



Motor Vehicle Fuel Tax

An excise tax applies to all dealers in motor vehicle fuel on the use, distribution, or sale within Ohio of fuel used to generate power for the operation of motor vehicles.

The motor fuel excise tax rate has been 28 cents per gallon since July 1, 2005. This 28 cents per gallon rate is actually composed of five separate levies, each subject to a different distribution formula. The Ohio Constitution requires that revenue from the tax be used for highway construction, traffic enforcement and certain other activities.

Motor vehicle fuel wholesale dealers, rather than retailers, remit the tax. In fiscal year 2011, the reported net motor fuel tax collections totaled approximately \$1,797 million after refunds.

In addition, a motor fuel use tax is imposed on operators of motor vehicles with three or more axles, or weighing more than 26,000 pounds gross vehicle weight, for fuel purchased outside the state and consumed in Ohio. The use tax rate in FY 2010 was 28 cents per gallon.

Taxpayer

(Ohio Revised Code 5735.01)

The excise tax applies to dealers who:

- import motor fuel from another state or foreign country or acquire motor fuel by any means into a terminal in this state;
- import motor fuel from another state or foreign country in bulk lot vehicles for subsequent sale and distribution in this state from bulk lot vehicles;
- refine motor fuel in this state;
- acquire motor fuel from a motor fuel dealer for subsequent sale and distribution in this state from bulk lot vehicles; or
- possess an unrevoked permissive motor fuel dealer's license.

The motor fuel use tax applies to operators of motor vehicles with three or more axles or weighing more than 26,000 pounds gross vehicle weight.

Tax Base

(R.C. 5735.06)

The base of the tax is gallons of motor vehicle fuel sold, used, or distributed in Ohio.

Rates

The overall rate of 28 cents per gallon is actually composed of five separate levies. All are measured in cents per gallon, but one levy in particular – the largest, currently set at 15 cents – is specifically identified as the “cents per gallon

rate” in Ohio law because it was once adjusted annually for inflation by the Tax Commissioner.

All five levies are shown in the table below:

R.C. section	Rate per gallon
5735.30	1 cent
5735.05	2 cents
5735.25	2 cents
5735.29	8 cents
5735.05	15 cents
Total:	28 cents

Deductions, Refunds, and Credits

Deductions (R.C. 5735.05 and 5735.06)

Dealers may deduct the following from their total gallons sold:

- motor fuel – other than gasoline and clear diesel fuel – sold for uses other than operating motor vehicles on public highways or on waters within Ohio;
- motor fuel sold by licensed wholesale dealers to other licensed wholesale dealers;
- motor fuel exported to other states or foreign countries;
- motor fuel sold for exclusive use of the U.S. government or its agencies;
- motor fuel being transported as part of an export sale;
- motor fuel sold exclusively for the propulsion of aircraft; and
- motor fuel sold for use in vessels if such use would otherwise qualify for a refund under R.C. 5735.14.

Shrinkage allowance (R.C. 5735.06)

In addition, licensed motor fuel dealers receive a discount intended to cover “evaporation, shrinkage, or other unaccounted for losses.” An uncodified provision of House Bill 119, enacted in mid-2007 by the 127th General Assembly, set this “shrinkage allowance” at the following levels for fiscal years 2008-09:

- licensed distributors received a 1 percent discount on total gallons of fuel received, minus 0.5 percent on gallons sold to retailers, for fuel lost through shrinkage and evaporation.
- retailers received a 0.5 percent discount on gallons of fuel purchased from licensed distributors for fuel lost through shrinkage and evaporation. This discount is received in the form of a refund.

These shrinkage allowances were extended for an additional two years (fiscal years 2010-11) by House Bill 2 of the 128th General Assembly.

The 127th General Assembly had also granted licensed dis-

tributors a temporary additional 0.9 percent “administration” discount on total gallons received for fiscal years 2008-09, but this additional discount came to an end after fiscal year 2009.

