should pay.

The financing of highway transportation in the United States will probably be a major area of concern for at least the next 5 or 10 years. In many States highway-user revenues have leveled off or decreased. The situation is comparable for the Federal Highway Trust Fund. Highway construction and maintenance costs have increased faster than consumer prices. Fuel consumption has leveled and the motor-fuel tax, the financial base of the Nation's highway systems for more than a half century, is being eroded. In short, highway finance is a problem.

Highways and streets were considered primarily a local government responsibility in this country through the early part of the 19th century and were financed through poll and property taxes. Typically the local landholders paid the taxes in the form of work on the roads. Eventually statute labor was replaced by road-tax levies, but local governments could not cope with the highway needs occasioned by the expansion westward from the eastern seaboard. There was a period of toll road development. Then competition from the railroad brought that to an end, and highways reverted to government responsibility.

The advent of the automobile toward the end of the 19th century saw an increasing demand for more and better roads. It became clear that the main sources of road financing, especially the property tax, were inadequate. By 1921 all States had annual motor-vehicle registration fees, and by 1931 all States and the Federal Government were imposing a tax on motor fuel.

A case can be made that taxing highway users to pay for roads was not the original intent of the vehicle fee and fuel tax. Regardless, the rationalization soon appeared and still holds sway today. The concept is reflected most clearly in the motor-fuels tax. A basic concept of the fuels tax is the metering of highway services. It seems, for now, the public and its legislators accept the rationales underlying the user-pays concept as reasonable and equitable.

Why should the highway function of government be singled out for special treatment? There are three reasons: (1) Equity. Highway services are not distributed equally throughout society and the public does not support the idea of financing highways completely through general tax levies as is done, for example, for the education function. Since highways still must be provided, and of course paid for, user charges seem about the only practical mechanism. (2) Neutrality. User charges remove the major subsidy elements involved in government provision of highways, thereby promoting the economic allocation of resources. This basically means a market mechanism is employed. (3) Investment criteria. Highway-user taxation tends to establish a direct connection between the costs of supply and effective demand. Comparing user-tax requirements and highway benefits in terms of savings or other values to the highway user indicates whether a highway program is economically justified. Also, the vehicle owner/taxpayer's economic decision to pay for highway facilities, as evidenced by his buying vehicles and fuel (and thereby paying user charges) and using the existing facilities is a rough indicator of the wisdom to maintain, or even enhance, the existing plant.

Gasoline taxes are levied at the wholesale level. Since these taxes are intended to be road tolls, exemptions or refunds are commonly granted for nonhighway uses. However, not all nonhighway uses are fully exempted or refunded in all States, and not all eligible refunds are claimed. Also, some highway uses are partially exempt or refunded. Probably there is also some claiming of undeserved refunds, as well as evasion of the diesel-fuel tax (commonly levied at the retail or user level). Thus, net motor-fuel tax receipts are labeled highway-user revenues, but they are not <u>purely</u> so in all States in the sense these revenues include <u>only</u> taxes contributed by highway users and are paid by <u>all</u> highway users. It might also be noted that there are comparable distortions of the user-pays principle with regard to motor vehicle registration revenues.

The question of who should pay for highways is essentially an argument about who benefits from highways. At one extreme are those who claim all citizens benefit, directly or indirectly, and, therefore, all should pay through general tax levies. On the other hand, there are those who support the theory users of the highways derive immediate and special benefits and should pay all or most of the cost of highways. There is merit in both points of view. Most of us benefit, but users of the roads realize a special benefit that justifies the payment of a special tax. Today Federal-aid and State highway finances are supported primarily by user taxation, while local roads, which have strong access functions, are basically supported by user and nonuser taxes (such as property taxes and special assessments). Most of us play multiple roles on society's stage, being at various times commuter, businessman,

landholder or cross-country traveler. Thus, in a sense, the highway user is all of us.

There is no particular definition of highway-user charge that can be said to be the only correct one. Highway user charges are constructed from the particular perspective of a specific task or goal or educational and/or professional orientation.

A typical definition of highway-user tax is: Those imposts levied on owners and operators of motor vehicles because of their use of the public highways. These imposts consist chiefly of motor-fuel taxes, drivers license fees, and other fees closely allied with the ownership and operation of motor vehicles. Taxes paid by highway users which are parts of general tax structures applicable to a variety of commodities, operations, and activities are excluded.

Some authorities suggest if the user-pays principle is fully embraced, there is no logical reason to exempt highway users from general taxes they would otherwise pay. Thus, it is argued, in States where vehicles are exempt from property taxes and/or motor fuel is exempt from a general sales tax, the general tax components of the user taxes must be subtracted to arrive at net highway-user tax or revenue. The dividing line between user taxes and nonuser taxes is not always clear, and there is room for disagreement with regard to certain specific State imposts and certain kinds of taxes in general. Some authorities analyze highway revenues from the standpoint of lost capital-use opportunity (i.e., economic cost), rather than in terms of out-of-pocket outlays.

The total revenue available for highways from direct imposts and derivative sources stands at about $38 billion (estimated for 1981). Federal user taxes have increased at a slower rate than any other source, reflecting that the tax rates have not changed for a long time. Local revenues have risen at about double the rate of State receipts. Nonuser revenues across the board have risen faster than highway-user receipts, about five times as much. User imposts provide the majority of highway revenues, but the share has been dropping the last 10 years for all levels of government. Overall, the user-nonuser split is about what it was 30 years ago. The Federal Government transfers most of its annual revenue to the States, and State governments transfer more than 20 percent of their funds to local governments, increasing the funds available to local governments by more than half. About two-thirds of the Federal revenue comes from motor-fuel and vehicle taxes, and about 84 percent of State receipts is from user imposts. In contrast, local governments derive most of their highway income from nonuser sources (about one-fourth from property taxes and assessments). State governments produce about half of the highway revenue. For 1980 State receipts, motor fuel accounted for about 55 percent of highway-user tax revenue. Gallonage taxes produce virtually all of the fuel

receipts, and registration fees are about two-thirds of the vehicle fees. The largest single category of "other" vehicle fees, titling taxes, produces about 10 percent of total vehicle-related revenues.

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SUPPLEMENTAL READING

As noted in Chapter 1, a number of studies on various aspects of the highway finance problem have been done recently. Following are the more significant ones sponsored by the Office of Planning and Policy Development of the Federal Highway Administration:

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4. Financial Planning for State Transportation Programs, Philip I. Hazen.

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§ 126. Diversion.

(a) Since it is unfair and unjust to tax motor-vehicle transportation unless the proceeds of such taxation are applied to the construction, improvement, or maintenance of highways, after June 30, 1935, Federal aid for highway construction shall be extended only to those States that use at least the amounts provided by law on June 18, 1934, for such purposes in each State from State motor vehicle registration fees, licenses, gasoline taxes, and other special taxes on motor-vehicle owners and operators of all kinds for the construction, improvement, and maintenance of highways and administrative expenses in connection therewith, including the retirement of bonds for the payment of which such revenues have been pledged, and for no other purposes, under such regulations as the Secretary of Transportation shall promulgate from time to time.

(b) In no case shall the provisions of this section operate to deprive any State of more than one-third of the entire apportionment authorized under this chapter to which that State would be entitled in any fiscal year. The amount of any reduction in a State's apportionment shall be reapportioned in the same maner as any other unexpended balance at the end of the period during which it otherwise would be available in accordance with section 104(b) of this title.

UNITED STATES CODE
TITLE 23: HIGHWAYS

STATE MOTOR-FUEL TAX RATES AND SALES TAX RATES ON MOTOR FUEL

AS OF JANUARY 1, 1982

TABLE MF-121
REVISED OCTOBER 1982

STATE	MOTOR FUEL (CENTS PER GALLON)				SALES TAX (PERCENT PER GALLON)	
	GASOLINE	DIESEL 1/	L.P.G. 1/	GASOHOL 1/	RATE	REMARKS
	(1)	(2)	(3)	(4)	(5)	(6)
ALABAMA	11	12	2/	3/ 8	4	APPLIES TO NON-HIGHWAY USE OF DIESEL.
ALASKA	8		0	0		
ARIZONA	4/ 8					
ARKANSAS	9.5	10.5	7.5	3/ 0	3	APPLIES TO GASOHOL ONLY.
CALIFORNIA	7		6	5/	4.75	APPLIES TO SALES PRICE INCLUDING FEDERAL AND STATE MOTOR FUEL TAX. LOCAL GOVERNMENTS ASSESS AN ADDITIONAL 1.25% EXCEPT IN BAY AREA WHERE IT IS 1.75%. AFTER SALES PRICE HAS BEEN COMPUTED, 4 CENTS PER GALLON GASOHOL TAX EXEMPTION IS ALLOWED.
COLORADO	9			4		
CONNECTICUT	11			10		
DELAWARE	11					
DIST. OF COL.	6/ 13					
FLORIDA	8			3		
GEORGIA	7.5				3	A SECOND MOTOR FUEL TAX ASSESSED SIMILAR TO SALES TAX ON PRICE INCLUDING FEDERAL MOTOR FUEL TAX.
HAWAII	7/ 8.5		6	8/	4	APPLIES TO SALES PRICE EXCLUDING FEDERAL AND STATE MOTOR FUEL TAXES; GASOHOL EXEMPTED.
IDAHO	11.5			7.5		
ILLINOIS	7.5				4	APPLIES TO SALES PRICE EXCLUDING FEDERAL AND STATE MOTOR FUEL TAXES. MOST LOCAL GOVERNMENTS ASSESS AN ADDITIONAL 1% TAX. GASOHOL 2 PERCENT.
INDIANA	6/ 11.1				4	APPLIES TO SALES PRICE EXCLUDING FEDERAL AND STATE MOTOR FUEL TAXES. GASOHOL EXEMPTED.
IOWA	13	13.5		6		
KANSAS	8	10	7	5	3	STATE SALES TAX (3 %) AND CITY AND COUNTY SALES TAXES (1.5 % MAXIMUM) ARE PAID ON AVIATION FUEL NOT SUBJECT TO REFUND.
KENTUCKY	6/ 9/ 10	9/				
LOUISIANA	8			3/ 0		
MAINE	9					
MARYLAND	9					
MASSACHUSETTS	6/ 11.1					
MICHIGAN	11		9	6	4	APPLIES TO SALES PRICE INCLUDING FEDERAL MOTOR FUEL TAX EXCEPT THOSE WHO HAVE A FEDERAL LICENSE AND PAY THE TAX DIRECTLY TO FEDERAL GOVERNMENT.
MINNESOTA	13			3/ 5		
MISSISSIPPI	9	10	8		5	APPLIES TO SALES PRICE INCLUDING FEDERAL AND STATE MOTOR FUEL TAXES.
MISSOURI	7					
MONTANA	9	11	0	2		
NEBRASKA	6/ 13.9			8.9		
NEVADA	10.5			9.5		
NEW HAMPSHIRE	14			3/ 9		
NEW JERSEY	8		4			
NEW MEXICO	6/ 9			0		
NEW YORK	8	10			4	APPLIES TO SALES PRICE INCLUDING FEDERAL MOTOR FUEL TAX. LOCAL GOVERNMENTS ASSESS ADDITIONAL TAX VARYING FROM 1 TO 4%.
NORTH CAROLINA	12			9		
NORTH DAKOTA	8	10/		4		
OHIO	6/ 10.3			11/		
OKLAHOMA	12/ 6.58	6.5	6.5	12/ 0.08		
OREGON	8					
PENNSYLVANIA	6/ 11					
RHODE ISLAND	6/ 12					
SOUTH CAROLINA	13			13/ 6		
SOUTH DAKOTA	13		11	9		
TENNESSEE	9	12				
TEXAS	5	6.5		0		
UTAH	11			6		
VERMONT	11	0	0			
VIRGINIA	9/ 11	9/		3/ 3		
WASHINGTON	6/ 12		0	10.8		
WEST VIRGINIA	10.5					
WISCONSIN	13					
WYOMING	8	14/ 0	14/ 0	4		

1/ RATES ARE THE SAME AS GASOLINE TAX RATES EXCEPT WHERE INDICATED.

2/ DECAL FEE.

3/ EXEMPTION FROM STATE MOTOR FUEL TAX PROVIDED ALCOHOL WAS MADE IN THE STATE FROM ITS OWN AGRICULTURAL COMMODITIES; IN MINNESOTA AND NEW HAMPSHIRE, 5 CENTS; IN VIRGINIA, 8 CENTS PROVIDED ALCOHOL DISTILLED IN VIRGINIA FROM FARM OR WASTE PRODUCTS GROWN IN VIRGINIA IN A PLANT THAT DOES NOT USE NATURAL GAS OR A PETROLEUM-BASED PRODUCT AS A PRIMARY FUEL.

4/ DURING MID-1981, MOTOR FUEL TAX WAS INCREASED TO 9.6 CENTS PER GALLON, EFFECTIVE JANUARY 1, 1982 AND BEGINNING JANUARY 1, 1983 THE RATES WOULD BE BASED ON 8% OF THE AVERAGE RETAIL SELLING PRICE OF FUEL, EXCLUDING FEDERAL AND STATE TAXES. HOWEVER A REFERENDUM PETITION POSTPONES THESE CHANGES PENDING AN APPROVAL BY THE VOTERS AT THE NOVEMBER 1982 ELECTION.

5/ EXCISE TAX ON ALCOHOL FUELS (ETHANOL OR METHANOL) CONTAINING NOT MORE THAN 15% GASOLINE OR DIESEL FUELS IS ONE-HALF THE RATE OF THE USE FUEL TAX FROM JANUARY 1, 1982 UNTIL JANUARY 1, 1989.

6/ "VARIABLE TAX RATES" ARE DETERMINED AT VARIOUS TIMES OF THE YEAR.

7/ COUNTY TAX OF 4 TO 6.5 CENTS IS ALSO ADDED.

8/ COUNTY TAX OF 3.5 CENTS IS ALSO ADDED BUT EXEMPTED FROM SALES TAX.

9/ 2% SURTAX ON ANY VEHICLE WITH 3 OR MORE AXLES IN KENTUCKY AND 2 CENTS PER GALLON SURTAX ON ANY INTERSTATE PROPERTY VEHICLE WITH 3 OR MORE AXLES IN VIRGINIA.

10/ DIESEL FUEL BLENDED WITH OIL OR AGRICULTURALLY DERIVED ALCOHOL TAXED AT 4 CENTS PER GALLON.

11/ A DEALER IS REFUNDED 35 CENTS PER GALLON FOR EACH QUALIFIED FUEL(ETHANOL AND METHANOL) THAT IS REPORTED AS HAVING BEEN BLENDED WITH UNLEADED GASOLINE.

12/ 0.08 CENTS PER GALLON IS FOR INSPECTION FEE.

13/ GASOHOL TAX IS 6 CENTS PER GALLON UNTIL JUNE 30, 1985 AND 7 CENTS PER GALLON FROM JULY 1, 1985 UNTIL JUNE 30, 1987 UNLESS THE CUMULATIVE REVENUE REACHES $5 MILLION AFTER WHICH TIME THE GASOHOL TAX WILL BE THE SAME AS GASOLINE.

14/ IN LIEU OF GALLONAGE TAX ON DIESEL AND L.P.G., A FEE OF 1.1 MILLS PER TON-MILE IS LEVIED.

APPENDIX C

SUMMARY OF STATE MOTOR-VEHICLE REGISTRATION FEE SCHEDULES[1]

BASED ON REPORTS OF STATE AUTHORITIES

TABLE MV-103
SHEET 1 OF 8

2/ STATUS AS OF JANUARY 1, 1982

STATE	1. AUTOMOBILES				2. SINGLE-UNIT TRUCKS				
	FEE BASIS	APPROXIMATE RANGE 3/		FEE FOR TYPICAL VEHICLE 4/	FEE BASIS	APPROXIMATE FEE RANGE 5/		FEE FOR TYPICAL VEHICLES 7/	
		FROM	TO			REGULAR REGISTRATION	SPECIAL RATES FOR FARM TRUCKS 6/	NON-FARM	FARM
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Alabama	Flat fee. A 75-cent issuance fee is included in the fees shown.	$13.75	$13.75	$13.75	Gross weight groups. A 50-cent issuance fee is included in the fees shown.	$13.00 for up to 8,000 pounds to $325.00 for 62,001 pounds and over.	$30.00 for up to 30,000 pounds to $85.00 for 42,000 pounds.	$45.50	$30.50
Alaska	Flat fee.	30.00	30.00	30.00	Unladen weight.	$45.00 for 5,000 pounds or less to $215.00 for 18,001 pounds and over. Pickup trucks 6,000 pounds or less pay $35.00.	Trucks not exceeding a total net weight of 16,000 pounds registered for $30.00.	80.00	30.00
Arizona	Flat fee of $8.00 plus value and age: The $4.00 fee per $100.00 value applies to a base value of 60 percent of the manufacturer's retail price depreciated 15 percent per year after the first year by formula. The minimum fee is $10 per year.	18.00	349.63	54.59	Flat fee plus gross weight and value fee.	$8.00 flat fee plus $7.50 for under 8,000 pounds to $324.00 for 30,000 pounds g.v.w. and value fee by formula. A $4.00 commercial fee is included.	No special rates.	322.62	322.62
Arkansas	Unladen weight groups: $18.00 for 2,500 pounds or less; $24.00 for 2,501 to 3,000 pounds; $30.00 for 3,001 to 3,500 pounds; $36.00 for 3,501 pounds and over.	18.00	36.00	30.00	Gross weight groups	$24.00 for 6,000 pounds or less to $12.35 per 1,000 pounds for 60,000 pounds.	Weight fee based on gross weight and number of axles, with a minimum fee of $32.50 and a maximum fee of $162.50 for a 5-axle vehicle.	91.00	55.00
California	Flat fee.	22.00	22.00	22.00	Flat fee plus weight fee based on unladen weight and number of axles.	$22.00 flat fee plus $8.00 minimum weight fee to $620.00 for a 3-axle truck over 15,000 pounds.	No special rates.	147.00	147.00
Colorado	Empty weight groups: 2,000 pounds or less, $6.00; 4,500 pounds or less, $6.00 plus 20 cents per cwt. of weight over 2,000 pounds; more than 4,500 pounds, $12.50 plus 60 cents per cwt. of weight over 4,600 pounds. An additional fee of $1.50 is included in the fees shown.	8.10	12.10	10.10	Empty weight	$7.60 for 2,000 pounds or less to $106.25 for 6,500 pounds. $22.50 plus ton-mile taxes for over 6,500 pounds. An additional fee of $1.50 is included in the fees shown.	$6.20 for 2,000 pounds or less to $110.00 plus $1.50 per cwt. for over 16,000 pounds. An additional fee of $1.50 is included in the fees shown.	107.75	23.75
Connecticut	Flat fee.	20.00	20.00	20.00	Gross weight	65 cents per cwt. for up to 20,000 pounds to $1.10 per cwt. for over 73,000 pounds. Minimum $22.00.	No special rates. Farm use within a 25-mile radius, $8.00.	91.00	91.00
Delaware	Flat fee.	20.00	20.00	20.00	Gross weight.	$20.00 for first 5,000 pounds and $2.60 for each additional 500 pounds.	1/2 regular fee, minimum $20.00.	66.80	33.40
Dist. of Col.	Empty weight groups: $35.00 for 2,799 pounds or less to $76.00 for 4,000 pounds and over. A 50-cent reflectorized plate fee is included in the fees shown. A $3.00 inspection fee is assessed in addition to the fees shown.	35.50	76.50	42.50	Empty weight groups. A 50-cent reflectorized plate fee is included in the fees shown. A $3.00 inspection fee is assessed in addition to the fees shown.	$95.00 for less than 3,000 pounds to $479.00 for 16,000 pounds and over.	No special rates.	163.50	163.50
Florida	Empty weight groups: $14.75 for 2,499 pounds or less to $32.00 for 3,500 pounds and over. A $1.25 service charge, 50-cent reflectorized plate fee and 50-cent fee for Real Time Vehicle Information System are included in the fees shown.	14.75	32.75	22.75	Flat fee plus fee based on empty weight. A $1.25 service charge, 50-cent reflectorized plate fee and 50-cent fee for Real Time Vehicle Information System are included in the fees shown.	$12.50 flat fee for 1,999 pounds or less to flat fee of $10.00 plus $1.10 per cwt. for over 5,000 pounds.	No special rates. Vehicles classified as "goats" are registered for $9.00.	83.75	83.75
Georgia	Flat fee.	8.00	8.00	8.00	Gross weight.	$8.00 for 14,000 pounds or less to $375.00 for maximum permitted. No straight truck shall be classified higher than $60.00.	Flat fee of $8.00	8.00	8.00
Hawaii	License fee (footnote 8) plus net weight tax of 3/4 cent per pound ($12.00 minimum) for the city and county of Honolulu, and Kauai county, and 1/2 cent per pound ($6.00 minimum) for Hawaii and Maui counties. Plus State weight tax 0.45 cents per pound, 6,000 pounds or less; flat rate over 6,000 to 9,000 pounds - $27.00; over 9,000 to 14,000 pounds - $31.50; over 14,000 pounds - $36.00. State registration fee $1.00. 8/	9/ 31.70 10/ 25.43 23.93 30.80	9/ 57.82 10/ 46.11 44.60 56.92	9/ 48.08 10/ 38.39 36.89 47.18	License fee (footnote 8) plus net weight tax of 1 1/2 cents per pound for the city and county of Honolulu, 2 cents per pound for Kauai county and 1 cent per pound for Maui and Hawaii counties.	$64.40 for 3,000 pounds to $305.90 for 20,000 pounds in the city and county of Honolulu, $78.50 to $441.00 in Kauai county, $47.00 to $239.50 in Maui county and $48.50 to $241.00 in Hawaii for the same trucks.	$64.40 for 3,000 pounds to $305.90 for 20,000 pounds in the city and county of Honolulu, $78.50 to $405.00 in Kauai county, $47.00 to $203.50 in Maui county $48.50 to $205.00 in Hawaii county for the same farm trucks. Vehicles over 6,000 pounds used for agricultural purposes are entitled to a refund of the State weight tax.	9/ 132.05 10/ 98.10 96.60 164.20	9/ 105.05 10/ 71.10 69.60 137.20
Idaho	Age groups: $15.60 for vehicles over 8 years old to $36.00 for vehicles 1 and 2 years old. A 90-cent reflectorized plate fee ($1.80 per automobile) is assessed when new plates are issued.	15.60	36.00	33.00	Gross weight groups. A 90-cent reflectorized plate fee ($1.80 per truck) is assessed when new plates are issued. 11/	$30.60 for 6,000 pounds or less to $515.40 for 80,000 pounds.	$30.60 for 6,000 pounds to $311.40 for 80,000 pounds.	30.60	30.60
Illinois	Taxable horsepower groups: $18.00 for 35 horsepower or less and $30.00 for over 35 horsepower.	18.00	30.00	30.00	Flat fee plus fee based on gross weight. Optional basis: Flat fee plus mileage weight tax.	$8.00 flat fee plus $16.00 for gross weight of 3,000 pounds or less to $918.00 for 44,500 pounds. $8.00 flat fee plus $31.00 for gross weight of 10,000 pounds or less to $644.00 for 44,500 pounds with per mile taxes on mileage exceeding stipulated amounts.	$100.00 for 16,000 pounds or less to $560.00 for 44,500 pounds. No special rates.	130.00 216.00	100.00 216.00

Source: Federal Highway Administration, "Highway Taxes and Fees, How they are Collected and Distributed 1982."

SUMMARY OF STATE MOTOR-VEHICLE REGISTRATION FEE SCHEDULES[1]

BASED ON REPORTS OF STATE AUTHORITIES

TABLE MV-103
SHEET 2 OF 8
2/ STATUS AS OF JANUARY 1, 1982

STATE	1. AUTOMOBILES				2. SINGLE-UNIT TRUCKS				
	FEE BASIS	APPROXIMATE RANGE 3/		FEE FOR TYPICAL VEHICLE 4/	FEE BASIS	APPROXIMATE FEE RANGE 5/		FEE FOR TYPICAL VEHICLES 7/	
		FROM	TO			REGULAR REGISTRATION	SPECIAL RATES FOR FARM TRUCKS 6/	NON-FARM	FARM
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Indiana	Flat fee of $12.25 plus an excise tax of $12.00 to $400.00 is based on year of manufacture and factory advertised base price. A $1.00 service charge, retained by the branch offices plus a 25-cent Public Safety Fee are included in the registration fee.	24.75	412.75	60.25	Factory price groups. A $1.00 service charge retained by the branch offices plus a 25-cent Public Safety Fee are included in the registration fee.	$20.25 for 7,000 pounds or less to $565.25 for over 66,000 pounds. Excise tax in addition to registration fee is charged on trucks under 11,001 pounds.	$25.25 for 11,000 pounds or less to $282.75 for over 66,000 pounds.	100.75	50.75
Iowa	Empty weight and value: 40 cents per cwt. plus one percent of value. The portion based on value drops to 3/4 of one percent after 5 registrations, 1/2 of one percent after 6 registrations and 1/10 of one percent after 8 and all future registrations. Minimum total registration $10.00.	11.00	184.00	43.00	Gross weight groups.	$45.00 for 3 tons or less ($35.00 after ten registrations) to $1,695.00 for 40 tons.	$120.00 for 8 tons to $375.00 for 20 tons.	110.00	110.00
Kansas	Gross weight groups: $13.00 for 3,000 pounds and less; $16.25 for 3,001 to 4,000 pounds; $19.50 for 4,001 to 4,500 pounds; $26.00 for more than 4,500 pounds. 12/	13.00	26.00	19.50	Gross weight groups	$27.50 for 12,000 pounds or less to $1,475.00 for 85,500 pounds.	$15.00 for 12,000 pounds or less to $62.00 for over 24,000 pounds, but not to exceed 42,000 pounds.	75.00	21.00
Kentucky	Flat fee. A $1.00 service charge is included in the fees shown.	12.50	12.50	12.50	Gross weight groups. A $1.00 service charge is included in the fees shown.	$11.50 for 6,000 pounds or less to $474.00 for 44,000 pounds.	$11.50 for 38,000 pounds or less to 40 percent of regular fee for over 38,000 pounds.	31.00	12.50
Louisiana	Flat fee for 2-year period. If registered for first time during the second year fee is $3.00.	6.00	6.00	6.00	Gross weight per load-carrying axle.	$10.00 for less than 3,500 pounds on load-carrying axle to $240.00 for up to 32,000 pounds per load-carrying tandem axle.	$3.00 for axle loads up to 6,000 pounds to $20.00 for tandem axle loads of 32,000 pounds.	100.00	10.00
Maine	Flat fee.	20.00	20.00	20.00	Gross weight groups	$20.00 for 6,000 pounds or less to $816.00 for 80,000 pounds.	$15.00 for 6,000 pounds or less to $300.00 for 54,000 pounds.	70.00	32.00
Maryland	Shipping weight groups: $20.00 for 3,700 pounds or less to $30.00 for over 3,700 pounds.	20.00	30.00	30.00	Chassis weight groups with gross weight limits or manufacturer's rated capacity for 1/2 and 3/4 ton.	$25.00 for 3/4 ton or less manufacturer's rated capacity. Others $35.00 (minimum gross weight 10,000 pounds) to $632.00 (maximum gross weight 79,000 pounds).	$2.00 per 1,000 pounds of gross registered weight; $20.00 (minimum gross weight of 10,000 pounds) to $110.00 (maximum gross weight of 55,000 pounds).	49.00	28.00
Massachusetts	Flat fee.	10.00	30.00	10.00	Gross weight.	$7.00 per 1,000 pounds. Minimum fee $20.00	$7.00 for registration certificate and $7.00 for each number plate which can be used interchangeably on owner's vehicles. Restricted to 50-mile radius of owner's farm.	98.00	14.00
Michigan	Empty weight: $20.00 for 3,000 pounds or less up to 74 cents per cwt. for over 10,000 pounds. Minimum $20.00.	20.00	30.00	23.00	Gross weight groups, except empty weight for trucks less than 8,000 pounds.	$26.00-$34.00 for pickups under 5,000 pounds empty weight. Minimum $1.08 per cwt. for 2,500 pounds to $3.38 per cwt. for 15,001 pounds and over. $243.00 for 24,000 pounds or less gross vehicle weight to $1,594.00 for over 160,000 pounds.	74 cents per cwt. of empty weight.	243.00	47.43
Minnesota	Value and age: The base value is the manufacturer's suggested retail price plus the destination charges. Value depreciation each year until minimum tax. A 25 cents per plate reflectorization fee is assessed when new plates are issued. A 5 percent surtax is included. There is also a $13.00 registration fee.	15.00	353.00	38.00	Gross weight and age groups. A 25 cents per plate reflectorizing fee is assessed when new plates are issued. A 5 percent surtax is included in the fees shown.	$45.00 for 9,000 pounds or less to $1,620.00 for 81,000 pounds. Fee is reduced to the minimum in the seventh year of vehicle life.	45 percent of the base fee with minimum of $35.00 for first eight years, 27 percent over 8 years for under 57,000 pounds. 50 percent of the base fee for first years, 36 percent over 8 years for 57,000 pounds or more.	62.00	19.00
Mississippi	Empty weight groups plus tag fee: $10.00 for 1,800 pounds or less to $20.00 for over 4,000 pounds, less 10 percent reduction for each prior registration, not to exceed 5 years, plus a $2.75 tag fee.	7.75	20.75	10.25	Tag fee plus gross weight fee.	$2.75 tag fee plus $7.20 for 6,000 pounds or less to $643.00 for 73,280 pounds.	$2.75 tag fee plus $7.20 for 6,000 pounds or less to $555.00 for 73,280 pounds.	65.75	34.75
Missouri	Horsepower groups: $5.50 for less than 12 horsepower to $38.00 for 72 horsepower and over.	9.00	25.50	11.50	Gross weight groups	$20.50 for 6,000 pounds or less to $1,050.50 for over 72,000 pounds.	$15.50 for 6,000 pounds or less to $350.50 for over 72,000 pounds.	50.50	20.50
Montana	Empty weight groups: $5.00 for 2,850 pounds or less; $12.00 for 2,851 pounds and over. An additional $2.00 fee collected for registration for plates and/or stickers.	7.00	12.00	12.00	Flat fee plus gross weight fee.	$12.00 flat fee plus gross weight fee of $7.50 for 6,000 pounds or less to $543.75 for 42,000 pounds plus additional $62.50 for each 2,000 pounds over 42,000 pounds.	$12.00 flat fee plus 16 percent of gross vehicle weight fee schedule with minimum fee of $6.00.	34.50	15.60

SUMMARY OF STATE MOTOR-VEHICLE REGISTRATION FEE SCHEDULES[1]

BASED ON REPORTS OF STATE AUTHORITIES

TABLE MV-103
SHEET 3 OF 8
2/ STATUS AS OF JANUARY 1, 1982

STATE	1. AUTOMOBILES				2. SINGLE-UNIT TRUCKS				
	FEE BASIS	APPROXIMATE RANGE 3/		FEE FOR TYPICAL VEHICLE 4/	FEE BASIS	APPROXIMATE FEE RANGE 5/		FEE FOR TYPICAL VEHICLES 7/	
		FROM	TO			REGULAR REGISTRATION	SPECIAL RATES FOR FARM TRUCKS 6/	NON-FARM	FARM
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Nebraska	Flat fee. A 50-cent charge for the Recreation Road Fund is included in the fees shown. Includes $1.00 retained by county for administration.	16.50	16.50	16.50	Gross vehicle weight except farm trucks, which are registered on the basis of their rated capacity. A 50-cent charge for the Recreation Road Fund is included in the fee shown.	$19.50 for 3 tons or less to $811.50 for 35 tons.	$19.50 for 1 ton or less to $23.50 in excess of 1 ton manufacturer's rated capacity.	86.50	23.50
Nevada	Flat fee. A $4.00 special fee is included in the fees shown.	16.00	16.00	16.00	Empty weight. A $4.00 special fee is included in the fees shown.	$12.00 for 3,500 pounds of less to 60 cents per cwt. or major fraction thereof for 5,000 pounds or over.	No special rates.	43.00	43.00
New Hampshire	Gross weight groups and age: $16.80 for 3,000 pounds or less to 74 cents per cwt. for 73,280 pounds. Additional $1.00 per plate reflectorized plate fee each time plates are issued.	16.80	40.80	28.80	Gross weight. Plus additional $1.00 per plate reflectorized plate fee each time plates are issued.	$16.80 for 3,000 pounds or less to 74 cents per cwt. for 8,001 pounds and over.	$24.00 for 16,000 pounds or less. Plus 74 cents per cwt. for any additional weight above 16,000 pounds.	88.80	24.00
New Jersey	Shipping weight groups and age: $14.00 for 2,700 or less for 1970 and older models to $51.00 for over 3,800 pounds for 1971-1979 models. $25.00 for 3,500 pounds or less to $50.00 for over 3,500 pounds. A $2.50 inspection fee is assessed in addition to the fees shown.	17.00	50.00	28.00	Gross weight.	$50.00 for 5,000 pounds or less to $687.50 for 80,000 pounds. A $2.50 inspection fee is assessed in addition to the fees shown.	1/2 the fee provided for trucks. A $2.50 inspection fee is assessed in addition to the fees shown.	126.50	63.25
New Mexico	Shipping weight groups and age: $16.00 for 3,000 pounds or less; $24.00 for 3,001 to 4,000 pounds; $35.00 for over 4,000 pounds. Fee reduced 50 percent after 5 years. A 50-cent administrative service fee is included in the fees shown.	8.50	36.50	12.50	Gross weight groups. A 50-cent administrative service fee is included in the fees shown. 13/	$24.00 for 6,000 pounds or less to $94.00 for 26,000 pounds. $50.00 for 26,001 to 48,000 pounds, and $75.00 for 48,001 pounds and over. Fee reduced 50 percent after 5 years for trucks of 8,000 pounds or less; 80 percent for trucks of 8,001 to 26,000 pounds.	2/3 of regular registration fee for vehicles over 6,000 pounds.	52.50	35.17
New York	Shipping weight: 75 cents per cwt. or major fraction thereof for 3,500 pounds or less plus $1.125 per cwt. or major fraction thereof over 3,500 pounds. Minimum $12.00 (less than 6 cylinders); $15.00 (6 cylinders or more). Maximum $65.00. A reflectorized plate fee, not to exceed 5 cents above actual cost, is assessed when new plates are issued.	16.50	34.13	24.75	Gross weight. A reflectorized plate fee, not to exceed 5 cents above actual cost, is assessed when new plates are issued.	$2.50 per 500 pounds, or fraction thereof.	Agricultural trucks having a maximum gross weight of 40,000 pounds or less owned by a person engaged in food production, $1.75 per 500 pounds or fraction thereof. Farm trucks operated upon a highway connecting by the most direct route any farms or portions of a farm under single or common ownership or operation, $1.00 flat fee.	70.00	49.00
North Carolina	Flat fee. A 3.00 safety education fee is included in the fees shown.	16.00	16.00	16.00	Gross weight. A $3.00 safety education fee is included in the fees shown.	46 cents per cwt. for 4,000 pounds or less to $1.15 per cwt. for over 16,500 pounds. Minimum fee $21.50.	1/2 regular fee, minimum $17.50	144.40	74.40
North Dakota	Empty weight and age groups: $37.00 for 1,999 pounds or less to $105.00 for 5,000 pounds and over. Fee reduced with age of vehicle.	20.00	61.00	38.00	Gross weight and age groups.	$31.00 for 4,000 pounds or less to $611.00 for 10,000 pounds. Fee reduced with age of truck. 14/	Special rate for trucks registered from 24,001 to 82,000 pounds: $96.00 for 26,000 pounds to $391.00 for 82,000 pounds. Fee reduced with age of truck.	47.00	47.00
Ohio	Flat fee. A $1.00 service charge is included in the fees shown.	21.00	21.00	21.00	Empty weight. A $1.00 service charge is included in the fees shown. 15/	$32.00 for first 2,000 pounds to $1,193.00 for 40,000 pounds.	$15.00 for first 2,000 pounds to $800.00 for 40,000 pounds.	126.00	56.00
Oklahoma	Value and age: $19.00 for factory delivered price of $549.99 or less, plus $1.50 per $100.00 over $649.99. Fee for 2nd through 10th year, 90 percent of previous year's fee. A $1.25 administrative fee, a 35-cent reflectorized plate fee, a 50-cent county fee and a $1.00 drivers education fee are included in the fees shown.	14.75	124.55	50.00	Gross weight and age on all trucks. A $1.25 administrative fee, a 35-cent reflectorized plate fee, a 50-cent county fee and a $1.00 drivers education fee are included in the fees shown.	$20.00 for 5,500 pounds or less to $660.00 for 73,280 pounds. Fee reduced after 5th year on trucks of 15,000 pounds or less. Minimum fee $10.00	$15.00 for less than 7,000 pounds rated capacity to $120.00 up to 54,000 pounds Fee reduced with age of truck. Regular fee over 54,000 pounds.	98.10	18.10
Oregon	Flat fee collected as $20.00 biennial fee. A 50-cent reflectorized plate fee ($1.00 per automobile) is assessed when new plates are issued.	10.00	10.00	10.00	Gross weight groups except for farm trucks which are registered on an empty weight basis. 16/	$35.00 for 10,000 pounds or less to $130.00 for 48,000 pounds plus $5.00 per ton over 48,000 pounds.	40-cents per cwt. for 4,500 pounds or less to 60-cents for over 4,500.	45.00	70.00
Pennsylvania	Flat fee.	24.00	24.00	24.00	Gross weight.	$39.00 for 5,000 pounds or less to $834.00 for 73,280 pounds.	$51.00 or 1/3 of the standard annual fee for class, whichever is greater. 17/	132.00	51.00
Rhode Island	Gross weight groups: $10.00 for 2,500 pounds to $33.00 for over 6,000 pounds. A $1.00 reflectorized plate fee is assessed when new plates are issued.	10.00	28.00	17.00	Gross weight groups. A $1.00 reflectorized plate fee is assessed when new plates are issued.	$17.00 for 4,000 pounds or less to $253.00 for 45,000 pounds.	No special rates. Farm use within a 5-mile radius, $1.00.	62.00	62.00
South Carolina	Flat fee. 18/	10.00	10.00	10.00	Gross weight groups.	$10.00 for 3,500 pounds or less to $680.00 for 80,000 pounds. 18/	$5.00 for 5,000 pounds or less empty weight to $120.00 for 30 ton load capacity with empty weight over 12,500 pounds.	63.00	10.00

SUMMARY OF STATE MOTOR-VEHICLE REGISTRATION FEE SCHEDULES[1]

TABLE MV-103
SHEET 4 OF 8

BASED ON REPORTS OF STATE AUTHORITIES

2/ STATUS AS OF JANUARY 1, 1982

STATE	1. AUTOMOBILES				2. SINGLE-UNIT TRUCKS				
	FEE BASIS	APPROXIMATE RANGE 3/		FEE FOR TYPICAL VEHICLE 4/	FEE BASIS	APPROXIMATE FEE RANGE 5/		FEE FOR TYPICAL VEHICLES 7/	
		FROM	TO			REGULAR REGISTRATION	SPECIAL RATES FOR FARM TRUCKS 6/	NON-FARM	FARM
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
South Dakota	Shipping weight groups and age: $20.00 for 2,000 pounds or less to $60.00 for 6,000 to 7,000 pounds. Fee reduced 30 percent when vehicle is 5 or more years old.	21.00	40.00	21.00	Shipping weight groups and age.	$20.00 for 2,000 pounds or less to $180.00 for 13,000 pounds plus $40.00 for each additional 1,000 pounds in excess of 13,000. Fee reduced 30 percent when vehicle is 5 or more years old.	No special rates.	60.00	60.00
Tennessee	Flat fee. A $1.25 clerk's fee is included in the fees shown.	19.00	19.00	19.00	Gross weight groups.	$37.50 for 9,000 pounds or less to $1,300.00 for 80,000 pounds.	$17.75 for 9,000 pounds or less to $492.00 for 80,000 pounds.	62.50	33.00
Texas	Shipping weight plus 100 pounds: $12.00 for 3,500 pounds or less to 55 cents per cwt. for 6,001 pounds and over. A 30-cent reflectorized plate fee is included in the fees shown.	12.30	30.30	22.30	Gross weight groups. A 30-cent reflectorized plate fee is included in the fees shown.	44 cents per cwt. for 6,000 pounds or less to 99 cents per cwt. for over 31,000 pounds. Diesel trucks pay 11 percent additional fee.	1/2 regular fee.	96.82	48.56
Utah	Flat fee. A 50-cent reflectorized plate fee ($1.00 per automobile) is assessed when new plates are issued. A $2.00 drivers education fee is included in the fees shown.	7.00	7.00	7.00	Gross weight groups.	$7.50 for 6,000 pounds or less to $550.00 for 80,000 pounds.	$7.50 for 6,000 pounds or less to $245.00 for 80,000 pounds.	35.00	20.00
Vermont	Flat fee.	36.00	36.00	36.00	Gross weight groups.	$36.00 for 6,000 pounds or less to $14.70 per 1,000 pounds for over 60,000 pounds. Nongasoline trucks pay 75 percent additional fees.	$36.00 for 25,000 pounds or less, or $45.00 for 35,000 pounds.	172.20	36.00
Virginia	Shipping weight groups: $15.00 for 4,000 pounds or less; $20.00 for over 4,000 pounds.	15.00	20.00	15.00	Flat fee plus fee based on gross weight.	$5.00 flat fee plus $1.30 per 1,000 pounds for 10,001 pounds to $9.00 per 1,000 pounds for 76,000 pounds plus additional fee of $5.00 for over 6,500 pounds. Minimum fee of $22.00 for vehicles with gross weight of 6,501 pounds to 10,000 pounds. 19/	Vehicles exclusively on the farm or on highways connecting farms, not in excess of ten miles, are exempt from registration. Other two-axle farm vehicles 7,500 gross or more pay fifty per centum of fee per thousand pounds of gross weight.	32.40	16.20
Washington	Flat fee. A $1.00 county filing fee and a 10-cent special highway studies fee are included in the fees shown. A 50-cents reflectorized plate fee ($1.00 per automobile) is assessed when new plates are issued. Vehicles powered by natural gas or liquified petroleum gas are assessed an additional fee of $45.00 plus a $5.00 handling charge.	20.10	20.10	20.10	Flat fee ($19.00) plus fees based on gross weight. A $1.00 county filing fee and a variable special highway studies fee based on gross weight are included in the fees shown. (Special studies fee for diesel-powered trucks is $2.00; all other trucks are 25-cents under 12,000 pounds g.v.w., 50-cents between 12,000 pounds g.v.w. and $1.00 over 20,000 pounds). A 50-cents reflectorized plate fee ($1.00 per truck) is assessed when new plates are issued. Trucks powered by natural gas or liquified petroleum gas are assessed an additional fee of $45.00 for 6,000 pounds to $250.00 over 36,000 pounds plus a $5.00 handling charge.	$20.00 plus $6.25 for less than 4,000 pounds to $256.00 for 40,000 pounds. Diesel, electric, steam, and natural gas trucks: $20.00 plus $8.00 for less than 4,000 pounds and $288.90 for 40,000 pounds. Additional fee for natural gas or liquified petroleum gas powered trucks.	$20.00 plus special studies fee and 1/2 of gross weight fee. Trucks operating within 15 miles of farm require only a $5.00 decal and are exempt from regular registration.	65.00	42.75
West Virginia	Empty weight groups: $25.00 for 3,000 pounds or less, $30,000 for 3,001 to 4,000 pounds $36.00 for 4,001 pounds and over. A $2.00 mandatory insurance law fee is included in fees shown.	27.00	38.00	38.00	Gross weight groups.	$25.00 for 4,000 pounds or less to $78.50 for 16,001 pounds, plus $10.00 per 1,000 pounds over 16,000 pounds.	$30.00 for 8,001 pounds to $250.00 for 64,000 pounds.	58.00	30.00
Wisconsin	Flat fee.	25.00	25.00	25.00	Gross weight groups.	$30.00 for 4,500 pounds or less to $1,682 for 80,000 pounds.	$21.00 for 12,000 pounds or less, approximately 1/4 regular fee for over 12,000 pounds.	168.00	42.00
Wyoming	Flat fee.	15.00	15.00	15.00	Empty weight groups. 20/	$2.00 for 1,000 pounds or less to $60.00 for 6,001 pounds and over.	No special rates.	60.00	60.00

SUMMARY OF STATE MOTOR-VEHICLE REGISTRATION FEE SCHEDULES[1]

BASED ON REPORTS OF STATE AUTHORITIES

2/ STATUS AS OF JANUARY 1, 1982

STATE	3. TRACTOR TRUCKS		4. SEMITRAILERS 21/		TYPICAL VEHICLE 3-AXLE 22/			TYPICAL VEHICLE 5-AXLE 23/		
	FEE BASIS	APPROXIMATE FEE RANGE	FEE BASIS	APPROXIMATE FEE RANGE	TRACTOR TRUCK 24/	SEMI-TRAILER	COMBI-NATION	TRACTOR TRUCK 24/	SEMI-TRAILER	COMBI-NATION
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Alabama	Gross vehicle weight. A 50-cent issuance fee is included in the fees shown.	$13.00 for up to 8,000 pounds to $325.00 for 62,001 pounds and over.	Flat fee. A 50-cent issuance fee is included in the fees shown.	$20.00 per semitrailer.	$130.50	$20.50	$151.00	$325.50	$20.50	$346.00
Alaska	Unladen weight.	$45.00 for 5,000 pounds or less to $215.00 for 18,001 pounds and over.	Unladen weight.	Same schedule as for tractor trucks.	80.00	80.00	160.00	150.00	80.00	230.00
Arizona	Flat fee plus fee based on gross weight of combination.	$12.00 flat fee plus $7.50 for under 8,000 pounds to $918.00 for 80,000 pounds plus $12.75 per 1,000 pounds over 80,000 pounds.	Flat fee plus gross value fee by formula.	Registered with tractor truck plus $49.00 flat fee plus value fee by formula.	915.87	237.70	1,153.57	1,829.48	333.07	2,159.55
Arkansas	Gross weight of combination.	$6.50 per 1,000 pounds for 6,001 pounds to $14.30 per 1,000 pounds for 73,280 pounds.	Flat fee.	Registered with tractor truck, plus $15.60 identification tag fee.	426.40	15.60	442.00	1,028.40	15.60	1,044.00
California	Flat fee plus weight fee based on unladen weight and number of axles.	$22.00 flat fee plus $8.00 for 3,000 pounds or less 2-axle tractor truck, $620.00 for a 3-axle truck over 15,000 pounds.	Flat fee plus weight fee based on unladen weight.	$22.00 flat fee plus $26.00 for 2,000 pound to $620.00 for over 15,000 pounds.	241.00	208.00	449.00	642.00	439.00	1,081.00
Colorado	Empty weight	$7.60 for 2,000 pounds or less to $106.25 for 6,500 pounds. $22.50 plus ton-mile taxes for over 6,500 pounds. An additional fee of $1.50 is included in the fees shown.	Flat fee.	$7.50 per semitrailer. An additional fee of $1.50 is included in the fees shown.	24.00	9.00	33.00	24.00	9.00	33.00
Connecticut	Gross weight of combination.	65 cents per cwt. up to 20,000 pounds to $1.10 per cwt. for over 73,000 pounds. Minimum $22.00.	Flat fee.	$20.00 per semitrailer.	400.00	20.00	420.00	720.00	20.00	740.00
Delaware	Gross weight.	$20.00 for first 5,000 pounds and $2.60 for each additional 500 pounds.	Gross weight.	$20.00 for first 5,000 pounds and $2.60 for each additional 500 pounds.	108.40	87.60	196.00	202.00	160.40	362.40
	Optional basis: Gross weight of combination.	$20.00 for first 5,000 pounds and $2.60 for each additional 500 pounds.	Flat fee.	$20.00 for each trailer (maximum of 3 trailers with a single tractor truck).	202.00	20.00	222.00	368.40	20.00	388.40
Dist. of Col.	Empty weight groups. A 50-cent reflectorized plate fee is included in the fees shown. A $3.00 inspection fee is assessed in addition to the fees shown.	$95.00 for less than 3,000 pounds to $479.00 for 16,000 pounds and over.	Empty weight groups. A 50-cent reflectorized plate fee is included in the fees shown. A $3.00 inspection fee is assessed in addition to the fees shown.	$20.00 for less than 500 pounds to $431.00 for 16,000 pounds and over.	228.50	176.50	405.00	408.50	291.50	700.00
Florida	Gross weight of combination. A $1.25 service charge, 50-cent reflectorized plate fee and 50-cent fee for Real Time Vehicle Information System are included in the fees shown.	$242.25 for 34,999 pounds or less to $462.25 for 52,000 pounds and over.	Flat fee. A $1.25 service charge, 50-cent reflectorized plate fee and 50-cent fee for Real Time Information System are included in the fees shown.	$12.25 per semitrailer.	302.25	12.25	314.50	462.25	12.25	474.50
Georgia	Gross weight	$8.00 for 14,000 pounds or less to $375.00 for maximum permitted.	Flat fee	Registered with tractor truck, plus $8.00 flat fee.	30.00	8.00	38.00	100.00	8.00	108.00
Hawaii	License fee (footnote 8) plus net weight of 1 1/2 cents per pound for the city and county of Honolulu, 1 cent per pound for the counties of Hawaii and Maui, 2 cents per pound for the county of Kauai.	$122.90 for 6,000 pounds to $341.90 for 20,000 pounds in the city and county of Honolulu, $152.00 to $441.00 in Kauai county, $90.50 to $239.50 in Maui County. $92.00 to $241.00 in Hawaii County for the same tractor trucks.	Same schedule as for tractor trucks.	Same schedule as for tractor trucks.	9/ 187.70 135.70 10/ 135.20 236.90	9/127.40 95.00 10/ 93.50 158.00	9/ 315.10 231.70 10/ 228.70 394.90	9/ 340.20 196.53 10/ 195.03 362.06	9/196.40 142.50 10/141.00 248.50	9/ 536.60 339.03 10/ 336.03 610.06
Idaho	Gross weight of combination. A 90-cent reflectorized plate fee ($1.80 per tractor truck) is assessed when new plates are issued. 11/ 25/	$30.60 for 16,001 pounds to $515.40 for 50,001 to 60,000 pounds.	Flat fee. A 90-cent reflectorized plate fee is assessed when new plates are issued.	$15.00 per semitrailer.	223.80	15.00	238.80	120.00	15.00	135.00
Illinois	Flat fee plus fee based on gross weight of combination.	$8.00 flat fee plus $918.00 for gross weight of 45,000 pounds and less to $1,464.00 for 73,280 pounds. "Double Bottom" combinations may be licensed for $1,560.00. (Includes $8.00 fee.)	No additional fee for first semitrailer.	Registered with tractor truck. Additional semitrailers to be used with a single tractor truck pay a $20.00 fee.	842.00	-	842.00	1,492.00	-	1,492.00
	Optional basis: Flat fee plus mileage weight tax.	$8.00 flat fee plus $459.00 for 45,000 pounds or less to $742.00 for 73,280 pounds with per mile tax on annual mileage exceeding stipulated amounts.	No additional fee for first semitrailer.	Registered with tractor truck. Additional semitrailers to be used with a single tractor truck pay a $20.00 fee.	2,380.00	-	2,380.00	10,200.00	-	10,200.00

SUMMARY OF STATE MOTOR-VEHICLE REGISTRATION FEE SCHEDULES[1]

BASED ON REPORTS OF STATE AUTHORITIES

TABLE MV-103
SHEET 6 OF 8
2/ STATUS AS OF JANUARY 1, 1982

STATE	3. TRACTOR TRUCKS		4. SEMITRAILERS 21/		TYPICAL VEHICLE 3-AXLE 22/			TYPICAL VEHICLE 5-AXLE 23/		
	FEE BASIS	APPROXIMATE FEE RANGE	FEE BASIS	APPROXIMATE FEE RANGE	TRACTOR TRUCK 24/	SEMI-TRAILER	COMBI-NATION	TRACTOR TRUCK 24/	SEMI-TRAILER	COMBI-NATION
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Indiana	Gross weight of combination. A $1.00 service charge, plus 25-cent Public Safety fee, retained by the branch offices, are included in the registration fee.	$125.25 for 20,000 pounds or less to $760.25 for over 73,000 pounds.	Flat fee or gross weight of tractor and trailer combined.	$30.25 per semitrailer on an annual basis or $60.25 on a biannual basis.	150.25	30.25	180.50	595.25	30.25	625.50
Iowa	Gross weight of combination.	$45.00 for 3 tons or less ($35.00 after ten registrations) to $1,695.00 for 40 tons.	Flat fee.	$10.00 per semitrailer.	675.00	10.00	685.00	1,510.00	10.00	1,520.00
Kansas	Gross weight of combination.	$27.50 for 12,000 pounds or less to $1,475.00 for 85,500 pounds.	Gross weight groups.	$10.00 for 2,000 pounds or less to $25.00 for 12,000 pounds or more.	360.00	25.00	385.00	1,175.00	25.00	1,200.00
Kentucky	Gross weight of combination. A $1.00 service charge is included in the fees shown.	$11.50 for 6,000 pounds or less to $840.00 for 82,000 pounds.	Flat fee. A $1.00 service charge is included in the fees shown.	Registered with tractor truck, plus $19.50 flat fee.	475.00	20.50	495.50	751.00	20.50	771.50
Louisiana	Gross weight per load-carrying axle.	$10.00 for less than 3,500 pounds per load-carrying axle to $280.00 for 36,000 pounds per load-carrying tandem axle.	Flat fee.	$10.00 per semitrailer.	280.00	10.00	290.00	480.00	10.00	490.00
Maine	Gross weight of combination.	$20.00 for 6,000 pounds or less to $816.00 for 80,000 pounds.	Flat fee.	$10.00 per semitrailer.	370.00	10.00	380.00	690.00	10.00	700.00
Maryland	Gross weight of combination.	$7.00 per 1,000 pounds for 68,000 pounds or less to $8.00 per 1,000 pounds for 79,000 pounds.	Freight-flat rate. Nonfreight-gross weight limit.	Trailer fee (freight) $15.00 for over 10,000 pounds gross weight. Trailer fee (nonfreight) $10.00 for 3,000 pounds or less up to $35.00 for 10,000 pounds.	280.00	15.00	295.00	540.00	15.00	555.00
Massachusetts	Gross weight of combination.	$7.00 per 1,000 pounds. Minimum $48.00.	Flat fee.	Registered with tractor truck, plus $30.00 flat fee.	280.00	30.00	310.00	504.00	30.00	534.00
Michigan	Gross weight of combination.	$243.00 for under 24,000 pounds to $1,594.00 for over 160,000 pounds.	Empty weight.	$5.00 for under 500 pounds to $21.00 for over 1,500 pounds.	439.00	21.00	460.00	777.00	21.00	798.00
Minnesota	Gross weight of combination and age. A 25-cent reflectorized plate fee (50 cents per tractor truck) is assessed when new plates are issued. A 5 percent surtax is included in the fees shown.	$45.00 for 9,000 pounds or less to $1,620.00 for 81,000 pounds. Fee reduced with age, with minimum fee for each weight and age group.	Flat fee. A 25-cent reflectorized plate fee is assessed when new plates are issued. A 5 percent surtax is included in the fees shown.	Registered with tractor truck, plus $10.00 flat fee.	590.00	10.50	600.50	1,320.00	10.50	1,330.50
Mississippi	Tag fee plus fee based on gross weight of combination.	$2.75 tag plus $7.20 for 6,000 pounds or less to $643.00 for 73,280 pounds.	Tag fee plus flat fee.	Registered with tractor truck, plus $2.75 tag fee and $10.00 flat fee.	272.75	12.75	285.50	595.75	12.75	608.50
Missouri	Gross weight of combination.	$20.50 for 6,000 pounds or less to $1,563.00 for over 78,000 pounds.	Flat fee.	$7.50 per semitrailer.	375.50	7.50	383.00	1,250.50	7.50	1,258.00
Montana	Flat fee plus gross weight fee.	$12.00 flat fee plus gross weight fee of $7.50 for 6,000 pounds or less to $543.75 for 42,000 pounds plus $62.50 for each 2,000 pounds over 42,000 pounds.	Flat fee plus gross weight fee.	$2.00 to $12.00 flat fee plus gross weight fee of $5.00 for 6,000 pounds or less to $543.75 for 42,000 pounds plus $62.50 for each 2,000 pounds over 42,000 pounds.	74.50	49.50	124.00	499.50	274.50	774.00
	Optional basis: Gross weight of combination.	$571.00 for 42,000 pounds or less to $1,653.00 for 78,000 pounds plus $65.50 for each 2,000 pounds over 78,000 pounds.	No additional fee	Registered with tractor truck.	571.00	-	571.00	1,473.00	-	1,473.00
Nebraska	Gross weight of combination. A 50-cent charge for the Recreation Road Fund is included in the fees shown. Includes $1.00 retained by county for administration.	$19.50 for 3 tons or less to $811.50 for 36 tons.	Flat fee. A 50-cent charge for the Recreation Road Fund is included in the fees shown. Includes $1.00 retained by county for administration.	$2.50 per semitrailer.	411.50	2.50	414.00	811.50	2.50	814.00
Nevada	Empty weight. A $4.00 special fee is included in the fees shown.	$12.00 for 3,500 pounds or less to 60 cents per cwt. or major fraction thereof for 5,000 pounds or over.	Empty weight.	$6.00 for 1,000 pounds or less to 60 cents per cwt. or major faction thereof for 4,000 pounds or more.	72.00	41.00	113.00	99.00	68.00	167.00
New Hampshire	Gross weight of combination plus additional $1.00 per plate reflectorized plate fee each time plates are issued.	For gross combination weights to 73,280 pounds, 74 cents per cwt. Plus for gross combination weights from 73,281 pounds to 80,000 pounds $1.32 per cwt. or portion thereof in excess of 73,280 pounds.	No additional fee for first (heaviest) semitrailer.	Registered with tractor truck. Additional semitrailer, $24.00 flat fee plus $1.00 reflectorized plate fee for each plate issued.	296.00	-	296.00	532.80	-	532.80
New Jersey	Gross weight of combination. A $2.50 inspection fee is assessed in addition to fees shown.	$50.00 for 6,000 pounds or less to $687.50 for 80,000 pounds. A $2.50 inspection fee is assessed in addition to the fees shown.	Flat fee. A $2.50 inspection fee is assessed in addition to the fees shown.	$18.00 per year. A $2.50 inspection fee is assessed in addition to the fees shown.	$347.50	$18.00	$365.50	$619.50	$18.00	$637.50

SUMMARY OF STATE MOTOR-VEHICLE REGISTRATION FEE SCHEDULES[1]

TABLE MV-103
SHEET 7 OF 8

BASED ON REPORTS OF STATE AUTHORITIES

2/ STATUS AS OF JANUARY 1, 1982

STATE	3. TRACTOR TRUCKS		4. SEMITRAILERS 21/		TYPICAL VEHICLE 3-AXLE 22/			TYPICAL VEHICLE 5-AXLE 23/		
	FEE BASIS	APPROXIMATE FEE RANGE	FEE BASIS	APPROXIMATE FEE RANGE	TRACTOR TRUCK 24/	SEMI-TRAILER	COMBI-NATION	TRACTOR TRUCK 24/	SEMI-TRAILER	COMBI-NATION
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
New Mexico	Gross weight of combination and age. A 50-cent administrative service fee is included in the fees shown. 13/	$24.00 for 6,000 pounds or less to $94.00 for 26,000 pounds. $50.00 for 26,001 to 48,000 pounds, and $75.00 for 48,001 pounds and over. Fee reduced 50 percent after 5 years for combinations of 8,000 pounds or less; 80 percent for combinations of 8,001 to 26,000 pounds.	Flat fee. A 50-cent administrative service fee is included in the fees shown.	$10.00 per semitrailer. Permanent registration.	50.50	-	50.50	75.50	-	75.50
New York	Gross weight of combination. A reflectorized plate fee not to exceed 5 cents above actual cost, is assessed when new plates are issued.	70 cents per cwt. or major fraction thereof.	Flat fee. A reflectorized plate fee, not to exceed 5 cents above actual cost, is assessed when new plates are issued.	$15.00 per semitrailer.	280.00	15.00	295.00	504.00	15.00	519.00
North Carolina	Gross weight of combination. A $3.00 safety education fee is included in the fees shown.	46 cents per cwt. for 4,000 pounds or less to $1.00 per cwt. for over 17,000 pounds. Minimum $21.50.	Flat fee. A $3.00 safety education fee is included in the fees shown.	$10.00 per semitrailer.	463.00	10.00	473.00	831.00	10.00	841.00
North Dakota	Gross weight of combination and age.	$186.00 for 24,001 pounds to $2,021.00 for 105,500 pounds. Fee reduced with age of vehicle. 14/	Flat fee.	Registered with tractor truck. A $10.00 identification fee is included in the fees shown.	436.00	10.00	446.00	1,006.00	10.00	1,016.00
Ohio	Empty weight. A $1.00 service charge is included in the fees shown. 15/	$32.00 for first 2,000 pounds to $1,193.00 for 40,000 pounds. $3.25 per cwt. over 40,000 pounds.	Empty weight. A $1.00 service charge is included in the fees shown. 15/	Same schedule as tractor trucks.	221.20	114.80	336.00	427.00	236.00	663.00
Oklahoma	Gross weight groups and age. A $1.25 administrative fee, a 35-cent reflectorized plate fee, a 50-cent county fee and a $1.00 drivers education fee are included in the fees shown.	$20.00 for 5,500 pounds or less to $832.00 for 90,000 pounds. Fee reduced after 5th year on vehicles of 15,000 pounds or less. Minimum $95.00.	Flat fee. A $1.25 administrative fee, a 35-cent reflectorized plate fee a 50-cent county fee and a $1.00 drivers education fee are included in the fees shown.	$20.00 per semitrailer.	377.15	23.10	400.25	632.15	23.10	655.25
Oregon	Gross weight groups. 16/	$35.00 for 10,000 pounds or less to $130.00 for 48,000 pounds, plus $5.00 per ton over 48,000 pounds.	Gross weight groups. 16/	$20.00 for 10,000 pounds or less to $115.00 for 48,000 pounds, plus $5.00 per ton over 48,000 pounds.	65.00	40.00	105.00	110.00	75.00	185.00
Pennsylvania	Gross weight of combination.	$39.00 for 5,000 pounds or less to $1,125.00 for 80,000 pounds. 17/	Gross weight if under 10,000 pounds. Flat fee if over 10,000 pounds.	$6.00 for 3,000 pounds or less to $12.00 for 10,000 pounds. $27.00 flat fee for over 10,000 pounds. 17/	216.00	27.00	243.00	342.00	27.00	369.00
Rhode Island	Gross weight of combination. A $1.00 reflectorized plate fee is assessed when new plates are issued.	$17.00 for 4,000 pounds or less to $405.00 for 74,000 pounds plus $10.00 per 2,000 pounds over 74,000 pounds.	Flat fee. A $1.00 reflectorized plate fee is assessed when new plates are issued.	Registered with tractor truck, plus $5.00 flat fee. (maximum of 10 trailers with a single tractor truck.)	220.00	5.00	225.00	405.00	5.00	410.00
South Carolina	Gross vehicle weight.	$10.00 for 3,500 pounds or less to $680.00 for 80,000 pounds. 18/	Flat fee.	$10.00 per semitrailer. 18/	266.50	10.00	276.50	576.00	10.00	586.00
South Dakota	Empty weight and age.	$20.00 for 2,000 pounds or less to $180.00 for 12,000 pounds plus $40.00 for each additional 1,000 pounds in excess of 13,000. Fee reduced 30 percent when vehicle is 5 or more years old	Empty weight and age.	$5.00 for 1,000 pounds or less to $95.00 for 10,000 pounds plus $10.00 for each 1,000 pounds in excess of 10,000. Fee reduced 30 percent when trailer is 5 or more years old.	120.00	65.00	185.00	300.00	115.00	415.00
Tennessee	Gross weight of combination.	$37.50 for 9,000 pounds or less to $1,300.00 for 80,000 pounds.	Flat fee.	$10.00 per semitrailer. Permanent registration.	600.00	10.00	610.00	1,000.00	10.00	1,010.00
Texas	Gross weight combination. A 30-cent reflectorized plate fee is included in the fees shown.	60 cents per cwt. for 36,000 pounds or less to $1.00 per cwt. for over 62,000 pounds. Diesel combinations do not pay any additional fees.	Flat fee. A 30-cent reflectorized plate fee is included in the fees shown.	Registered with tractor truck, plus $15.00 flat fee.	300.30	15.30	315.60	720.30	15.30	735.60
Utah	Gross weight groups.	$7.50 for 6,000 pounds or less to $550.00 for 80,000 pounds and over.	Flat fee.	$50.00 one time flat fee by each new owner.	200.00	50.00	250.00	460.00	50.00	510.00

SUMMARY OF STATE MOTOR-VEHICLE REGISTRATION FEE SCHEDULES[1]

TABLE MV-103
SHEET 8 OF 8

BASED ON REPORTS OF STATE AUTHORITIES

2/ STATUS AS OF JANUARY 1, 1982

STATE	3. TRACTOR TRUCKS		4. SEMITRAILERS 21/		TYPICAL VEHICLE 3-AXLE 22/			TYPICAL VEHICLE 5-AXLE 23/		
	FEE BASIS	APPROXIMATE FEE RANGE	FEE BASIS	APPROXIMATE FEE RANGE	TRACTOR TRUCK 24/	SEMI-TRAILER	COMBI-NATION	TRACTOR TRUCK 24/	SEMI-TRAILER	COMBI-NATION
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Vermont	Gross weight of combination.	$36.00 for 6,000 pounds or less to $14.70 per 1,000 pounds for over 60,000 pounds. Nongasoline tractor trucks pay 75 percent additional fee.	Flat fee.	Registered with tractor truck, plus $16.90 flat fee.	500.00	16.90	516.90	1,852.20	16.90	1,869.10
Virginia	Flat fee plus fee based on gross weight of combination.	$5.00 flat fee plus $1.30 per 1,000 pounds for 10,001 pounds to $9.00 per 1,000 pounds for 76,000 pounds, plus additional fee of $5.00 for over 6,500 pounds. Minimum fee of $22.00 for vehicles with gross weight of 6,501 pounds to 10,000 pounds. 26/	Flat fee.	Registered with tractor truck, plus $17.00 flat fee for 4,000 pounds or less, and $22.00 for 4,000 pounds.	190.00	22.00	212.00	658.00	22.00	680.00
Washington	Flat fee ($19.00) plus fees based on gross weight, a $1.00 county filing fee; and a variable special highway studies fee (25-cents to $2.00) based on gross weight are included in the fees shown. A 50-cents reflectorized plate fee ($1.00 per truck) is assessed when plates are issued. Tractor trucks powered by natural gas or liquified petroleum gas are assessed an additional fee plus a handling fee.	$10.40 plus $6.25 for less than 4,000 pounds to $256.00 for not more than 40,000 pounds. Diesel, electric, steam, and natural gas tractor trucks: $20.00 plus $8.00 for less than 4,000 pounds and $288.80 for not more than 40,000 pounds. Additional fee for natural gas or liquified petroleum gas powered trucks. In addition, a gasoline powered tractor-trailer combination may carry up to 80,000 pounds for a fee of $924.00. Other powered tractor-trailer combination fee is $1,001.95.	Flat fee ($19.00) plus fees based on gross weight, a $1.00 county filing fee, and a special highway studies fee of $1.00 for semitrailers over 20,000 pounds are included in the fees shown. A 50-cents reflectorized plate fee is assessed when new plates are issued.	$20.00 flat fee or at owner's option, $20.00 plus $12.25 for less than 6,000 pounds to $700.00 for 40,000 pounds.	121.00	208.00	329.00	320.10	220.50	540.60
West Virginia	Gross weight of combination.	$25.00 for 4,000 pounds or less to $78.50 for 16,001 pounds plus $10.00 per 1,000 pounds over 16,000 pounds less $17.50 fee for semitrailer if registered with power unit with gross weight of combination over 16,000.	Flat fee.	Registered with tractor truck for $17.50 flat fee.	291.00	17.50	308.50	611.00	17.50	628.50
Wisconsin	Gross weight of combination	$98.00 for 4,500 pounds or less to $1,700.00 for 80,000 pounds.	Flat fee.	Registered with tractor truck, plus $5.00 flat fee.	623.00	5.00	628.00	1,171.00	5.00	1,176.00
Wyoming	Empty weight groups. 20/	$2.00 for 1,000 pounds or less to $60.00 for over 6,001 pounds.	Empty weight groups. 20/	Same schedule as for tractor trucks.	60.00	60.00	120.00	60.00	60.00	120.00

1/ This summary is based on the fee schedules in effect January 1, 1982 and covers vehicles in private operation. Property taxes and taxes levied only at the time of first registration have been excluded.

2/ This summary includes the provisions of laws enacted through October 1981.

3/ To illustrate the practical fee range on a basis that is comparable for all States, the fee for a very light 1973 2-door sedan is given as the minimum and the fee for a heavy 1981 4-door sedan is given as the maximum. There is no intention to show the absolute minimum and maximum fees for each State. In many States, special plates at extra cost are available for those desiring personalized plates, for amatuer radio operators, for disabled veterans, for members of the VFW, etc.

4/ A 1977 4-door sedan of 3,284 pounds empty weight was taken as the "typical" passenger car.

5/ The fee schedules of some States apply to combinations as well as to single-unit trucks. The maximum fee given in this table for those States is therefore much greater than in others. In general, 2-axle single-unit trucks are seldom licensed for more than 26,000 pounds gross weight (or its equivalent under a State's registration system).

6/ The reduced rates also apply to natural resources vehicles.

7/ A 1979 stake body truck of 6,469 pounds empty weight and 14,000 pounds gross weight was taken as the "typical" single-unit truck.

8/ License plate fee of $4.50 in the city and county of Honolulu ($9.00 per vehicle), $3.50 in the counties of Hawaii and Kauai ($7.00 per vehicle), and $2.00 in the county of Maui ($4.00 per vehicle) included in the fees shown. Also included are a beautification fee of 50 cents and a plate sticker fee of 25 cents. A sticker fee of 50 cents per sticker is assessed each succeeding year at renewal. The registration certificate container fee is 40 cents for the city and county of Honolulu, and 50 cents for Hawaii, Kauai and Maui counties.

9/ Registration fees for city and county of Honolulu.

10/ Registration fees for Hawaii, Maui, and Kauai counties, respectively.

11/ In addition to registration fees, there is levied a mileage tax based on operation and weight of vehicle.

12/ Although the Kansas Statutes Annotated specify that automobiles are registered by "gross weight groups," in practice the empty weight is used. The fees shown are based on the gross weights of the automobiles.

13/ In addition to the fees shown, trucks and tractor trucks with gross weights over 26,000 pounds are assessed a "use fee" of 7.40 mills per mile for 26,000 pounds to 26.09 mills per mile for over 72,000 pounds.

14/ In addition to the fees shown, there is a fee of $4.00 per ton, minimum $1000, assessed on all trucks with gross weights of 12,000 to 24,000 pounds, except farm and city vehicles.

15/ In addition to the fees shown, there is an optional local vehicle tax of $5.00 per year. Also, all vehicles having 3 or more axles pay an application fee of $2.00 for a permanent highway use permit plus a mileage tax of from 1/2-cent per mile for single-unit trucks having 3 axles, to 2 1/2-cents per mile for truck-full trailer combinations having 4 or more axles. Semitrailers and full trailers having an unladen weight of less than 3,000 pounds are not subject to axle-mile tax.

16/ Trucks and combinations over 6,000 pounds combined weight, except farm vehicles, are required to pay a mileage tax. All vehicles under 18,000 pounds combined weight may elect to pay a flat fee based on the combined weight of the vehicle in lieu of the mileage tax.

17/ Motor vehicles used exclusively upon the farm or upon highways connecting farms are exempt from registration. A biennial certificate of exemption is required of such vehicles for a fee of $12.00.

18/ In addition to the fees shown, $3.00 is assessed for certificate of title and $1.00 postage is required for licenses delivered by mail.

19/ In addition to the fees shown, there are fees of $15.00 for panel or pickup with gross weight of 4,000 pounds or less, and $20.00 for panel or pickup with gross weight of 4,001 pounds to 6,500 pounds. Vehicles may be registered quarterly at 1/4 the yearly rate plus $5.00 for each quarter the vehicle is registered and licensed.

20/ In addition to the weight fee, all property-carrying vehicles are required to pay a compensatory fee of $6.00 per year for gasoline-powered vehicles of 4,000 pounds or less, or 2.5 cents per mile for vehicles under 16,000 pounds unladen weight, to 1.5 mills per ton-mile for over 16,000 pounds plus the gasoline fee. Nongasoline-powered vehicles pay $12.00 per year for 4,000 pounds or less, or 2.5 cents per mile for vehicles under 16,000 pounds unladen weight, to 1.5 mills per ton-mile over 16,000 pounds plus a 1.1 mills per ton-mile fuel fee. The ton-mile fees are based on the unladen weight of the vehicle or combination, or 40 percent of the maximum gross weight, whichever is higher.

21/ In some States full trailers are taxed on the same basis as semitrailers, but in many, separate schedules are used. The separate schedules for full trailers are not included in this table.

22/ A 1980 gasoline-powered tractor truck of 9,674 pounds empty weight and a semitrailer of 6,797 pounds empty weight, registered for 40,000 pounds gross combination weight, in private operation, were taken as the "typical" vehicles.

23/ A 1980 diesel-powered tractor truck of 15,752 pounds empty weight and a semitrailer of 11,310 pounds empty weight, registered for 72,000 pounds gross combination weight, in private operation, were taken as the "typical" vehicles.

24/ Where the tractor truck and semitrailer are registered as a unit, the fee for the combination is given in the "tractor truck" column.

25/ In addition to the fees shown, diesel-powered vehicles pay an additional gross weight fee in lieu of a diesel fuel fee.

26/ Vehicles may be registered quarterly at 1/4 the yearly rate plus $5.00 for each quarter the vehicle is registered and licensed.

APPENDIX D

PROVISIONS GOVERNING THE ALLOCATION FOR HIGHWAY PURPOSES OF CERTAIN STATE TAXES, FEES, AND APPROPRIATIONS

(OTHER THAN HIGHWAY-USER REVENUES)

TABLE S-106
SHEET 1 OF 4
STATUS AS OF JANUARY 1, 1982

STATE AND SOURCE OF FUNDS	NAME OF FUND OR AGENCY	AMOUNT OR PROPORTION	OBJECTS OF EXPENDITURE	REMARKS
Arkansas Severance tax on natural resources	County Highway Fund	12.5 percent of 97 percent of gross receipts.	Construction, maintenance, and administration of county roads.	Collected by Commission of Revenue and returned to county of origin (except on timber to State Forestry Department, and tax credits allowed petroleum producers for approved salt water disposal).
California Sales and Use Tax on Motor Fuel	State Highway Account	See remarks.	See Table MF-106 for authorized distribution and expenditures.	General Fund to receive amounts as follows: FY 1982, $127 million; FY 1983, $141 million, FY 1984, $106 million; FY 1985, $71 million; FY 1986, $35 million, and nothing after FY 1986; Remainder distributed 1/2 to State Highway Account, 1/2 to public transportation and other activities.
Colorado Specific ownership tax on motor vehicles: Class A - For Hire Vehicles	County Fund	All	Construction, maintenance and administration of the county highway system.	Collected by Department of Revenue and apportioned to counties in proportion to the distance traveled across each county as compared to the total distance of the route within the State. This tax is also levied on not-for-hire-C vehicles (class B & D) and is collected by county clerks and distributed in the same manner as ad valorem tax proceeds. (Not required to be used for highway purposes.) Allocations to cities and towns on same basis as ad valorem tax proceeds if county does make a distribution.
Sales and Use Tax on Motor Vehicles and Related Items	Highway Users Tax Fund	7 percent of net sales tax revenue to be distributed as follows:		The percent of net revenue is 7 percent each year until July 1, 1986. Amount paid to Highway Users Tax Fund cannot exceed revenue derived from motor vehicle sales.
	State Highway Fund	60 percent	State highway purposes	
	Counties	22 percent	County highways	
	Municipalities	18 percent	Municipal streets	
District of Columbia Parking meter fees	Motor Vehicle Parking Agency	Amount Required	Operating expenses of the agency.	
	Highway Fund	Remainder	Maintenance of D.C. highways, including snow removal.	
Georgia 3 percent sales tax on motor fuel	State General Fund	All	See MF-106 for authorized distribution and expenditure.	Identified as "Second Motor Fuel Tax".
Hawaii Diesel and LPG - 1 cent per gallon	State Highway Fund	All	For expenditure, see distribution on MF-106	Collected by Department of Taxation.
Sales Tax on Motor Fuel	State Highway Fund	All	Same as above.	Allocation effective FY 1982 through FY 1984.
Illinois 4 Percent Sales Tax on Motor Fuel	Road Fund	3 percent of net sales tax revenue.	Construct and maintain State highways.	Funds transferred from General Fund monthly.
	Motor Fuel Tax Fund	2.5 percent of net sales tax revenue.	See Table MF-106 for authorized distribution and expenditure.	
Iowa 3 Percent Sales Tax on New and Used Motor Vehicles	County General Fund	25 cents of each tax payment.	For county general purposes.	Collected by County Treasurers.
	Road Use Tax Fund	Remainder	See Table MF-106 for authorized distribution and expenditure.	
Kentucky Coal severance tax	State Road Fund	Amount required	Payment of lease rentals to Kentucky Turnpike Authority for Resource Recovery Roads.	Collected by the Department of Revenue. Lease rentals are used to pay interest and principal on Resource Recovery Road Revenue Bonds. Budgeted 1981-82 $41,756,195.
1/2 of severance and processing taxes on coal in excess of $177.6 million	Local Government Economic Assistance Fund	All	For expenditures as follows:	Collected by the Department of Revenue. Distribution and grant programs administered by Department of Finance and Department of Local Government.
	Each coal-producing county	60 percent	30 percent expended on coal haul road system; 70 percent on specified expenditures, including roads and streets.	Distribution based on ratio of severance tax collected in a county to total collected statewide.
	Each coal-producing county	30 percent	Same as above.	Distributed on basis of per capita income (inverse), ton-miles of resource roads, and population equally weighted.
	Non-coal producing impact counties	10 percent	Public transportation, including mass transit, streets and roads.	Distribution on basis of 30 percent per capita income (inverse), 40 percent ton-miles, and 30 percent geographic area.

Cont'd

Source: Federal Highway Administration, "Highway Taxes and Fees, How they are Collected and Distributed 1982."

PROVISIONS GOVERNING THE ALLOCATION FOR HIGHWAY PURPOSES OF CERTAIN STATE TAXES, FEES, AND APPROPRIATIONS

(OTHER THAN HIGHWAY-USER REVENUES)

TABLE S-106
SHEET 2 OF 4
STATUS AS OF JANUARY 1, 1982

STATE AND SOURCE OF FUNDS	NAME OF FUND OR AGENCY	AMOUNT OR PROPORTION	OBJECTS OF EXPENDITURE	REMARKS
1/2 of severance tax on sale of minerals, exclusive of coal	Local Government Economic Assistance Fund	All	For expenditures as follows:	Collected by the Department of Revenue. Administered by Department of Finance and Department of Local Government.
	Each mineral-producing county	100 percent	30 percent expended on coal haul road system; 70 percent on specified expenditures for community improvement, including public transportation, and roads and streets.	Distribution based on tax collected on minerals severed in each county. 10 percent of the funds distributed to the counties from the coal and mineral taxes above will be allotted to the incorporated places in those counties on the basis of population.
Louisiana Mineral leases on State owned lands	Parish Road Fund	10 percent of royalties	Construction of roads and operation and maintenance of automobile ferries.	Collected by Register of State Land Office. Credited to parish where production occured and subject to expenditure by the State transportation department.
Lubrication oil tax, 8 cents per gallon	Department of Revenue	Amount required	Collections and administration expenses.	Not to exceed $50,000 annually.
	General Fund	Remainder	See MF-106 for note on appropriations.	
Maryland Corporate Income Tax	Maryland Department of Transportation	3/4 of 1 percent tax (3/28 of tax revenue)	After debt service, remainder is used for payment of the State's share of transportation costs.	Total corporate income tax 7 percent.
		Remaining 6 1/4 percent tax (25/28 of tax revenue)		
	Transportation Trust Fund: Gasoline and Motor Vehicle Revenue Account	16 percent distributed as follows:		Equals 1 percent of the 7 percent tax.
		65 percent to Department of Transportation	State's share of transportation costs.	
		17 1/2 percent to Counties and Municipalities	County construction and maintenance of transportation facilities.	
		17 1/2 percent to Baltimore City	City construction and maintenance of transportation facilities.	
	Transportation Revenue Sharing Account	32 percent*	State's share is used for the cost of highways, ports, airports, and transit facilities or combinations thereof. Counties and Baltimore City share is used for local construction and maintenance of transportation facilities.	Equals 2 percent of the 7 percent tax. Apportioned 75 percent to State DOT and 25 percent to counties and city of Baltimore, based on population. This account also receives 1 percent of the 5 percent motor vehicle titling tax. *To increase to 40 percent by July 1, 1985.
	General Fund	Remainder	General purposes.	Equals 3 1/4 percent of the 7 percent tax.
Massachusetts Cigarette Tax	State Highway Fund	2 1/2 mils per cigarette of the excise imposed by Section 6 of Chapter 64C of the General Laws	Construction and maintenance of State highway system.	Collected by Department of Revenue and credited to State Highway Fund.
Mississippi General sales tax	Division of State-Aid Road Construction	6.34 percent plus amount equivalent to 1/2 cent of motor fuel tax receipts.	Construction and reconstruction of State-aid road system.	Amount "equivalent to 1/2 cent of motor fuel tax receipts" is derived entirely from sales tax proceeds. Allocated to each county on the following basis: $833.33 monthly to each county and remainder on a statutory percentage basis. Title 40, chapter 3, Section 10127 of the Mississippi Code.
Motor Fuel Sales Tax (5 percent)	State Highway Department	78 percent not to exceed $42,000,000 a year	Construction and reconstruction of State highways.	
Motor Fuel Sales Tax on Motor Carriers	State-Aid Road Fund	One-Third	Construction of State-aid roads.	Tax equal to 5 percent of average motor fuel price on intrastate mileage for interstate motor carriers.
	State Tax Commission	Two-Thirds	Enforcement of State weight laws.	
Lubrication oil tax, 8 cents per gallon	State Tax Commission	Amount required	Collection and administration expenses, refunds.	
	Division of State-Aid Road Construction	Remainder	Construction and reconstruction of State-aid road system.	Same as above for sales tax revenues.
Other oil tax	State Highway Department Fund	}All	For expenditure, see distribution on table MF-106.	Collected by State Tax Commission.
	County Road Fund	}		
Tobacco Tax	State Highway Fund	15 percent	Construction of State highway system.	Collected by State Tax Commission. Amount transferred annually to the State highway department not to exceed $5,000,000.

PROVISIONS GOVERNING THE ALLOCATION FOR HIGHWAY PURPOSES OF CERTAIN STATE TAXES, FEES, AND APPROPRIATIONS

(OTHER THAN HIGHWAY-USER REVENUES)

TABLE S-106
SHEET 3 OF 4
STATUS AS OF JANUARY 1, 1982

STATE AND SOURCE OF FUNDS	NAME OF FUND OR AGENCY	AMOUNT OR PROPORTION	OBJECTS OF EXPENDITURE	REMARKS
Missouri				
3 percent use tax on purchase price of motor vehicles (only applies when sales tax is not applicable)	State Highway Department Fund	All	Administration of State highway system.	Collected by Department of Revenue.
	State Road Fund	The Residue	Construction, reconstruction and maintenance of State highway system.	Transfer by Comptroller to State Road Fund from State Highway Department Fund.
1/2 of 3 percent sales tax on motor vehicles and trailers	Motor Fuel Tax Fund	All		Initial deposits made into this fund by the Department of Revenue.
	General Revenue Fund	Amount Required	1/2 the cost of refunds.	Transfer initiated by the Department of Revenue.
		Remainder		
	State Road fund	74 percent	MF-106 for authorized expenditures.	
	State Transportation Fund	1 percent	To be used in a manner as provided by law.	Expended under direction and supervision of the Highway and Transportation Commission.
	To incorporated cities and towns with population of more than 100 based on latest decennial census	15 percent	See MF-106 for authorized expenditures.	(Same distribution formula as motor fuel.)
	County Aid Road Trust Fund	10 percent	See MF-106 for authorized expenditures.	(Same distribution formula as motor fuel.)
Nebraska				
State Excise Tax on Motor Vehicles	Highway Allocation Fund	All receipts	See MF-106 for authorized disbursements.	Collected by State Tax Commissioner.
State Excise Tax on Motor Fuel	Department of Roads (Highway Cash Fund)	All	Construction and maintenance of State highways and public transportation.	Tax is 2 percent of the average price paid by the State of Nebraska, excluding any State and Federal taxes, for the purchase of motor fuels. The average price is recomputed quarterly.
New Mexico				
Severance tax on natural resources	State Road Fund	Amount Required	Debt service of severance tax bonds issued for highways.	Bonds authorized as follows: $8 million for energy development highways; $8 million for matching Federal funds on primary connector; $8 million for bridge replacement; $2 million for school bus routes. Severance tax rates indexed to CPI.
North Dakota				
2 percent excise (sales) tax on special fuels	Highway Tax Distribution Fund	All	See Table MF-106 for authorized distribution.	Collected by Gas Tax Division. (Tax applies to retail sales of agricultural, railroad, industrial, and heating fuel.)
Severance tax on gas and oil	Township Road Fund	An amount which, when added to the amount distributed to townships from the one cent nonrefunded motor fuel tax receipts, will result in a total distribution to townships of $8 million for the 1981-83 biennium.	Construction and maintenance of township roads.	Collected by State Tax Commission. The total amount distributed for highway purposes during the 1981-83 biennium is limited to $32 million with any revenue generated over this amount credited to State General Fund.
	Highway Tax Distribution Fund	Remainder	See Table MF-106 for authorized distribution.	
Oklahoma				
Severance tax on natural resources	County Highway Construction and Maintenance Fund	10 percent	Construction and maintenance of county roads.	Collected by State Tax Commission. Proceeds distributed to county of origin.
South Dakota				
Game and Fish Licenses	Special Highway Fund (Township)	10 percent	Construction and maintenance of township highways.	Distributed to county of origin.
3 percent sales tax on purchase price of motor vehicles	State Highway Fund	All	Construction and maintenance of State highways.	Collected by county treasurers at time of registration.
3 percent sales tax on purchase price of mobile homes	Motor Vehicle Fund	15 percent	See MV-106 for distribution.	
	County Highway Fund	85 percent	Construction and maintenance of county roads.	Retained by county in which collected.

PROVISIONS GOVERNING THE ALLOCATION FOR HIGHWAY PURPOSES OF CERTAIN STATE TAXES, FEES, AND APPROPRIATIONS

(OTHER THAN HIGHWAY-USER REVENUES)

TABLE S-106
SHEET 4 OF 4
STATUS AS OF JANUARY 1, 1982

STATE AND SOURCE OF FUNDS	NAME OF FUND OR AGENCY	AMOUNT OR PROPORTION	OBJECTS OF EXPENDITURE	REMARKS
Tennessee				
Special Petroleum Tax, 1 Cent per gallon (formerly the inspection fee)	Local Government Fund	$12,017,000 annually	Road and street purposes.	$381,583, to counties and $619,833 to municipalites per month based on population.
		Remainder		
	General Highway Fund	98 percent	Construction and maintenance.	
	State General Fund	2 percent	Administration *	
Texas				
4 percent excise (sales) tax on lube oil used in motor vehicles	State Highway Fund	All	For expenditure, see distribution shown on table MF-106.	Collected by State Comptroller on that portion of motor oils and lubricating oils consumed on public highways.
Omnibus Tax Clearance Fund	State Highway Fund	Amount allocated, see remarks.	Improvement of the State highway system.	Additional funds are determined by a formula which is the difference between motor fuel taxes, sales tax on lubricants and license fees and a funding level set at $750 million for F.Y. 1979. The funding level of $750 million will be adjusted each year thereafter by a cost index based on the weighted combined costs of highway operations, maintenance and construction.
Omnibus Tax Clearance Fund	Department of Public Safety	$30,000,000 annually	For support of the Department of public safety.	
Wyoming				
Severance Taxes on natural resources				
1.5 Percent Severance Tax on Coal, Trona, and Uranium	State Highway Fund	60 percent	Construction, maintenance and administration of State highways.	
2 Percent Severance Tax on Coal	State Highway Fund	1/3 of proceeds	Same as above.	
1 Percent Severance Tax on Coal	State Highway Fund	All	Same as above.	
2 Percent Severance Tax on Coal	State Impact Tax Revenue Account	50 percent	Funds available for highways, streets and roads.	This tax will remain in effect until the fund has collected $160,000,000.

STATE HIGHWAY FINANCE TRENDS

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INTRODUCTION

The decade of the 1970's witnessed a marked decline in the fortunes of State highway finances. From a position of strength, if not affluence, of the early 1970's, the fiscal condition deteriorated to a near crisis. As the decade ended, the finance outlook began to improve, and the 1980's may see the financial condition of State highway programs on a more solid and equitable footing.

The causes of the recent State highway financial plight are well documented. The energy crisis of 1973/74 and 1979 altered the public's consumption and travel patterns and introduced a more fuel-efficient motor vehicle. These events led to a leveling of fuel consumption which directly affected highway tax revenue dollars. The decade also witnessed an unprecedented inflationary spiral. These two elements, plus the increasing share of highway programs allocated to noncapital functions, reduced investment programs to a fraction of past performance.

The national highway fiscal malaise is improving somewhat, and the outlook for the 1980's is hopeful. This report examines the means of fiscal revival in State highway programs. The author identifies and analyzes representative fiscal mechanisms of the several States which are responsible for the fiscal recovery. The report also discusses implications such as the broadening of the scope of State transportation programs, including multimodal financing, highway-user subsidization of public transportation, and the nonuser revenue support of highway and transportation programs. This report complements other reports that identify highway finance problems, and it is hoped that by analyzing selected State finance mechanisms, this report will permit a greater understanding and appreciation of these complementary documents. 1/ More importantly, it is hoped that this report, in conjunction with others, will advance the search for appropriate transportation financial mechanisms for the States in the 1980's.

Chapter 1

BACKGROUND

State highway finance has been severely undermined by inflation during the 1970's. By whatever index one chooses, State highway income, expressed in constant dollars, has dropped precipitously. As shown on Table 1-1, State highway-user revenue measured in real 1977 construction dollars has declined from $16.7 billion in 1970 to an estimated $9.5 billion for 1980 -- an erosion of 43 percent in the purchasing power. If other State income is included, e.g., nonuser tax revenue for highways, the deterioration is less severe--only a 37 percent decline. Income for State highway programs actually increased by 76 percent from 1970 to 1980, but inflation in construction nearly tripled, which unfortunately translates into fewer real dollars for highway improvements.

The declining real dollar condition is viewed with alarm. Highway officials have called for immediate action that would maximize the productivity of existing highway dollars and implored State legislators to enact expanded and innovative funding mechanisms, which would address present and future needs. While many advocated variable taxation, or tax indexing, few have been successful (so far). As an alternative, some States have received resources from nonuser taxes. The example in Maryland may be representative of this dilemma since it includes many of the problems and issues occurring in many other States. 2/ One Maryland transportation official stated, "Without new revenues, the Maryland DOT will fall $380 million short of its highway needs for the next 6 years." M. Slade Caltrider, Maryland State Highway Administrator said, "On a relative basis, our highways, with a few small exceptions, are in fair condition. But if deterioration is going to be a trend, then we're going to be in trouble very quickly." Caltrider pointed out that by cutting some projects back and delaying others (an alternative in common practice today), the shortfall could be reduced to about $240 million, or about $40 million a year. This would require an additional 3 cents per gallon tax on gasoline (it was 9 cents per gallon).

Instead of an approach that adds a penny or two tax adjustment, Maryland and many other States are seeking a tax mechanism that is price or inflation sensitive. In the past, the unit pricing system (i.e., the cents-per-gallon tax) moved revenue upward by way of motor-fuel consumption, but when consumption declines, as it has recently, revenue declines and highway programs suffer. A variation of the percentage of motor-fuel tax is the sales tax on the selling price of motor fuel. In Maryland, applying the State 5-percent tax to gasoline sales would raise more than $800 million over the next 6 years. The State said that this measure would have two positive features. First, it would cover the cost of projects identified in the Consolidated Transportation Plan, and second, it would allow the return to the State general fund

of certain nonuser related tax revenues transferred to the Transportation Trust Fund. Further justification is found in the fact that the "titling tax" on motor-vehicle sales (also 5 percent) is considered a highway-user tax and is earmarked for the fund.

Maryland's fiscal problem is typical of many States. Namely, State programs funded by motor-fuel tax receipts are static. Increasingly, new mechanisms are sought that would adjust taxes and income automatically. In a word, unit taxation is giving way or is being supplemented with some type of ad valorem (variable) taxation. In 10 States, 3/ the motor fuel per gallon tax, at least in part, automatically fluctuates with some price determinant. Others are applying the State sales tax to motor fuel in addition to the unit tax. Only eight States levy a sales tax on motor fuel, however, five States earmark all or part of the revenue for highways, and two others dedicate some of the revenue for public transportation. 4/

Ad valorem taxation holds much promise as a predictable and secure revenue source for State highway and transportation programs. Most States already apply the sales tax to motor vehicles, but for the most part, motor-fuel sales are exempt. Another potential ad valorem tax is the property tax on vehicles. Generally, property taxes are the province of local governments, but two States collect property taxes on motor vehicles on a statewide basis, namely, the "in lieu" tax in California and Washington. Greater use of ad valorem taxation could significantly augment highway or transportation financing today and in the future.

In addition to the discussion of potential highway-user taxes, this report mentions certain nonuser tax dedications for highways. Nonuser revenue is increasingly being assigned to highway programs. Some of these taxes are distantly related to highways or transportation, e.g., the corporate income tax in Maryland. However, others are more closely associated with the provision and maintenance of highways. Natural resource severance taxes (commonly expressed in ad valorem terms) are frequently levied and allocated for highways. Justification is found in the linkage between the development and transportation of energy materials, which suggests that part of the cost to the consumer should be the impact of energy material movements on the highway network.

This report makes use of case studies. These include some of the more interesting examples of variable taxation and supplemental ad valorem taxation methodologies in use by the States. Included also are examples of drawbacks of multimodal financing, particularly the impact on highway-user finance and, ultimately, highway programs.

1/ The Status of the Nation's Highways, Conditions and Performance, FHWA, January 1981.

2/ Excerpted from: From the State Capitols, published by Bethune-Jones, Asbury Park, N.J., December 1, 1980.

3/ District of Columbia, Indiana, Kentucky, Massachusetts, Nebraska, New Mexico, Ohio, Rhode Island, and Washington. Plus Pennsylvania which has a millage tax on motor-fuel receipts. Listing as of January 1, 1982.

4/ California, Georgia, Hawaii, Illinois, and Mississippi as of January 1, 1982, earmark funds for highways; Indiana and Michigan apportion some revenue to mass transportation.

Chapter 2

STATE VARIABLE MOTOR-FUEL TAXATION

The States have enacted variable motor-fuel taxation mechanisms in several forms, casually identified as ad valorem, indexed or percentage taxes. These taxes are similar but can be distinguished by subtle differences.

Ad valorem taxation, in its simplest form, consists of converting a motor-fuel gallonage tax to a percentage tax. The tax is stated as a percent of the selling price so when the price of fuel goes up, the tax yield per gallon of fuel goes up correspondingly. As a result, it resembles a sales tax. Ad valorem taxes are self-actuating and are responsive to motor-fuel price changes.

Indexed highway revenue systems differ. The objective of indexing is to offset highway cost increases with commensurate increases in revenue. Thus, if highway costs increase 10 percent, revenues also should be increased 10 percent to maintain balance. The index, if derived from appropriate cost factors, determines the required change in revenues and/or tax yields. Indexing of highway-user taxes to changing highway costs appears sparingly in the State variable or ad valorem tax mechnanisms enacted to date. The Texas plan indexes revenue for highways but does not adjust user tax rates. The 1977 Washington State variable motor-fuel tax addressed the issue but limited the tax yield to the 1973 base year plus 6 percent inflation. More recently, Ohio has tied its "added motor-fuel tax" to the FHWA highway maintenance cost index (see Appendix B). For the most part, the variable motor-fuel taxes approved in recent years are percentage taxes resembling retail sales taxes and are distantly related to indexed highway taxes. For this reason, the earmarking of the State retail sales tax revenue from motor-fuel purchases is included in the discussion of State variable motor-fuel taxation.

As of the end of 1981, 15 States had enacted variable motor-fuel tax mechanisms. These consist of two groups- (1) 10 States with a percentage tax on motor fuel, (2) 5 States that earmark the sales tax on motor fuel for highways. Features common to the percentage motor-fuel tax measures include the following.

First, the motor-fuel tax rate is still expressed in cents per gallon, to the closest one-tenth of a cent. Second, the rate is set as a percent of the market price of motor fuel which could be the wholesale, distributor or retail price. Third, some have specific tax limits such as a maximum annual rate increase (e.g., 1 cent per year) or a maximum rate to be charged. One noticeable lack of uniformity was an immediate boost in the per-gallon tax rate. This omission has caused some disenchantment since the price of gasoline has not increased as anticipated. The States

dedicating sales taxes on motor fuel for highways employ no specific mechanism other than identifying the share of revenue derived from motor-fuel sales.

Chapter 2 examines several of the State variable motor-fuel tax laws. The case studies for Indiana and Massachusetts shed light on their variable motor-fuel tax levies and present some of the background leading to their enactment and some of their implications. For example, both variable tax measures involve public transportation funding. In addition to these motor-fuel taxes, two examples of supplemental variable motor-fuel tax funding systems for highways are included. As a hybrid, Nebraska enacted a supplemental motor-fuel tax of 2 percent of the selling price, which will be used to cover the shortfall in highway revenue. A totally separate ad valorem mechanism was established in Illinois. In 1979, Illinois earmarked a portion of all sales tax revenue for highways. This allocation, purportedly equivalent to the amount derived from motor-fuel sales, effectively establishes a second motor-fuel tax for highways which corresponds with price changes. These actions add to the growing list of States adopting price sensitive variable motor-fuel tax mechanisms.

Appendix A describes the features and developments of similar tax systems for Kentucky and New Mexico. Comments by State officials on some of the advantages and disadvantages of their respective mechanisms are given.

Indiana

In 1980, Indiana enacted a comprehensive transportation finance law that addressed many of the fiscal issues of the day. These issues include: (1) an inflation-sensitive highway and public transit funding mechanism, (2) tax equity, and (3) energy conservation. The principal features of the Indiana law (P.L. 10, Acts of 1980) and its relationship with these issues are discussed below.

1. Mass Transportation Funding. A permanent and predictable source of funding has been established for mass transportation. Funding for this program comes from State sales tax revenue. Specifically, 1 percent of all sales tax revenue will be deposited in the newly created Mass Transportation Fund. According to P.L.10 (1980), 95 percent of these revenues will be allocated to public transit purposes, and the remaining 5 percent will be earmarked for the Special Railroad Fund. These monies are intended for the promotion and development of public mass transportation and are expected to amount to $10 million annually.

A related provision of the law impacting highway taxation is the repeal of the exemption of motor fuel from the State retail sales tax. Henceforth, highway users will be required to pay the motor-fuel tax plus a sales tax on gasoline purchases. Thus, a correlation can be drawn between the levy of the sales tax on road users and the public support for mass transit.

2. Motor-Fuel Taxation. Probably the most important element of the 1980 legislation was the change in the method of taxing highway motor fuel. Previously, the State motor-fuel tax rate was 8 cents a gallon. Beginning July 1, 1980, the motor-fuel tax rate was computed at 8 percent of the distributor's price as determined by formula. This ad valorem tax scheme adjusts the rate twice a year and is stated in the nearest one-tenth of a cent. Maximum tax limits were established. For 1980, the rate could not exceed 12 cents a gallon. The maximum rate for 1981 was 14 cents, and for 1982 and thereafter, the rate could not exceed 16 cents a gallon, which is double the rate in effect at the beginning of 1980. The intent of the legislation is that the motor-fuel tax would be added to the selling price so that ultimately the consumer bears the burden of the tax.

3. Motor-Vehicle Taxation. In keeping with the comprehensive nature of 1980 legislation, State motor-vehicle fees were also increased. Registration fees for motorcycles and all classifications of trucks were increased by approximately 25 percent, which would generate an additional $12.8 million annually.

In addition, local governments were authorized to levy motor-vehicle taxes and fees to improve county transportation programs. Counties have the option to levy a surtax and a wheel tax on motor vehicles registered within the county. The county surtax would vary from 2 to 10 percent of the State motor-vehicle registration fee on passenger cars, motorcycles, and trucks of less than 11,000 pounds. If a county elects to impose the surtax, it must also impose a wheel tax on vehicles not included under the surtax provisions. The wheel tax ($5 to $40 per vehicle) applies to buses, recreation vehicles, and all trucks and trailers. Monies from these fees collected by counties containing a First Class Consolidated City (e.g., Indianapolis/Marion County) shall be administered by the county department of transportation. Other counties must appropriate such monies for road and street purposes.

4. Other Provisions. P.L. 10 of 1980 earmarks one-half of the State's sales tax revenue for property tax relief. It also established a General Transportation Fund to absorb higher than anticipated receipts due the Motor Vehicle Highway Account (i.e., amounts greater than 110 percent of expected revenue) and to hold such funds to replenish the account for months when collections are short of expectations. Idle monies are available for investment and no nonhighway use is permitted.

Summary. This legislative package moved Indiana toward a more secure and predictable transportation revenue position. Transportation planning and funding should be more certain in the future since highway-user revenue -- most notably the income from gasoline taxes -- is sensitized to inflation, and the program will not be penalized by energy conservation. Indeed, the higher selling price of motor fuel (due in part to the combined effects of the excise and sales taxes) should promote energy conservation. Equity is served by adjusting motor-vehicle fees and by providing local governments with means to fund highways

via user taxes. The allocaton of a share of the sales tax for public transportation acknowledges the State's responsibility and role in this vital area. However, it clouds the equity issue if the tax burden falls primarily upon road users.

Massachusetts

The interrelationship of highway and public transportation finance in Massachusetts has taken several interesting turns in the last few years. Prior to January 1978, 1 cent of the State's 8.5-cent per gallon tax on highway motor fuel was earmarked for mass transportation. This diversion of highway-user revenue was repealed in 1979. In its place, the State dedicated a share of the motor-vehicle tax revenue. For 1978 and 1979, $1 of the passenger car (and selected other vehicles) registration fee was earmarked for the (State) Mass Transportation Fund. This practice was repealed in 1980. In 1980, State transportation funding in Massachusetts was again overhauled. First, effective August 1, 1980, the 8.5-cent unit tax on gasoline was changed to a 10-percent tax of the wholesale price of gasoline. 1/ Special fuels and diesel would be treated as before, i.e., taxed at the rate of 10 cents per gallon. The disposition of motor-fuel revenue was also changed. Beginning in August (1980), 15 percent of net gasoline tax revenue is paid into the State general fund for mass transportation purposes. Another fifteen one-hundredths of 1 percent is dedicated for Inland Fisheries and the Game Fund, and the remainder is earmarked for the State Highway Fund (15 percent of these revenues are dedicated for local roads and streets). Revenue from special fuels, etc., is distributed as follows: 11.76 percent to cities and towns for road and street purposes and the remainder to the State Highway Fund.

Second, the State Highway Fund is now in receipt of a share of the State Cigarette Tax. Prior to July 1, 1980, 2 mills of the 8 mills tax on cigarettes was used for mass transit subsidies. The practice was repealed in 1980, that is, the 8 mills now go unencumbered to the State General Fund. The 1980 legislation, however, added 2 1/2 mills to the cigarette tax and dedicated the proceeds to the State Highway Fund.

In the span of 2 years, State motor-fuel taxation changed from a unit base to a percentage base. Its disposition initially included nonhighway use, which was later repealed. Then reversing itself, the State again earmarked a portion of the motor-fuel tax revenue for mass transit, and finally, lost highway funds were recaptured by a tax source unrelated to highway usage.

Nebraska

Nebraska enacted a motor-fuel tax increase that incorporated unit and variable tax changes. First, the 1980 measure raised the base motor-fuel tax rate from 10.5 to 11.5 cents a gallon. Second, it imposed an additional variable tax of 2 percent of the price on motor fuel.

allocation for the State police is reduced to 40 percent for FY 1983 and zero for FY 1984. Indeed, beginning in FY 1984, no Road Funds will be paid to State agencies other than the Department of Transportation. The phase-out period allows time to replace revenues lost to the general fund. Second, additional revenue would be earmarked for highways. These revenues would come from the State sales tax which the legislature considered roughly equivalent to the amount of sales tax revenue derived from motor-fuel sales. Specifically, the two-part revenue allocation plan includes: (1) an amount equal to 2.5 percent of sales tax revenue would be deposited in the Motor Fuel Tax Fund, and (2) an amount equal to 3.0 percent of sales tax revenue would be deposited in the Road Fund. Both funds restrict expenditures to highway purposes.

The 1979 law restricts highway-user revenues to highway purposes and eliminates transfers to other agencies. Heretofore, the State police costs were paid from highway-user revenues (approximately $45 million for 1979). By FY 1984, this appropriation, along with several others, will be paid from the State general fund. The measure restores a substantial sum of money to the State's highway program, and, in addition, earmarks new revenue for the highway program in the form of sales tax revenue purportedly realized from motor-fuel sales. For highway taxation purposes, Illinois now has a unit tax and a variable tax on motor fuel.

Financial assistance to public transportation provided by this legislation involves greater authority to levy regional sales and motor-vehicle taxes by the Regional Transportation Authority (Chicago area).

Summary

The years of 1979 through 1981 witnessed the expansion of State variable motor-fuel taxation. By the end of 1981, 15 States had a defacto variable gas tax. The State examples discussed here (and in Appendix A) highlight the goals, background, mechanics, and implications of these taxes. Both Illinois and Nebraska retain the unit tax that sets a much needed minimum tax rate, whereas the Indiana and Massachusetts laws allow a drop in revenue. Indeed, Massachusetts witnessed a rate decline from 10 cents to 9.8 cents a gallon in 1980. Maximum rates were established in some States (Indiana and New Mexico) while other motor-fuel tax laws are open-ended (Kentucky and Massachusetts). To the latter group must be added the States earmarking a share of the State sales tax revenue for highways, e.g., Georgia, Illinois and Mississippi. For now it appears that the combination of a unit tax plus a percentage tax is the better approach as it would set a base tax (to correspond with consumption) plus sensitize taxes to inflation so that the benefits principle of highway finance is retained. The following chapter discusses motor-fuel tax actions by the States for the last few years, with specific attention to the 1981 developments.

The percentage tax is levied based on the average price that Nebraska pays for a gallon of motor fuel (less Federal and State taxes). The variable tax is levied on distributors to be added to the unit tax. The average statewide price of motor fuel was established at 90 cents a gallon until such time that information was available to set the computed average price. The variable tax was enacted to ensure that the Highway Cash Fund had sufficient revenue to meet the level of authorizations set by the State legislature. Any shortfall in revenue is to be supplied from the variable motor-fuel excise tax. For the period beginning October 1, 1980, and until adjusted, the excise tax was to be set at 2 percent of the prescribed 90 cents a gallon average statewide cost, or 1.8 cents a gallon. During the ensuing fiscal years, if the revenue generated proves too low or too high (if less than 90 percent or more than 110 percent of targeted income), the Board of Equalization and Assessment will meet to determine if adjustments are in order. Any rate adjustment will take effect on the first of the following month. The excise tax was set at 2.4 cents per gallon on January 1, 1982.

These actions serve to raise revenue for State and local road programs. Revenues from the variable gas tax are earmarked for State programs. By setting State highway authorizations higher than unit tax receipts, the mechanism triggers an adjustment in the excise tax to cover the gap between unit tax yield and the program level. However, the State highway share of combined motor-fuel unit and ad valorum taxes is encumbered by the allocation of a maximum of $1 million a year for public transportation. This provision applies only if State public transit appropriations fall below the estimated State's share of the total program.

The added 1 cent-per-gallon motor-fuel tax monies are earmarked for local road and street programs.

The preceding examples describe two types of ad valorem motor-fuel tax schemes. For Indiana and Massachusetts, the entire motor-fuel tax rate is tied to some specific commodity price. Nebraska is a hybrid. It retains the basic per-gallon tax but provides a variable/supplemental tax that responds to motor-fuel price changes and budget factors. In the next example, the basic motor-fuel tax system is not affected. Instead, a share of the State sales tax revenue is earmarked for highways which is similar to a variable/supplemental gas tax.

Illinois

The purpose of the Transportation Finance and Administration Act of 1979, as expressed by the Illinois General Assembly, was to enact an integrated and comprehensive highway and public transportation finance program for the State. 2/ The enacted legislation called for a series of interrelated actions affecting several State funds and tax sources. For highways, there are two basic changes. First, existing diversions from the State Road Fund would be eliminated. The 1979 legislation gradually reduces allocations of Road Fund monies to State agencies other than the Department of Transportation. For example, the Road Fund

1/ In fact, a revised distribution of the 8.5-cent motor-fuel tax went into effect July 1980 only to be superseded by the 1980 legislation which took effect August 1, 1980.

2/ P.L. 81, 2nd Special Session-3, 1979.

Chapter 3

CURRENT STATE LEGISLATIVE ACTION

In retrospect, 1979 and 1980 recorded the early signs of recovery in State highway finance. State legislatures seemed to be taking a hard look at ways to raise State highway revenue. In 1980, only 8 States did not hold regular sessions, and according to one survey, 32 States considered measures to raise motor-fuel taxes. 1/ Motor-fuel and sales tax levies accounted for well over four-fifths of the proposed legislation in 1980. Perhaps the most common theme in Governors' messages that year was the expression of concern about the shortfall in gasoline tax revenue and the corresponding decline in highway funding.

The national decline in motor-fuel consumption, from 125 billion gallons in 1978 to 122 billion gallons in 1979 and to 115 billion gallons in 1980, is the cause of this concern. Receipts from State motor-fuel taxes amounted to $9,578 million in 1980, a loss of $206 million from 1979. Thus, while revenue decreased by only 0.2 percent, consumption of motor fuel dropped by 5.9 percent. Obviously, the revenue stability is due solely to changing tax rates.

Tables 3-1 and 3-2 identify the States that increased motor-fuel tax rates in 1979 and 1980, respectively. The most striking difference between Tables 3-1 and 3-2 is found in the tax mechanism imposed. For the most part, the 1979 increases were additions of a penny or two to the existing unit rate with no provision for automatic future adjustments. The exception is Washington State where an earlier measure permitted the tax to adjust upward, and the 1979 change was the last allowed increment. On the other hand, 1980 witnessed the expanded use of the variable motor-fuel tax mechanism, witness the measures enacted in Indiana, Kentucky, Massachusetts, and New Mexico.

The pace of State motor-fuel tax rate change also quickened. For the decade of the 1970's, an average of six and one-half States increased tax rates each year. However, in 1979 10 States increased their rates, and in 1980 12 States adjusted fuel rates. An important feature of the current pace is the number of States passing rate increases in the "light" legislative years, that is, years when few legislatures meet. The light legislative years, the even years of 1970, 1972, 1974, 1976, and 1978, averaged four States changing rates. One would expect 1979, a heavy year, to report numerous changes, but the 12 States reporting changes in 1980 is abnormal. Biennial adjustments (a light year and a heavy year) peaked in the 1979/80 period, which followed relatively inactive periods of the midseventies. Table 3-4 identifies the States that reported the greatest change in rates since 1970. These 16 States, reporting 3 cents or more increase in gasoline tax rates, averaged 7.06 cents a gallon in 1970. For 1980, their average rate increased to nearly 11 cents, a gain of 3.9 cents a gallon, or a 55-percent increase. Table 3-5 reports tax changes

for all States, and Table 3-6 reports all motor-fuel taxes in effect on January 1, 1982.

1981 Legislative Action

More than 40 States sought ways of raising motor-fuel tax revenue in 1981. 2/ The only States not looking to increase motor-fuel tax rates were Alabama, Georgia, Kentucky, Louisiana, Nebraska, Texas, and Virginia. Four of these received tax boosts in 1979 or 1980, and two States have access to general revenues (Louisiana and Texas) for highway purposes, which reduces the urgency to raise user tax rates in order to increase funds for highways.

The survey 2/ noted that 35 States sought a variable tax and 16 States considered both a hike in the unit (cents per gallon) tax and a variable tax. Further, six States sought repeal of the motor-fuel sales tax exemption (these are not additive).

By the end of 1981, the number of States approving motor-fuel tax rate increases was sufficient to make 1981 a banner year for boosts in State motor-fuel tax rates. In fact, 27 States increased basic motor-fuel tax rates. The measures enacted included simple increases in the cents-per-gallon levy, variable tax methodologies that supplement or replace existing mechanisms, expanded ceilings and floors of existing variable taxes, and new systems employing innovative automatic adjustment systems.

According to the data reported on Table 3-7, 16 States increased rates via the legislated tax rate adjustment process, ranging from 1 cent per gallon (South Dakota) to 6 cents for 1982 (Nevada). Most States in this category raised the rates by 2 cents per gallon. The ranks of the States with variable motor-fuel tax mechanisms increased by five in 1981 and another received new life. Arizona, 3/ Ohio, Rhode Island, Pennsylvania, and the District of Columbia, authorized automatic rate adjustment systems, and Washington updated its system by providing a new rate ceiling of 16 cents per gallon. The District of Columbia plan uses the Consumer Price Index (CPI) for its indexing criteria, whereas Ohio's "added motor-fuel tax" employs a formula that looks to motor-fuel consumption and FHWA's Highway Maintenance and Operations Cost Trend Index to determine rate increases for the years 1982 through 1984. The Ohio motor-fuel tax was immediately boosted by 3.3 cents to 10.3 cents per gallon, and the "added tax" will be evaluated each year through 1984 but cannot exceed 5 cents per gallon. Pennsylvania enacted an Oil Company Franchise Tax of 35 mills on each dollar of petroleum product sales in the State. The levy applies only to highway motor fuel, and the revenue is earmarked for highway construction and maintenance. The 3.5 percent receipts tax supplements the State per gallon tax (11 cents), thus raising the total levy on highway fuel to approximately 13 cents a gallon. Indiana raised its minimum tax to 10.5 cents per gallon and changed the percentage levy. And in four States (Kentucky, Massachusetts, Nebraska, and New Mexico), the 1981 rate changes were adjusted by automatic mechanisms.

The highest State tax rate is now 14.0 cents per gallon for New Hampshire, followed closely by Nebraska with 13.9 cents. Texas continues to have the lowest gasoline tax at 5 cents per gallon.

Apart from these measures that increased motor-fuel taxes by either legislating an increase in the fixed rate or by adopting a variable rate tax, is the imposition of the sales tax on motor-fuel purchases. While most States exempt motor fuels from the sales tax, eight States--California, Georgia, Hawaii, Illinois, Indiana, Michigan, Mississippi, and New York--impose both a motor fuel and general sales tax on motor-fuel sales. Five of these States now earmark a portion of the revenue for highways. Georgia renamed its (3 percent) sales tax as a "Second Motor-Fuel Tax" in 1979. The tax is collected in the same manner as other sales taxes, but the relabeling increases the minimum appropriation for highways as specified in the Georgia Constitution. 4/ Illinois, also in 1979, dedicated 5.5 percent of all sales tax revenue to State roads (see Chapter 2). Mississippi allocates a share of such revenue for highways, i.e., 78 percent of the 5-percent sales tax on motor fuel or a maximum of $42 million a year. The cap is to be removed in 1985. Two additional States joined this group in 1981. California approved a measure that would eventually earmark all sales tax revenue on motor fuel for highways and mass transportation. Specifically, the State general fund will receive an annual allocation of a maximum of $141 million from these monies; the remainder is split 50-50 between highway and other purposes (mostly public transportation). By 1986, the general fund share will drop to zero and all receipts will go to highways and other transportation purposes. Hawaii also dedicates these revenues to State highway purposes, albeit for a limited period. For the 3 years through FY 1984, an amount equal to the sales tax on motor fuel will be deposited in the State Highway Fund. In practice, these States have established a dual taxation scheme for highway finance that incorporates a unit tax and a variable tax.

For more information on State highway taxes, see FHWA publication: Highway Taxes and Fees, 1982

1/ Tax Foundation's, Tax Revenue, VOL. XLI, NO.3, March 1980.

2/ Highway User Federation, January 26, 1981, Washington, D.C.

3/ Arizona law was repealed in 1982.

4/ Article VII, Section IX, (6).

TABLE 3-1

1979 State Motor-Fuel Tax Increases

State	Rates (cents per gallon)	Remarks
Arkansas	8.5 to 9.5	Gasoline
	10.0 to 11.5	Diesel
Iowa	8.5 to 10.0	Gasoline
	10.0 to 11.5	Diesel
Michigan	9.0 to 11.0	Gasoline
	7.0 to 9.0	Diesel
Montana	8.0 to 9.0	Gasoline
	10.0 to 11.0	Diesel
Nebraska	9.5 to 10.5	All Motor Fuel
New Hampshire	10.0 to 11.0	All Motor Fuel
Pennsylvania	9.0 to 11.0	All Motor Fuel
South Carolina	9.0 to 10.0	All Motor Fuel
South Dakota	8.0 to 9.0	All Motor Fuel
Washington 1/	11.0 to 12.0	All Motor Fuel

1/ Rate change via automatic adjustment mechanism.

Table MF-2, Highway Statistics, 1979, FHWA, Washington, D.C.

TABLE 3-2

1980 State Motor-Fuel Tax Increases

Alabama	Tax increased from 7 cents to 11 cents per gallon effective August 1, 1980.
Indiana*	Tax converted from a unit tax (8 cents) to 8 percent of average retail price before taxes. The tax has a ceiling of 12 cents in 1980, 14 cents in 1981, and 16 cents in 1982 and thereafter. The rate (determined twice a year by the Revenue Department) was set at 8.5 cents per gallon effective January 1, 1981.
Kentucky*	Tax converted from a unit tax (9 cents) to 9 percent of average wholesale price with a minimum of 9 cents per gallon. Tax may not exceed 13.5 cents by 1982, thereafter the tax may increase by no more than 10 percent a year. The ratio is determined quarterly by the Department of Revenue. Tax rate set at 9 cents a gallon effective January 1, 1981
Massachusetts*	Tax converted from a unit tax (8.5 cents) to 10 percent of average wholesale price. The rate initially set at 9.9 cents and was 9.8 cents effective January 1, 1981.
Minnesota	Tax increased from 9 cents to 11 cents per gallon effective May 1, 1980.
Nebraska*	Tax increased from 10.5 cents to 11.5 cents per gallon effective October 1, 1980. In addition, a 2-percent tax may be levied based on the average cost of gasoline to the State. The combined rate of 13.6 cents per gallon effective January 1, 1981.
New Mexico*	Tax increased from 7 cents to 8 cents per gallon effective July 1, 1980. The tax will automatically increase by 1 cent per gallon for each 10-cent increase in the average wholesale price of motor fuel, but cannot exceed 1 cent a year or a total tax of 11 cents a gallon.
South Carolina	Tax increased from 9 cents to 11 cents a gallon effective October 1, 1980.
South Dakota	Tax increased from 9 cents to 12 cents per gallon effective April 1, 1980.
Virginia	Tax increased from 9 cents to 11 cents per gallon effective July 1, 1980.

Wisconsin	Tax increased from 7 cents to 9 cents per gallon effective May 1, 1980.
District of Columbia	Tax increased from 10 cents to 11 cents per gallon effective December 1, 1980.

* Variable tax system

Source: National Governors Conference, Office of State Services, July 24, 1980, Washington, D.C.

TABLE 3-3

Number of States Increasing Motor-Fuel Tax Rates
1970-1980

Year	States	States Per 2-Year Cycle
1970	4	18*
1971	9	
1972	9	18
1973	4	
1974	2	6
1975	7	
1976	4	11
1977	7	
1978	3	10
1979	10	
1980	12	22
Average	6.45	14.17

*Includes 14 States in 1969.

TABLE 3-4

Gasoline Tax Rate Changes For Selected States
(cents per gallon)
1970-1980

State	1970	1975	1977	1979	1980	Increase 1970-1980
Alabama	7.0	7.0	7.0	7.0	11.0	4.0
Connecticut	8.0	10.0	11.0	11.0	11.0	3.0
Dist. of Col.	7.0	10.0	10.0	10.0	11.0	4.0
Hawaii	5.0	8.5	8.5	8.5	8.5	3.5
Iowa	7.0	7.0	7.0	10.0	10.0	3.0
Massachusetts	6.5	8.5	8.5	8.5	9.8	3.3
Michigan	7.0	9.0	9.0	9.0	11.0	4.0
Minnesota	7.0	9.0	9.0	9.0	11.0	4.0
Nebraska	7.5	8.5	9.5	10.5	13.6	5.1
New Hampshire	7.0	9.0	10.0	11.0	11.0	4.0
Pennsylvania	7.0	9.0	9.0	11.0	11.0	4.0
South Carolina	7.0	8.0	9.0	10.0	11.0	4.0
South Dakota	7.0	8.0	8.0	9.0	12.0	5.0
Virginia	7.0	9.0	9.0	9.0	11.0	4.0
Washington	9.0	9.0	11.0	12.0	12.0	3.0
West Virginia	7.0	8.5	8.5	10.5	10.5	3.5
Average	7.06	8.63	9.00	9.75	10.96	3.90

Source: Tables MF-205 and 121, Highway Statistics Division, FHWA, Washington, D.C. 20590

TABLE 3-5

STATE AND FEDERAL MOTOR-FUEL TAX RATES BY YEARS, 1972 - 1981 [1]

(CENTS PER GALLON)

TABLE MF-205
JANUARY 1982

STATE	1972	1973	1974	1975	1976	1977	1978 2/	1979 2/	1980 2/	1981 2/
ALABAMA	3/ 7(8)	3/ 7(8)	3/ 7(8)	3/ 7(8)	3/ 7(8)	3/ 7(8)	3/ 7(8)	3/ 7(8)	4/ 7(8)-11(12)	4/ 11(12)
ALASKA	3/ 8	3/ 8	3/ 8	3/ 8	3/ 8	3/ 8	3/ 8	3/ 8	3/ 4/ 8	3/ 4/ 8
ARIZONA	7	7	7-8	8	8	8	8	8	8	8-9.6
ARKANSAS	7.5(8.5)	3/ 7.5(8.5)-8.5(9.5)	3/ 8.5(9.5)	3/ 8.5(9.5)	3/ 8.5(9.5)	3/ 8.5(9.5)	3/ 8.5(9.5)	3/ 4/ 8.5(9.5)-9.5(10.5)	3/ 4/ 9.5(10.5)	3/ 4/ 9.5(10.5)
CALIFORNIA	3/ 7	3/ 7	3/ 7	3/ 7	3/ 7	3/ 7	3/ 7	3/ 7	3/ 7	3/ 7
COLORADO	7	7	7	7	7	7	4/ 7	4/ 7	4/ 7	4/ 7-9
CONNECTICUT	10	10	10	10	10-11	11	11	11	4/ 11	4/ 11
DELAWARE	8	3/ 8-9(8)	3/ 9(8)	9(8)-9	9	9-11	11-9	9	9	9-11
DIST. OF COL.	3/ 7-8	3/ 8	3/ 8	3/ 8-10	3/ 10	3/ 10	3/ 10	3/ 10	3/ 10	3/ 5/ 10-13
FLORIDA	8	8	8	8	8	8	8	8	4/ 8	4/ 8
GEORGIA	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
HAWAII	3/ 5	3/ 5	3/ 5	3/ 5-8.5	3/ 8.5	3/ 8.5	3/ 8.5	3/ 8.5	3/ 8.5	3/ 8.5
IDAHO	7-8.5	8.5	8.5	8.5	8.5-9.5	9.5	9.5	9.5	9.5	9.5-11.5
ILLINOIS	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
INDIANA	8	8	8	8	8	8	8	4/ 8	4/ 8	4/ 5/ 8-10.5
IOWA	7(8)	7(8)	7(8)	7(8)	7(8)	7(8)	4/ 8.5(10)	4/ 8.5(10)-10(11.5)	4/ 10(11.5)	4/ 10(11.5)-13(13.5)
KANSAS	3/ 7(8)	3/ 7(8)	3/ 7(8)	3/ 7(8)	3/ 7(8)-8(10)	3/ 8(10)	3/ 8(10)	3/ 4/ 8(10)	4/ 8(10)	4/ 8(10)
KENTUCKY 6/	3/ 7-9	3/ 9	3/ 9	9	9	9	9	9	9	5/ 9-10.1
LOUISIANA	8	8	8	8	8	8	8	4/ 8	4/ 8	4/ 8
MAINE	9	9	9	9	9	9	9	9	9	9
MARYLAND	7-9	9	9	9	9	9	9	4/ 9	4/ 9	4/ 9
MASSACHUSETTS	7.5	7.5	7.5	7.5-8.5	8.5	8.5	8.5	8.5	8.5-9.8	5/ 9.8-11.2
MICHIGAN	7	7-9(7)	9(7)	9(7)	9(7)	9(7)	9(7)	9(7)-11(9)	11(9)-(11)	11
MINNESOTA	7	7	7	7-9	9	9	9	9	4/ 9-11	4/ 11-13
MISSISSIPPI	8(10)	3/ 8(10)-9(10)	3/ 9(10)	3/ 9(10)	3/ 9(10)	3/ 9(10)	3/ 9(10)	3/ 9(10)	3/ 9(10)	3/ 9(10)
MISSOURI	5-7	7	7	7	7	7	7	7	7	7
MONTANA	7(9)	7(9)	7(9)	3/ 7(9)-7.75(9.75)	3/ 7.75(9.75)	3/ 7.75(9.75)-8(10)	3/ 8(10)	3/ 4/ 8(10)-9(11)	3/ 4/ 9(11)	3/ 4/ 9(11)
NEBRASKA	8.5	4/ 8.5	4/ 8.5	4/ 8.5	4/ 8.5	4/ 8.5-9.5	4/ 9.5	4/ 9.5-10.5	4/ 10.5-13.6	4/ 5/ 13.6-13.9
NEVADA	6	6	6	6	6	6	6	6	6	6-10.5
NEW HAMPSHIRE	9	9	9	9	9	9-10	10	4/ 10-11	4/ 11	4/ 11-14
NEW JERSEY	3/ 7-8	3/ 8	3/ 8	3/ 8	3/ 8	3/ 8	3/ 8	3/ 8	3/ 8	3/ 8
NEW MEXICO	7	7	7	7	7	7	7	7	4/ 7-8	4/ 5/ 8-9
NEW YORK	7(9)-8(10)	8(10)	8(10)	8(10)	8(10)	8(10)	8(10)	8(10)	8 (10)	8(10)
NORTH CAROLINA	9	9	9	9	9	9	9	9	4/ 9	4/ 9-12
NORTH DAKOTA	7	7	7	7	7	7-8	8	4/ 8	4/ 8	4/ 8
OHIO	7	7	7	7	7	7	7	7	7	5/ 7-10.3
OKLAHOMA	6.5	6.5	6.5	6.5	6.5	6.5	6.5	4/ 6.5	4/ 6.58	4/ 6.58(6.5)
OREGON	7	7	7	7	7	7	7	7	7	7-8
PENNSYLVANIA	8	8	8-9	9	9	9	9	9-11	11	5/ 11
RHODE ISLAND	8	8	8	8-10	10	10	10	10	10	5/ 10-12
SOUTH CAROLINA	7-8	8	8	8	8	8-9	9	4/ 9-10	4/ 10-11	4/ 11-13
SOUTH DAKOTA	3/ 7	3/ 7	3/ 7	3/ 7-8	3/ 8	3/ 8	3/ 8	3/ 4/ 8-9	3/ 4/ 9(7)-12(10)	3/ 4/ 12(10)-13(11)
TENNESSEE	7(8)	7(8)	7(8)	7(8)	7(8)	7(8)	7(8)	7(8)	7(8)	4/ 7(8)-9(12)
TEXAS	5(6.5)	5(6.5)	5(6.5)	5(6.5)	5(6.5)	5(6.5)	5(6.5)	5(6.5)	5(6.5)	5(6.5)
UTAH	7	7	7	7	7	7	7-9	9	4/ 9	4/ 9-11
VERMONT 3/	9(0)	9(0)	9(0)	9(0)	9(0)	9(0)	3/ 9(0)	3/ 9(0)	3/ 9(0)	3/ 9(0)-11(0)
VIRGINIA 6/	7-9	9	9	9	9	9	9	9	9-11	11
WASHINGTON	9	3/ 9	3/ 9	3/ 9	3/ 9	3/ 9-11	3/ 11	3/ 11-12	4/ 12	4/ 5/ 12-13.5
WEST VIRGINIA	8.5	8.5	8.5	8.5	8.5	8.5	8.5-10.5	10.5	10.5	10.5
WISCONSIN	7	7	7	7	7	7	7	7	7-9	9-13
WYOMING	7/ 7(0)	7/ 7(0)	7/ 7(0)	7/ 7(0)	7/ 7(0)-8(0)	7/ 8(0)	7/ 8(0)	4/ 7/ 8(0)	4/ 7/ 8(0)	4/ 7/ 8(0)
STATE AVG. 8/	7.32	7.53	7.57	7.65	7.71	7.79	7.83	8.01	8.24	-
FEDERAL 9/	4	4	4	4	4	4	4	4	4	4

1/ THIS TABLE GIVES THE TAX RATES AT THE BEGINNING OF THE YEAR, THE CHANGES DURING THE YEAR, AND THE RATES IN EFFECT DECEMBER 31. FOR EFFECTIVE DATES OF TAX RATE CHANGES, SEE TABLE MF-1 OR MF-2 OF YEAR OF CHANGE (G-1 OR G-2 PRIOR TO 1966). FOR TAX RATES IN EARLIER YEARS, SEE PAGES 39-41 OF "HIGHWAY STATISTICS, SUMMARY TO 1975." DIESEL FUEL TAX RATES THAT DIFFER FROM THE GASOLINE RATES ARE SHOWN IN PARENTHESES. LIQUEFIED PETROLEUM GAS IS TAXED AT THE GASOLINE RATE (UNLESS OTHERWISE SPECIFIED BEGINNING IN 1966.)

2/ SOME LOCAL GOVERNMENTS IN ALABAMA, FLORIDA, HAWAII, ILLINOIS, MISSISSIPPI, NEVADA, AND NEW YORK LEVY MOTOR-FUEL TAXES AT RATES THAT RANGE FROM .25 TO 5 CENTS PER GALLON.

3/ FOLLOWING ARE LIQUEFIED PETROLEUM GAS TAX RATES FOR THE INDICATED YEARS: 4 CENTS IN NEW JERSEY (3.5 CENTS IN 1971); 6 CENTS IN CALIFORNIA (OR 7 CENTS PER 100 CUBIC FEET FOR NATURAL GAS OR A FLAT RATE OF $36 TO $168 ON THE WEIGHT OF TRUCKS BEGINNING IN 1976) AND HAWAII (4 CENTS IN 1975); 7 CENTS IN KANSAS (5 CENTS BEFORE 1976); 7.5 CENTS IN ARKANSAS; DECAL FEE IN ALABAMA; 9 CENTS IN MICHIGAN; 8 CENTS IN MISSISSIPPI AND 11 CENTS IN SOUTH DAKOTA (6 CENTS BEFORE 1978, 7 CENTS IN 1979). THERE IS NO L.P.G. TAX IN ALASKA, KENTUCKY (ON MOTOR VEHICLES WITH APPROVED CARBURETOR THROUGH JUNE 1974), MONTANA, VERMONT AND WASHINGTON. L.P.G. WAS FIRST TAXED IN DISTRICT OF COLUMBIA IN 1972.

4/ SEE TABLE MF-121 FOR GASOHOL TAX RATES.

5/ VARIABLE TAX RATE. RATE SHOWN IS AS OF OCTOBER 1, 1981. SEE TABLE MF-121 FOR BASIS OF TAX.

6/ IN KENTUCKY AND VIRGINIA, TRUCKS OR COMBINATIONS WITH MORE THAN TWO AXLES PAY A TWO CENTS PER GALLON HIGHER TAX THAN THAT SHOWN.

7/ IN LIEU OF A GALLONAGE TAX ON DIESEL FUEL AND L.P.G., WYOMING LEVIES A TAX OF 1.1 MILLS PER TON-MILE (ONE MILL PER TON-MILE FROM 1969 TO MARCH 1976).

8/ WEIGHTED AVERAGE RATES BASED ON NET GALLONS TAXED.

9/ GASOHOL (GASOLINE MIXED WITH AT LEAST 10 PERCENT ALCOHOL) EXEMPTED FROM FEDERAL TAX EFFECTIVE JANUARY 1, 1979 TO DECEMBER 31, 1992.

TABLE 3-6

STATE MOTOR-FUEL TAX RATES AND SALES TAX RATES ON MOTOR FUEL

AS OF JANUARY 1, 1982

TABLE MF-121
REVISED OCTOBER 1982

STATE	MOTOR FUEL (CENTS PER GALLON)				SALES TAX (PERCENT PER GALLON)	
	GASOLINE	DIESEL 1/	L.P.G. 1/	GASOHOL 1/	RATE	REMARKS
	(1)	(2)	(3)	(4)	(5)	(6)
ALABAMA	11	12	2/	2/ 8	4	APPLIES TO NON-HIGHWAY USE OF DIESEL.
ALASKA	8		0	0		
ARIZONA	4/ 8					
ARKANSAS	9.5	10.5	7.5	3/ 0	3	APPLIES TO GASOHOL ONLY.
CALIFORNIA	7		6	5/	4.75	APPLIES TO SALES PRICE INCLUDING FEDERAL AND STATE MOTOR FUEL TAX. LOCAL GOVERNMENTS ASSESS AN ADDITIONAL 1.25% EXCEPT IN BAY AREA WHERE IT IS 1.75%. AFTER SALES PRICE HAS BEEN COMPUTED, 4 CENTS PER GALLON GASOHOL TAX EXEMPTION IS ALLOWED.
COLORADO	9			4		
CONNECTICUT	11			10		
DELAWARE	11					
DIST. OF COL.	6/ 13					
FLORIDA	8			3		
GEORGIA	7.5				3	A SECOND MOTOR FUEL TAX ASSESSED SIMILAR TO SALES TAX ON PRICE INCLUDING FEDERAL MOTOR FUEL TAX.
HAWAII	7/ 8.5		6	8/	4	APPLIES TO SALES PRICE EXCLUDING FEDERAL AND STATE MOTOR FUEL TAXES; GASOHOL EXEMPTED.
IDAHO	11.5			7.5		
ILLINOIS	7.5				4	APPLIES TO SALES PRICE EXCLUDING FEDERAL AND STATE MOTOR FUEL TAXES. MOST LOCAL GOVERNMENTS ASSESS AN ADDITIONAL 1% TAX. GASOHOL 2 PERCENT.
INDIANA	6/ 11.1				4	APPLIES TO SALES PRICE EXCLUDING FEDERAL AND STATE MOTOR FUEL TAXES. GASOHOL EXEMPTED.
IOWA	13	13.5		6		
KANSAS	8	10	7	5	3	STATE SALES TAX (3 %) AND CITY AND COUNTY SALES TAXES (1.5 % MAXIMUM) ARE PAID ON AVIATION FUEL NOT SUBJECT TO REFUND.
KENTUCKY	6/ 9/ 10	9/				
LOUISIANA	8			3/ 0		
MAINE	9					
MARYLAND	9					
MASSACHUSETTS	6/ 11.1					
MICHIGAN	11		9	6	4	APPLIES TO SALES PRICE INCLUDING FEDERAL MOTOR FUEL TAX EXCEPT THOSE WHO HAVE A FEDERAL LICENSE AND PAY THE TAX DIRECTLY TO FEDERAL GOVERNMENT.
MINNESOTA	13			3/ 5		
MISSISSIPPI	9	10	8		5	APPLIES TO SALES PRICE INCLUDING FEDERAL AND STATE MOTOR FUEL TAXES.
MISSOURI	7					
MONTANA	9	11	0	2		
NEBRASKA	6/ 13.9			8.9		
NEVADA	10.5			9.5		
NEW HAMPSHIRE	14			3/ 9		
NEW JERSEY	8		4			
NEW MEXICO	6/ 9			0		
NEW YORK	8	10			4	APPLIES TO SALES PRICE INCLUDING FEDERAL MOTOR FUEL TAX. LOCAL GOVERNMENTS ASSESS ADDITIONAL TAX VARYING FROM 1 TO 4%.
NORTH CAROLINA	12			9		
NORTH DAKOTA	8	10/		4		
OHIO	6/ 10.3			11/		
OKLAHOMA	12/ 6.58	6.5	6.5	12/ 0.08		
OREGON	8					
PENNSYLVANIA	6/ 11					
RHODE ISLAND	6/ 12					
SOUTH CAROLINA	13			13/ 6		
SOUTH DAKOTA	13		11	9		
TENNESSEE	9	12				
TEXAS	5	6.5		0		
UTAH	11			6		
VERMONT	11	0	0			
VIRGINIA	9/ 11	9/		3/ 3		
WASHINGTON	6/ 12		0	10.8		
WEST VIRGINIA	10.5					
WISCONSIN	13					
WYOMING	8	14/ 0	14/ 0	4		

1/ RATES ARE THE SAME AS GASOLINE TAX RATES EXCEPT WHERE INDICATED.

2/ DECAL FEE.

3/ EXEMPTION FROM STATE MOTOR FUEL TAX PROVIDED ALCOHOL WAS MADE IN THE STATE FROM ITS OWN AGRICULTURAL COMMODITIES; IN MINNESOTA AND NEW HAMPSHIRE, 5 CENTS; IN VIRGINIA, 8 CENTS PROVIDED ALCOHOL DISTILLED IN VIRGINIA FROM FARM OR WASTE PRODUCTS GROWN IN VIRGINIA IN A PLANT THAT DOES NOT USE NATURAL GAS OR A PETROLEUM-BASED PRODUCT AS A PRIMARY FUEL.

4/ DURING MID-1981, MOTOR FUEL TAX WAS INCREASED TO 9.6 CENTS PER GALLON, EFFECTIVE JANUARY 1, 1982 AND BEGINNING JANUARY 1, 1983 THE RATES WOULD BE BASED ON 8% OF THE AVERAGE RETAIL SELLING PRICE OF FUEL, EXCLUDING FEDERAL AND STATE TAXES. HOWEVER A REFERENDUM PETITION POSTPONES THESE CHANGES PENDING AN APPROVAL BY THE VOTERS AT THE NOVEMBER 1982 ELECTION.

5/ EXCISE TAX ON ALCOHOL FUELS (ETHANOL OR METHANOL) CONTAINING NOT MORE THAN 15% GASOLINE OR DIESEL FUELS IS ONE-HALF THE RATE OF THE USE FUEL TAX FROM JANUARY 1, 1982 UNTIL JANUARY 1, 1989.

6/ "VARIABLE TAX RATES" ARE DETERMINED AT VARIOUS TIMES OF THE YEAR.

7/ COUNTY TAX OF 4 TO 6.5 CENTS IS ALSO ADDED.

8/ COUNTY TAX OF 3.5 CENTS IS ALSO ADDED BUT EXEMPTED FROM SALES TAX.

9/ 2% SURTAX ON ANY VEHICLE WITH 3 OR MORE AXLES IN KENTUCKY AND 2 CENTS PER GALLON SURTAX ON ANY INTERSTATE PROPERTY VEHICLE WITH 3 OR MORE AXLES IN VIRGINIA.

10/ DIESEL FUEL BLENDED WITH OIL OR AGRICULTURALLY DERIVED ALCOHOL TAXED AT 4 CENTS PER GALLON.

11/ A DEALER IS REFUNDED 35 CENTS PER GALLON FOR EACH QUALIFIED FUEL(ETHANOL AND METHANOL) THAT IS REPORTED AS HAVING BEEN BLENDED WITH UNLEADED GASOLINE.

12/ 0.08 CENTS PER GALLON IS FOR INSPECTION FEE.

13/ GASOHOL TAX IS 6 CENTS PER GALLON UNTIL JUNE 30, 1985 AND 7 CENTS PER GALLON FROM JULY 1, 1985 UNTIL JUNE 30, 1987 UNLESS THE CUMULATIVE REVENUE REACHES $5 MILLION AFTER WHICH TIME THE GASOHOL TAX WILL BE THE SAME AS GASOLINE.

14/ IN LIEU OF GALLONAGE TAX ON DIESEL AND L.P.G., A FEE OF 1.1 MILLS PER TON-MILE IS LEVIED.

TABLE 3-7
1981 State Motor-Fuel Tax Rate Changes

Arizona*	Effective January 1, 1982, the motor-fuel tax rate increased from 8 to 9.6 cents per gallon until January 1, 1983. Thereafter, the tax rate will equal 8 percent of the average retail selling price. Note: Law repealed, see POSTSCRIPT for details.
California	Effective January 1, 1983, the motor-fuel tax rate increases from 7 to 9 cents per gallon. A local optional penny per gallon authorized.
Colorado	Effective July 2, 1981, the motor-fuel tax rate increased from 7 to 9 cents per gallon; gasohol went up from 2 to 4 cents per gallon.
Delaware	Effective August 1, 1981, the motor-fuel tax rate increased from 9 to 11 cents per gallon.
District of Columbia*	Effective June 1, 1981, the motor-fuel tax rate increased 2 cents a gallon to 13 cents. The motor-fuel tax rate will be automatically adjusted each year, beginning in 1982, to reflect the change in the Consumer Price Index.
Idaho	Effective July 1, 1981, the motor-fuel tax rate increased from 9.5 to 11.5 cents per gallon.
Indiana***	Effective June 1, 1981, the motor-fuel tax increased from 8.5 to 10.5 cents per gallon and remained in effect until December 31, 1981. Tax changed to 10 percent of selling price up to $1 and 8 percent for next 50 cents per gallon. Maximum of 14 cents per gallon. Rate set at 11.1 cents per gallon (January 1, 1982).
Iowa	Effective September 1, 1981, the motor-fuel tax rate increased from 10 to 13 cents per gallon. Gasohol increased to 6 cents until September 1983, thereafter to be the motor fuel prevailing rate. Diesel increased to 13.5 cents; to 15.5 cents July 1, 1982.
Kentucky**	10.0 cents (January 1, 1982)
Massachusetts**	11.1 cents (January 1, 1982)
Minnesota	Effective June 1, 1981, the motor-fuel tax rate increased from 11 to 13 cents per gallon.
Nebraska**	13.9 cents (August 30, 1981)

Nevada	Effective July 1, 1981, the motor-fuel tax increased to 10.5 cents per gallon. The rate increased to 12 cents on July 1, 1982. Gasohol increased to 9.5 cents per gallon July 1, 1981, and to 11 cents July 1, 1982.
New Hampshire	Effective July 1, 1981, the motor-fuel tax rate increased from 11 to 14 cents per gallon. The tax increase expires June 30, 1983; gasohol increased to 9 cents per gallon.
New Mexico**	9.0 cents (July 1, 1981)
North Carolina	Effective July 1, 1981, the motor-fuel tax rate increased from 9 to 12 cents per gallon; gasohol increased from 8 to 12 cents per gallon.
Ohio*	Effective July 1, 1981, an "added motor-fuel tax" was imposed. By formula, the rate increased to 10.3 cents per gallon.
Oregon	Effective January 1, 1982, the motor-fuel tax rate increased from 7 to 8 cents per gallon. Further increases were approved but defeated by voters in May 1982: 9 cents (July 1, 1982), 10 cents (July 1, 1983), and 11 cents (July 1, 1984).
Pennsylvania*	Effective July 1, 1981, an Oil Company Franchise Tax was imposed at 35 mills per dollar on highway fuels and products sales. May add 2 cents to the price of motor fuel.
Rhode Island*	Effective June 1, 1981, the motor-fuel tax rate will be computed at 10 percent of the wholesale price of motor fuel, excluding Federal and State taxes. The minimum tax is 10 cents a gallon. Rate established at 12 cents per gallon (January 1, 1982).
South Carolina	Effective September 1, 1981, the motor-fuel tax rate increased from 11 to 13 cents per gallon.
South Dakota	Effective April 1, 1981, an additional 1-cent per gallon tax was imposed which will run through March 31, 1984. The motor-fuel tax is 13 cents a gallon and gasohol was raised by 1 cent to 9 cents a gallon. The exemption of motor fuel from the State sales tax was extended.
Tennessee	Effective June 1, 1981, the motor-fuel tax rate increased 2 cents per gallon (7 to 9 cents). The diesel tax is 12 cents a gallon (June 1, 1981); LPG is 9 cents.

Utah	Effective July 1,1981, the motor-fuel tax rate went up 2 cents to 11 cents a gallon. The gasohol tax is 5 cents less than the State motor-fuel tax rate.
Vermont	Effective June 1, 1981, the motor-fuel tax rate increased from 9 to 11 cents per gallon.
Washington***	For 6 months (July 1 thru December 31, 1981) the motor-fuel tax rate was 13.5 cents per gallon. The maximum rate will be 16 cents per gallon (formally 12 cents); the minimum rate is 12 cents. The annual rate increase cannot exceed 2 cents per gallon. Rate set at 12 cents (January 1, 1982).
Wisconsin	Effective August 1, 1981, the motor-fuel tax rate increased from 9 to 13 cents per gallon.

* New Variable Tax System.
** Rates changed by automatic rate adjustment system.
***Existing variable tax system given new maximum and minimum rates.

Source: State Tax Review, Commerce Clearing House, Inc., Chicago, Ill.

Chapter 4

STATE PUBLIC TRANSPORTATION FINANCE

The last few years witnessed an increasing involvement of the States in the provision and operation of public transportation. States are "buying in" to local operations by providing the local share of Federal capital grants and guaranteeing to absorb a share of local transit operating subsidies. In one case, Maryland, a State agency operates the transit system for one of the Nation's largest cities (Baltimore). Maryland also "buys in" another major regional transit program (WMATA) in the Washington, D.C. area. States often serve as the principal operating agency for rural, small urban, and statewide public transportation programs.

This chapter examines the State public transportation role in Maryland, Michigan, New York, and Washington. The purpose is to alert the highway community to certain implications of this trend, particularly as the programs impact highway revenues. If the Reagan Administration's plan materializes, that is, Federal aid for transit is reduced, an added burden could befall the States. For most States, highway-user revenue is not directly threatened by this movement. However, for Maryland, Michigan, New York and Washington, road-user revenue is diverted to mass transit purposes. Toll bridge revenue diversion in New York is cited because of its long-standing practice and because other areas are embarking on similar arrangements. The justification of such practices raises the question of equity since one class of transportation user is called upon to support transportation activities benefiting the community at large.

Maryland

The Maryland Department of Transportation (MDDOT) is unique because it plans, finances, constructs, and operates various modes of transportation in the State, including the public transportation system in Baltimore. The Department of Transportation consists of these agencies:

State Aviation Administration

Maryland Port Administration

Motor Vehicle Administration

Mass Transit Administration

State Highway Administration

State Railroad Administration

Maryland Transportation Authority (Toll Facilities)

The MDDOT enabling legislation called for the development of a consolidated State transportation plan and a framework or program for achieving the plan. One of the critical components of the State transportation plan is the establishment of a unified Transportation Trust Fund into which is deposited highway-user revenue, plus operating revenues from airports, port facilities, and mass transit. The principal nontransportation revenue earmarked for the Trust Fund is a share of the State corporate income tax. Prior to 1980, three-fourths of 1 percent of the 7-percent corporate income tax, or three/twenty-eighths of the tax, was earmarked for the Fund. In 1980, an additional 3 percent of the 7-percent tax was pledged to the Fund. The Fund is also credited with bond proceeds, Federal funds; and certain miscellaneous receipts. Expenditures from the Fund are made from commingled revenue; thus, specific fees and imposts lose their identity. An analysis of expenditures by functions indicates that less is expended for highway purposes than is derived from highway-user taxes. Further, the Trust Fund is now in receipt of surplus toll revenues from the highway facilities operated by the Maryland Transportation Authority. This agency operates the State's toll highway, bridges, and tunnels. Heretofore, toll revenue was pledged as security for outstanding revenue bonds of the Authority. However, under the terms of the legislation enacted in 1978, money not needed for obligations of the Authority may be transferred to the Transportation Trust Fund upon recommendation of the Secretary of Transportation and the approval of the Board of Public Works. In September 1979, the Authority adopted a resolution transferring $13 million to the Trust Fund. Another $10 million was transferred in 1981 and additional requests will be forth coming in subsequent years. 1/

The practice of using road-user taxes to subsidize transit operations and capital development is also expected to continue. State reports indicate that mass transit operations will require substantial annual subsidies from the Trust Fund, and the capital program anticipates mass transit commanding one-third of all capital outlays for the period 1980 to 1985. Future mass transportation capital investments payable from State revenues, nearly $1 billion, will be derived chiefly from road-user charges.

In short, Maryland transportation funding has been unified under one fund. Presently, road-user revenue accounts for the major share of income, which translates into subsidization of nonhighway modes--namely mass transit. The State broadened this practice by drawing upon surplus highway toll revenue from users of the John F. Kennedy Expressway (I-95).

The Transportation Fund receives nonuser support in the form of corporate income tax revenue. For 1979, the income tax share of total Trust Fund revenue was less that 5 percent, up from 3.7 percent in FY 1975. In the future, this source could increase fivefold as the Trust Fund share of the tax goes from 0.75 percent to 3.75 percent of the 7 percent tax. This could significantly alter the general tax support to the Transportation Trust.

Michigan

Michigan established a separate trust fund for general transportation programs that is in addition to the highway trust fund. The general transportation fund, i.e., the Comprehensive Transportation Fund (CTF), primarily supports nonhighway programs. However, it is entitled to a statutory share of existing road-user tax revenue, and more importantly, it has a claim on an important potential source of additional highway revenue. 2/

Like most States, Michigan deposits its road-user taxes (motor fuel, motor vehicle and related taxes and fees) into a highway trust fund. In this case, the fund is the Michigan Transportation Fund. These monies are apportioned to State programs (46.7 percent), to counties (34.3 percent), and to cities (19 percent). The latter amounts to counties and cities must be used exclusively for roads and streets. However, the portion retained by the State (the 46.7 percent share) is divided between highway programs (82.22 percent is paid into the State Trunk Line Fund) and other transportation programs (17.78 percent is paid into the Comprehensive Transportation Fund).

The allocation of road-user revenue to the Comprehensive Transportation Fund amounted to $58.7 million for FY 1979. The other quasi-highway revenue tax source earmarked for this fund is the sales tax on purchases of motor fuel and motor vehicles, parts, and accessories. The State levies a 4-percent sales tax on highway motor fuel, vehicles, etc., and the revenue is distributed 60 percent to schools, 15 percent to counties, and the remaining 25 percent is divided between the State general fund and the CTF. The portion deposited in CTF was initially set at 24.3 percent (for FY 1979), but will increase incrementally to 27.9 percent by 1982. For FY 1979, this share amounted to $22.5 million. Other taxes earmarked for the fund are aircraft fuel taxes and certain aviation fees and revenues amounting to $5.5 million for FY 1979. In sum, Michigan highway users contributed more than $81 million in FY 1979 to programs which do not directly aid highways.

In addition to the diversion of a portion of existing State road-user taxes and potential supplementary road taxes to nonhighway programs, Michigan collects taxes on road users for regional transportation authorities. For the area served by the Southeastern Michigan Transportation Authority (counties of Wayne, Oakland, and Macomb), the State collects an additional $2.50 per motor-vehicle registration and a $6 per motor-vehicle title transfer. These amount to $13 million per year and are paid to the authority as a subsidy for mass transportation.

New York

New York State Department of Transportation conducts mass transit capital and operating assistance programs payable from State general revenues. The capital program amounted to $5.8 million for 1979 and was paid from the State Capital Construction

Fund. Mass transit operating assistance ($137 million for 1979) was paid from the State Local Assistance Fund. These State monies represent the local share of Federal grants and were paid to local transit operators.

Augmenting State DOT programs for mass transit is the use of surplus toll revenue to cover transit operating deficits. The practice is particularly evident in the New York City area--namely by the Port Authority of New York and New Jersey and the Metropolitan Transportation Authority. These agencies have diverted motor-vehicle toll revenue to deficit operations of the authorities for many years, and indeed, the authorities have become accustomed to drawing upon these revenues to cover shortfalls from the public transportation farebox. Although these agencies are only active in one locale--that is, they do not operate statewide--they are creatures of the State, and as such, are an integral part of the State strategy for funding public transportation. 3/

Port Authority of New York and New Jersey. The Authority operates multimodal transportation facilities (air, highway, and mass transit) along with the World Trade Center, port commerce facilities. The Authority does not have power to levy taxes but derives its income from tolls, rents, fares, etc., from bridges, tunnels, airports, terminals, World Trade Center, commuter railroads, and other properties. Toll facilities operated by the Authority include the George Washington and Staten Island Bridges and the Holland and Lincoln Tunnels. Mass transit facilities include the Hudson Tubes facility, PATH facilities, rail transit systems, and other commuter rail services. It is estimated that operation of the transit facilities resulted in deficits of $27.4 million in 1976, $29.5 million in 1977, and $36.3 million in 1978. For 1979, Port Authority toll crossings earned an estimated $144 million. After deducting toll crossing operation costs, its prorata share of debt service, $54 million in surplus bridge and tunnel tolls were diverted to cover mass transit operating deficits. For 1980, the comparable transfer was $52 million. 4/

Metropolitan Transportation Authority (MTA). The MTA was created in 1965 to continue, develop, and improve mass transportation in New York City and environs. Several local transit authorities and the Triborough Bridge Authority were consolidated under the MTA. Included also were purchases of the Long Island Rail Road and the commuter portion of Penn/Central Railroad. Currently, Conrail operates these facilities and the Authority assumes the deficits from operations.

The Triborough Bridge and Tunnel Authority (TBTA) has jurisidiction over toll bridges, tunnels, parking garages, and other facilities. 5/ The authority has no taxing power and must rely on tolls and other charges for revenue. In 1968, the MTA assumed control of TBTA to implement its unified mass transit policy. In doing so, authority surplus monies (on hand) and future operating surpluses would be applied to other MTA operations, namely to cover transit operating deficits. As of February 28, 1981, the TBTA transferred $163 million to transit

operations for FY 1981. Since 1968, a total of $1.1 billion in toll surpluses have been applied to transit deficits. 6/

Recent New York Action. More recently, in an effort to gain a secure and predictable source of funding for mass transportation, New York State legislation has been approved that would levy a series of new taxes for mass transit . Specifically, beginning in 1981, the following taxes: (1) the increased State sales and use tax, (2) an additional franchise tax was levied on oil companies, and (3) a gross earnings tax on transportation and transmission corporations, and other taxes, were assigned to mass transportation. 7/

In sum, New York State participates in local mass transit capital and operating programs. Until recently, State monies came from general revenues. The State now has specific funding for mass transportation, which, in part, is derived from road users. In addition, the State has not been reluctant to directly charge highway users part of the transit cost. In New York City, more than $200 million a year in surplus toll revenue is used to cover transit deficits.

The Washington State Role in Rural Public Transit

The notion of public transit commonly envisions large-scale, heavy rail systems found in the largest cities. Of late, public transit has spread to rural areas as well, and States are becoming increasingly active in the financing of these services. An example of nonurban public transit is underway in the State of Washington. 8/

The dominant transit system in the State of Washington is the Seattle Metro, whose fleet of more than 1,000 buses and trackless trolleys carried 70 million passengers in 1980. But throughout the State, public transit is also found in many rural settings. Although it is observed that the county-operated buses have not replaced the pickup truck as the principal means of transportation in Washington's rural counties, public transit is becoming an important addition to the way people live and travel.

Nonurban transit is possible thanks to a blend of State, Federal, and local financing. Public transit is heavily dependent upon subsidies which requires a partnership that pledges State and local revenue (along with Federal aid). The first element of financial support is the authority to levy a local sales tax of up to three-tenths of 1 percent. Second, the State permits localities to retain one-half of the State Motor Vehicle Excise Tax collected in the jurisdiction if it can match the sum with its own funds. This is where the first element comes in, i.e., the sales tax is the qualifying match. In 1980, the State Motor Vehicle Excise Tax provided $32.3 million for public transit in Washington. The bulk of the money ($21.8 million) went to Seattle Metro. The Tacoma (a county operation) and Spokane systems took another $6 million with the remainder distributed among the smaller systems (maybe 15) around the State.

The State's contribution in the form of shared road-user tax revenues is another way in which States are involved and is an example of cross-subsidization whereby the highway user aids transit. The State Motor Vehicle Excise Tax, an in lieu of a property tax on motor vehicles, provides the continuing State aid. For the most part, road-user charges are earmarked for highway purposes in Washington; however, the Motor Vehicle Excise Tax (2 percent of value) is used for general purposes. The State authorizes local entities to credit one-half of the State's 2 percent excise tax collected from its residents for public transit usage. The remainder is earmarked for local police and fire protection, State school equalization funds, and Puget Sound capitalizations. Any residue goes to general State purposes.

The Highway Toll Revenue Diversion Issue

The first few months of 1981 witnessed a renewal of the philosophical debate over who should pay for mass transportation. 8/ The location of the contest was the meeting room of the Delaware River Port Authority (DRPA).

The philosophical debate involves the issue of motorists subsidizing mass transit. The highway bridges 9/ constructed by DRPA were financed from bond proceeds which are being paid off by toll charges levied against motorists. This simple arrangement, repeated numerous times across the country and the world, becomes clouded when authorities decided to fund nonhighway facilities from bridge tolls. In this case, it was the Lindenwold Transit Line. Funds to build the line came from DRPA reserves and the refunding of outstanding bonds. In addition, the DRPA has agreed to cover operating costs not met by fares. The bottom line is that motorist tolls must cover capital and operating deficits attributable to mass transit operation.

The exchange was prompted by plans that extend DRPA mass transit lines in New Jersey. The plan would involve capital funding and, more importantly, additional operating subsidies. Motorist lobbyists in the area steadfastly maintain that the farebox should cover all transit operating costs. They argue that if subsidies are in order, the State should provide the money--not the motorist through bridge tolls.

The issue of State aid for mass transit was raised repeatedly during the debate. According to the authority, State transportation officials believe that the 20 percent matching funds (for UMTA capital projects) should come from bridge tolls. Authority spokesmen counter that New Jersey pays the local share of other transit projects and should not make the DRPA an exception. On the other hand, State officials are reluctant to force fare increases, if by so doing, would mean fewer riders and more auto travel.

Summary

This chapter illustrates how several States are financially involved in the provision and operation of public transportation. For the most part, States leave the operation of the larger urban systems to regional entities. States participate financially in these activities as well as filling a more active role in certain rural operations. Public transportation has a claim on a variety of State revenue sources. According to Table SMT for 1980 (see Appendix C), highway-user tax revenue contributed $662 million to public transit in 1980. The remaining State funds came from road and bridge tolls ($78 million), general funds ($423 million), and miscellaneous receipts ($90 million), totaling $1.25 billion. The State involvement in public transportation could become heavier if the espoused Federal policy of reduced aid for public transit is realized.

1/ Official statements of the Department of Transportation of Maryland, dated November 7, 1979 (relates to the $45 million Consolidated Transportation Bonds, Series 1979).

2/ The Official Statement for the State of Michigan, $106,250,000 Comprehensive Transportation Bonds, 1979 Series A, December 12, 1979.

3/ Moody's Municipal and Government Manual, 1980, Moody's Investors Service, Inc, New York, 1980.

4/ Table SF-4B, Highway Statistics, 1979 and 1980, FHWA

5/ Bridges include the Bronx, Henry Hudson, Throgsneck, Verrazano-Narrows and the Midtown and Brooklyn-Battery Tunnels.

6/ Tollways, IBTTA, March 1981.

7/ State Tax Review, Commerce Clearing House. Chicago, Ill., July 14, 1981.

8/ Excerpted from Mass Transit, C. Carroll Carter, January 1981, Vol. VIII, Washington, D.C.

9/ Walt Whitman, Ben Franklin, Betsy Ross and Commodore Perry Bridges.

Chapter 5

SUMMARY AND CONCLUSION

State Highway Finance Summary

The 1981 national highway needs report 1/ describes the fiscal and physical condition of the Nation's highways. In fact, the last two reports, 1977 and 1981, state that highway capital outlay has been declining relative to the collective highway program. This trend continued until 1980 when an abnormally high Federal payment caused the capital investment share of total expenditures to spurt upward. This is temporary, however, as the trendline is expected to resume its former posture. Noncapital costs, led primarily by highway maintenance, command over half of all highway dollars, and it is unlikely that this trend will change in the near future--unless significant changes occur in State highway financing.

Inflation in highway construction has drastically reduced real investment in recent years. Maintenance prices have also increased, yet unlike construction programs, maintenance expenditures have increased sufficiently to offset inflation. The apparent priority given maintenance needs and the demands of other noncapital functions have absorbed nearly all increases in available revenue. Thus, without a significant increase of new money or increased economy and productivity in highway programs, State highway investment in the aggregate will fall further behind in the 1980's.

Motor-fuel tax revenue has been the keystone to State highway finance. This remains true, although certain shifts are in evidence. Early in the 1970's, motor-fuel tax revenue supplied 63 percent of all State-user tax revenue and 56 percent of total State-tax revenue for highways. But today, increased oil prices and changes in consumer preference have propelled other tax sources into more prominent roles. For 1980, motor-fuel tax revenues dropped to 55 percent of total highway-user revenue collected by the States. The balance of road-user tax revenue comes from motor-vehicle and motor-carrier taxation. For 1980, these sources generated $7.6 billion or a gain of 100 percent since 1970, whereas, motor-fuel tax receipts increased by only $3 billion or 47 percent. Motor-vehicle revenue growth is due to the uninterrupted expansion of registrations and the ad valorem nature of certain fees.

The Case for Motor-Fuel Tax Indexing

Over the long term, the weighted average State motor-fuel tax rate for the Nation increased by 1 cent a decade. Therefore, for the most part, increased revenue has been achieved through increased motor-fuel consumption. Based on Table 5-1 data, motor-fuel consumption declined by 7 billion gallons in 1980 (5.6 percent). Consequently, to realize the same 1979 real dollars

for highways in 1980, the average State tax rate for the Nation must at least match the inflation rate. With 1980's inflation rate around 14 percent, the average State tax must increase by at least 1 cent a gallon to keep pace. Obviously, the historic pattern of averaging 1 cent per decade will not do. Without an automatic adjustment mechanism, State highway officials must return to the legislature every year to obtain an increase in the State motor-fuel tax rate just to stay even with inflation. Thus, the advantages of an automatic rate adjustment system become persuasive and compelling.

Motor-Vehicle Ad Valorem Taxation

Total State motor-vehicle "registration" revenue recorded a healthy increase during the last decade from $2.9 billion in 1970 to $5.2 billion for 1980--a gain of 80 percent as shown on Table 5-2. However, certain ad valorem fees grew much faster. Special titling tax revenue--much like the State sales tax as it is based on a percentage of the purchase price--increased from $226 million to $795 million for the 10 States reporting titling fees in 1980. That equals a 252-percent gain while revenue from motor-vehicle registration fees increased by 80 percent. For the most part, States classifying titling taxes as highway-user revenue report that the revenue accounts for a substantial proportion of total motor-vehicle revenue. Indeed, they account for a significant share of total highway-user revenue. Data on Table 5-2 indicate that with one exception, the titling tax accounts for one-fourth to over one-half of all motor-vehicle revenue, averaging 48.5 percent for the 10 States. Moreover, these titling taxes have outpaced price increases in highway construction and maintenance. From the data presented or referenced in this report, the following changes in key indices occurred:

FHWA Bid Price Index went up 2.76 times, 1970-1980
Maintenance Index went up 2.31 times, 1970-1980
Motor-Vehicle Registration Revenue went up 1.79 times, 1970-1980
Motor-Vehicle Titling Revenue went up 3.52 times, 1970-1980

Clearly, only motor-vehicle titling revenue kept pace with inflation, and in fact, exceeded the rise in the key price indices affecting highways. 2/

Conclusion

State highway finance is closely tied and identified with motor-fuel taxation. Although motor-fuel revenue still supplies over half of all State-user revenue, its contribution has steadily slipped over the last decade. The foregoing analysis suggests that the traditional method of adjusting motor-fuel tax rates is antiquated, given today's high inflation and the motor-fuel consumption outlook. Future additional motor-fuel tax revenue will be derived solely from increased tax rates. The analysis of motor-vehicle tax revenue supports the use of tax devices that are sensitive to price changes. Therefore, indexing motor-fuel tax rates to the appropriate price variable would accomplish the goal of coordinating tax revenue with highway costs. Moreover,

in order to maintain (or restore) parity in road-use taxation burdens--assuming 1970 represented an equitable balance in highway cost allocation--an immediate rate adjustment is required in motor-fuel taxation to regain the 1970 balance. 3/

The recent pace of fuel tax rate changes is encouraging, but, for the most part, these rate increases only temporarily resolve the issue. If high inflation persists and motor-fuel consumption remains static, only an automatic tax adjustment process will prevent yearly appeals for legislative action. Today, ad valorem taxation is proving more productive and responsive than unit taxation. In fact, motor-vehicle titling taxes have outpaced the key price indices affecting highway programs. These developments are not going unnoticed as 10 States have, at least in part, converted motor-fuel taxes to variable rate mechanisms and 5 others have assigned a portion of State motor-fuel sales tax receipts to highways.

Motor-fuel tax indexing seems appropriate at this time since substantial amounts are required to meet highway needs. This is particularly true in light of the recent instances where highway revenues are diverted to public transportation. Any such diversion of revenues will exacerbate the issue and increase the pressure for higher taxes.

The issue of user versus nonuser taxation for highways is closely allied with the subject of this report. For instance, it is apparent that the interpretation of the titling tax on motor vehicles as a user fee rests on narrow grounds. On the surface these levies resemble a general sales tax on a broad range of commodities, including autos and fuels. It is apparent that further study is needed in the classification and application of these taxes, which is the subject of the companion report prepared by N. Kent Bramlett, titled The Evolution of the Highway User Charge Principle.

1/ The Status of the Nation's Highway: Conditions and Performance FHWA, January 1981.

2/ Another ad valorem tax, similar to the titling tax is the sales tax on motor-vehicle purchases. These taxes are applied to a broad spectrum of commodities including motor vehicles, but the revenue attributed to vehicles may not be earmarked for highways. The States identified on Table 5-3 report motor-vehicle titling taxes as highway-user revenue. However, several other States assign a portion of their motor-vehicle sales tax revenue to highways, but they do not consider the levies user charges. Some of these States are identified in the following:

1. Colorado earmarks the sales tax revenue derived from motor vehicles to the State Highway Users Tax Trend, i.e., 7 percent of total sales tax revenue. For 1980, this amounted to $22 million, or equal to 30 percent of all motor-vehicle revenue.

2. Iowa allocates sales tax revenue on motor vehicles to State highways. For 1980, this amounted to $50 million or equal to 34 percent of State motor-vehicle revenue.

3. Missouri assigns at least one-half of the 3 percent sales tax on motor vehicles to highways, i.e., $35 million for 1980.

4. Nebraska and South Dakota assigned these revenues to highways in 1980, amounting to $29 million and $11 million, respectively.

3/ The reader is invited to see Appendix B for a more lucid explanation and rationalization of this conclusion. The discourse is a condensation of the opinions expressed by one of the Nation's eminent authorities on highway finance, that is, R. M. Zettel, formerly of University of California, Berkeley.

TABLE 5-1

State Motor-Fuel Tax Yield, 1970-1980

Year	Average Tax Rate a/ (Cents)	Motor-Fuel Consumption b/	Receipts (Millions)	Constant Dollars c/ (Millions)
1970	7.01	93.0	$6477	$11,167
1971	7.09	98.1	6901	11,350
1972	7.32	105.7	7611	11,855
1973	7.53	111.0	8353	11,798
1974	7.57	106.1	8124	8,436
1975	7.65	108.8	8353	8,638
1976	7.71	115.7	8891	9,519
1977	7.79	119.7	9319	9,319
1978	7.83	125.0	9716	8,137
1979	8.01	121.7	9784	6,861
1980	8.24	114.8	9578	5,876

a)Weighted Average State Tax
b)Billions of gallons
c)Based on FHWA Bid Price Index, 1977=100

Source: Tables MF-1 and MF-2, Highway Statistics, Assorted Years.

TABLE 5-2

State Motor-Vehicle Revenue, 1970-1980

Registration Fees

Year	Receipts a/	Vehicles a/	Fee Per Vehicle	Titling Taxes a/
1970	$2872	108.4	$26.49	$226
1971	3010	113.0	26.64	291
1972	3213	118.8	27.05	368
1973	3451	125.7	27.45	431
1974	3661	129.9	28.18	411
1975	3699	132.9	27.83	444
1976	4403	138.5	30.64	579
1977	4426	143.7	30.80	708
1978	4749	148.8	31.92	827
1979	5012	151.9	32.99	834
1980	5159	155.9	33.09	795 b/

a/ In millions

b/ Includes $11.4 million for District of Columbia.

Source: Tables MV-1 and MV-2, Highway Statistics, Assorted Years.

TABLE 5-3

Selected Motor-Vehicle Revenues - 1980
(in thousand of dollars)

States	Total Motor Vehicle Revenue	Titling Taxes	Percent Titling Taxes	Total Highway-User Revenue	Percent Titling Taxes
Delaware	$ 24,864	$ 8,116	32.7	$ 53,090	15.3
Dist. of Col.	29,620	11,440	38.6	46,707	24.5
Kentucky	153,164	89,065	58.2	342,708	26.0
Maryland	221,123	122,265	55.3	407,598	30.0
New Mexico	59,371	16,719	28.2	129,873	12.9
North Dakota	31,834	2,004	6.3	62,263	3.2
Texas	804,613	423,622	52.7	1,282,057	33.1
Vermont	33,206	10,761	32.4	54,886	19.6
Virginia	183,252	62,798	34.3	467,006	13.5
West Virginia	99,854	49,001	49.1	200,925	24.4
	$1,640,901	$795,791	48.5	$3,047,113	26.1

Source: Tables MV-2 and DF, Highway Statistics, 1980

POSTSCRIPT

Applicable 1982 Legislation and Comments

Arizona — The 1981 law enacting a variable motor-fuel tax has been replaced. First, the 1981 law was suspended by a referendum petition requiring the tax measure be voted on at the November 1982 general election. Later the law was repealed by the legislature. Instead, 1982 legislation was enacted to increase the motor-fuel tax rate incrementally over the next several years. Specifically, the motor-fuel tax increased from 8 to 10 cents a gallon effective July 1, 1982. The tax is scheduled to further increase to 12 cents on July 1, 1983, and to 13 cents on July 1, 1984.

Delaware — According to State officials, the 1981 motor-fuel tax change actually created a variable motor-fuel tax. The law imposed a tax equal to 10 percent of the wholesale price of motor fuel, however, restrictive language was inserted to place a floor and ceiling of 11 cents a gallon. Officials believe removal of this caveat would activate the mechanism and the tax rate would float with the price of motor fuel. An important feature of the law is the dedication of revenue from the increased tax (2 cents a gallon) for highway purposes.

Idaho — Effective April 1, 1982, the motor-fuel tax increased from 11.5 to 12.5 cents a gallon. The tax on gasohol, fixed at 4 cents a gallon lower than the tax on gasoline, went up from 7.5 to 8.5 cents a gallon.

Kentucky — The State enacted a minimum tax of 10 cents effective July 15, 1982.

Maryland — Effective June 1, 1982, the motor-fuel tax and motor-carrier road tax rates increased from 9 to 11 cents a gallon. The measure calls for further increases to 13.5 cents on June 1, 1983, and beginning July 1, 1984, the rate will be determined by the average wholesale price of motor fuel. If the price of motor fuel exceeds $1.35 a gallon, the tax rate increases by 10 percent of the value in excess of $1.35. A minimum of 13.5 cents and a 1 cent per year increase limit are set.

Vermont — Effective July 1, 1982, a tax of 14 cents a gallon was imposed on diesel fuel. Formerly, no tax was imposed on diesel fuel in Vermont. The measure

repeals the 75 percent registration surcharge on diesel-powered vehicles.

Virginia — Effective July 1, 1982, a 3 percent oil company excise tax was imposed on petroleum product sales for internal combustion engines operated on highways. The tax is in addition to all other taxes (the State motor-fuel tax is 11 cents a gallon). In addition, an extra 2 cents a gallon tax on interstate motor carriers (vehicles with 3 or more axles) was imposed effective April 21, 1982.

Missouri — Effective January 1, 1983, the motor-fuel tax rate increases from 7 to 11 cents per gallon. However, the measure must be approved by the voters at the November 1982 general election or at a special election called by the governor. The measure also increases various motor-vehicle fees. Note: Measure defeated.

Minnesota — The measure, enacted in 1981, is partially reported in this report. The law increased motor-fuel tax rates, motor-vehicle registrations fees, and adjusted other related changes. Additionally, it increased funding for highways and mass transportation by allocating the proceeds of the motor-vehicle excise tax among the State General Fund (GF), the Highway-Users Tax Distribution Fund (HUTF)* and the Transit Assistance Fund (TAF). Specifically, all moneys collected from the sales tax on motor vehicles will henceforth be distributed as follows:

1. Prior to June 30, 1982,
   100 percent to GF.

2. From July 1983 to June 30, 1985,
   75 percent to GF
   18.75 percent to HUTF
   6.25 percent to TAF.

3. From July 1, 1985, to June 30, 1987,
   50 percent to GF
   37.5 percent to HUTF
   12.5 percent TAF

4. From July 1, 1987, to June 30, 1989,
   25 percent to GF
   56.25 percent to HUTF
   18.75 percent to TAF

5. After July 1, 1989,
   None to GF
   75 percent to HUTF
   25 percent to TAF

* The Highway-Users Tax Distribution Fund revenues are restricted to highway purposes.

Tennessee — A local optional 1-cent a gallon tax was approved for counties and cities to be used to fund mass transit.

Variable Tax System — Three States announced lower tax rates for the second quarter of 1982. The automatic mechanisms in the following States lowered motor-fuel tax rates as a result of the recent drop in motor-fuel prices.

Kentucky dropped the tax from 10 to 9.5 cents a gallon.

Massachusetts dropped the tax from 11.1 to 10.8 cents a gallon.

Nebraska dropped the tax from 13.9 to 13.7 cents a gallon.

Ohio increased the motor-fuel tax from 10.3 to 11.7 effective March 1, 1982.

Sources: Tax Administrators News, Vol 46, No. 4, April 1982.
State Tax Review, CCH, various editions (1982)
State Legislative Report, Highway Users Conference various editions, 1982.

APPENDIX A

VARIABLE GAS TAX EXCERPTS

The following quoted remarks were made at the "Highway Finance and Maintenance Seminar" at St. Louis, Missouri, August 25-27, 1980, sponsored by the National Conference of State Legislators.

Kentucky - Mr. Jim Roberts, Staff Administrator for Kentucky Interim Joint Commission on Transportation:

The 1979 legislation converted the 9 cents a gallon tax on motor fuel to 9 percent of the average wholesale price, set quarterly. The bill set gasoline prices, minimum $1.00, maximum $1.50 a gallon. This assured that the State would get at least 9 cents per gallon should the price fall below $1. It also provides the Legislature with control by placing a ceiling on the price of gasoline.

The bill returned local roads to local governments but provided that the gas tax revenue be shared with local governments. The county road program share was increased (10 percent to 15.6 percent of gas tax revenue); the municipal share would be 6.7 percent of revenue.

Mr. Roberts said that the 9-percent levy produced $116 million compared to $117 million under the 9 cents rate. The shortfall is due to the lack of price increase and the decline in consumption. He urged legislators to be conservative in projecting revenue.

New Mexico - Ms. Karen Krakowski, Research Analyst, New Mexico Legislative Finance Committee:

The 1979 legislation based the motor-fuel tax on the average annual price of gasoline (plus Federal 4 cents tax) for the preceding year. The rate was initially set at 7 cents per gallon on an average wholesale price of up to 45 cents per gallon. Each year the tax is changed (up or down) by 1 cent for each 10-cent increase in the wholesale price with a limit of no more than 1 cent per year. Thus, even though the wholesale price of gasoline rose substantially from July 1979 to July 1980, the tax increased by only 1 cent, from 7 to 8 cents.

The 1979 law allocated one-seventh of the proceeds to local road programs to be in lieu of gasoline taxes formerly collected by local governments. Ms. Krakowski allowed that while the variable tax was somewhat inflation sensitive, the limit of 1 cent a year does not permit the tax to respond to the true wholesale price of gasoline. The nature of New Mexico's law allows:

a. for change in the Federal tax rate,
b. limited incremental tax to lessen the tax burden,
c. legislative review,

d. continuity of funding within limits, and
e. retains accountability.

A major disadvantage is that it does not provide revenue commensurate with rapidly escalating highway costs and makes annual requests for added revenue necessary.

Indiana - Representative Nelson Becker of Indiana noted that Indiana converted from an 8 cents per gallon tax to an 8-percent tax on the average retail price of gasoline before taxes. A 4 percent sales tax was also levied. Mr. Becker stated that Indiana relies heavily on gasoline tax revenue for highways since it cannot borrow for highways, and local rural governments cannot use property tax revenue for highways. The tax went into effect July 1, 1980, and was set at 8.5 cents for 6 months.

Representative Becker stated that while the 1/2 cent increase did not generate a great deal of additional revenue, it did allow the State to "hold its own" against rising costs and declining consumption.

The State uses the retail price instead of the wholesale price of gasoline as the base for taxation because the State auditing procedures already monitor the retail price (and consumption) of gasoline for sales tax purposes, and the use of the wholesale price would have required a new set of auditing procedures.

Limits were prescribed in the legislation to prevent windfall revenue if the retail price of gasoline should go up rapidly, i.e., a maximum of $2 per gallon by 1982 and thereafter, or 16 cents per gallon tax. Another legislative limitation on total revenue is the maximum of 110 percent of the previous year's revenue going to the highway fund. The excess revenue goes into a special general transportation fund to be appropriated by the legislature. The department (highways) can tap this fund if its revenues fall below the 110-percent amount.

One drawback in the Indiana law was that it did not contain a "floor" figure in the event of a drop in the price of gasoline.

Note: This deficiency was remedied in 1981 when a floor of 10.5 cents per gallon enacted.

APPENDIX B

AN OPINION ON VARIABLE TAXATION 1/

According to R. M. Zettel, transportation interests generally place continuity above all other virtues in describing attractive revenue sources. The much-revered continuity calls for specific tax sources and dedication to trust funds to allow systematic planning and development of transportation networks--particularly in light of the long-lead times involved in affecting programs and projects. This practice has tended to insulate highway financing from the ordinary budget process and failed to flag potential problems. Consequently, legislators have not faced up to these problems.

Symptomatic of the malaise is the failure of the revenue structure to respond to inflation, and, more recently, to the decline in motor-fuel consumption. These events, resulting in steadily declining purchasing power, can hardly be characterized as continuity in financing. Reliance on specific and unit tax structures rather than ad valorem taxes is the heart of the problem. The absence or tardiness of legislated rate adjustments to compensate for higher costs and reduced revenue may result from early success of these systems. Also, the isolation of highway financing from the mainstream of policymaking may have been responsible for complacency, benign neglect, or simple oversight by legislative bodies. Whatever the reasons, considerable effort is now underway to build self-executing mechanisms into highway revenue systems.

Automatic tuning of specific taxes to inflation seems appropriate in light of the performance of such ad valorem taxes as income and general sales taxes. The simple conversion of unit taxes to a value base would seemingly meet the problem. One aspect of this must be kept in mind. Road-user taxes are distributed among users in different proportions by design and in accord with cost allocation methodologies. Thus, an increase in one and not in the others will upset whatever balance the overall structure has achieved. For example, if motor-fuel taxes provide 60 percent of the tax burden, but are increased by 20 percent by means of a self-adjusting mechanism, the burden on fuel is automatically increased. This caveat only suggests that the total tax burden should be proportionally adjusted to maintain equilibrium in taxation.

Note: Evidence presented earlier in this report states that the relationship between motor-fuel and motor-vehicle taxation has been altered during the seventies. In 1970, motor-fuel tax receipts accounted for 63 percent of total State road-user taxes. In 1980, the motor-fuel share dropped to 55 percent. Therefore, if 1970 proportions are deemed equitable, the established equilibrium is already disrupted.

All factors considered, the initial wisdom of the gallonage tax as a highway usage charge becomes rather obvious; its flaw in the present situation is its failure to respond to the exigencies of inflation and energy conservation. An alternative is indexing. Motor-fuel ad valorem taxation, while attractive on the surface, has several disadvantages, including administrative difficulties, tax equity, tax placement (retail, wholesale), separation from general sales taxes, public perception, different grades means differing prices, and others.

Indexing motor-fuel tax rates can be accomplished in several ways. Of these, basing the tax on the average price of gasoline throughout the State is used in Washington State. These adjustments can be made as frequently as monthly (Nebraska), or quarterly (Kentucky), or semiannually as in Washington. New Mexico adjusts rates annually. All use some form of motor-fuel pricing as the base.

If indexing is the answer, are motor-fuel prices the appropriate vehicle to follow? Is the correlation between fuel prices and highway costs close enough? Some feel it is since petroleum is extensively used in highway construction and operation and as an energy source for vehicles. Yet, the trends are far from parallel. Hence, great care should be taken in selecting the index to use and interpreting the numbers.

Note: An example of an indexing scheme with promise is used in Texas. The system adjusts program funding to offset inflation but also takes into consideration lost revenue before the act took effect. It compensates for loss of revenue due to increased auto efficiency and is indexed to appropriate highway costs. However, the plan does not adjust user rates to generate revenue. Instead of charging users the added costs, funds are transferred from the State General Fund to cover any gap between program levels and (net) user revenue. It is noteworthy that net user revenue is cited because 25 percent of all State taxes are skimmed off for education in Texas--including road-user taxes. Some observers would consider any general revenue allocated to the highway fund under this scheme to merely be the recapturing of road-user taxes. More recently, Ohio has linked motor-fuel tax rates with the FHWA maintenance cost index.

In sum, indexing of motor-fuel tax rates has promise as well as pitfalls. It is not a panacea. It may be seen as an easy way for policy makers, State officials, and legislators to shirk their responsibilities and avoid political accountability. Perhaps selective use of indexing could be a useful tool to facilitate timely adjustments in tax rates. However, the best approach is for the responsible State bodies to frequently review highway financing in the context of overall economic conditions (national and international), the changing nature of highway and transportation needs within the social and environmental framework, and the overall financial condition of the State. Even within the area of road-user taxation, authority to adjust a single tax, such as motor fuel, should not be delegated without consideration of the balance in the tax burden.

The basic financing problem stems from the inability to convince the public and its legislative representatives that an enlarged expenditure program is warranted. Variable taxation is but one way of institutionalizing a means of attaining that funding program--it is a means, not an end, to achieving that goal.

1/ In part, Excerpted from:

NCHRP 62, State Resources for Financing Transportation Programs, TRB, Washington, D.C., August 1979.

State Transportation Financing in the 1970's: Theory and Practice, R. M. Zettel, University of California, Berkeley, California, 1979.

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