Refunds (R.C. 5735.13, 5735.14, 5735.141, 5735.142, 5735.18 and 5734.29)

Persons who have purchased motor vehicle fuel on which the fuel tax has been paid may receive a refund when:

- the motor fuel was used to operate or propel stationary gasoline engines, tractors used for off-highway purposes, or unlicensed motor vehicles used exclusively in intra-plant operations;
- the motor fuel was used by watercraft devoted entirely to commercial purposes such as trade or fishing; by vessels used in Boy Scout training; by vessels used or owned by railroad car ferry companies; or by vessels used or owned by federal, state, or local governments;
- the motor fuel was used for cleaning or dyeing;
- the motor fuel was used by local transit systems;¹
- the motor fuel was used in aircraft;
- the motor fuel was lost or destroyed through fire, explosion, lightning or other natural disasters; or
- any person, other than a dealer, sells the fuel or uses the fuel outside Ohio, or who sells the fuel to the U.S. government or any of its agencies.

Also, a city, an exempted village, a joint vocational or local school district, an educational service center, or a county board of developmental disabilities may be reimbursed for 6 cents per gallon of the total Ohio motor fuel tax paid on the fuel.

Special Provision

Fuel Use Tax (Chapter 5728)

The Ohio motor vehicle fuel use tax is imposed on heavy trucks on the amount of motor fuel consumed in Ohio that was purchased outside of Ohio. The use tax rate has been 28 cents since July 1, 2005. A refund or credit is allowed for the tax on fuel purchased in Ohio for use in another state, provided that the other state imposes a tax on such fuel and allows a similar credit or refund. During fiscal year 2011, \$35.7 million was collected from the fuel use tax. This revenue is dedicated to the Highway Operating Fund.

Filing and Payment Dates

(R.C. 5735.06)

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

Disposition of Revenue

The motor vehicle fuel tax is composed of five separate levies, with revenue for each distributed by the Department of Taxation monthly in a different manner.

Before any other distributions are made, the Treasurer of State deposits the first 2 percent of the motor fuel tax re-

ceived for the preceding calendar month to the state Highway Safety Fund for the costs of administration and enforcement of state laws governing the registration and operation of motor vehicles.² After the Highway Safety Fund distribution and applicable refunds to taxpayers, the following distributions are made from all five levies:

- the Waterways Safety Fund receives 0.875 percent (R.C. 5735.051).
- the Wildlife Boater Angler Fund receives 0.125 percent (R.C. 5735.051).
- the amount needed to ensure that there are sufficient funds to meet all payments for highway bond retirement is transferred.
- five cents for each gallon sold at stations operated by the Ohio Turnpike Commission is transferred to the commission (R.C. 5735.23).
- the Motor Fuel Tax Administrative Fund receives 0.275 percent.

The remainder of each of the state's five motor fuel tax levies is distributed as described below:

2 cents per gallon (R.C. 5735.05, 5735.23) – Revenue from this levy and the 15 cents-per-gallon levy together make up the \$100,000 that is transferred monthly to the Grade Crossing Fund; this levy contributes $\frac{2}{17}$ of the monthly \$100,000. The remaining revenue is distributed as follows:

- 30 percent to municipal corporations in proportion to their motor vehicle registrations;³
- 25 percent to all counties in equal amounts;³
- 45 percent to the state.

2 cents per gallon (R.C. 5735.25, 5735.26, 5735.27) – Revenue is distributed as follows:

- 67.5 percent to the state;
- 7.5 percent to all counties in equal amounts;³
- 17.5 percent to all townships in equal amounts;³
- 7.5 percent to municipalities in proportion to their motor vehicle registrations.³

8 cents per gallon (R.C. 5735.29, 5735.291) – Some 81.25 percent of this levy is to the State Highway Operating Fund. The remaining 18.75 percent is distributed to the Gasoline Excise Tax Fund. From this fund:

- 42.86 percent distributed to municipalities in proportion to their share of motor vehicle registrations;
- 37.14 percent distributed to all counties in equal amounts; and
- 20 percent distributed to all townships by the greater of either the equal share of the total amount allocated to all townships or a proportionate share based on township lane miles and the township's proportion of motor vehicle registrations.

1 cent per gallon (R.C. 5735.30) – All revenue is distributed to the state for highway bond retirement funds, as long as this funding is required. Thereafter, all revenue is directed to the State Highway Operating Fund.

¹ Revenue from the one-cent per gallon levy used in part to retire highway bonds is not refunded to transit systems.

² This practice began at the start of the 2010 fiscal year as a result of House Bill 1, enacted by the 128th General Assembly. It replaced a monthly distribution of up to \$1.6 million during fiscal years 2008 and 2009, spelled out in uncodified law (section 209.10 of House bills 67 and 119 of the 127th General Assembly).

³ Proceeds are deposited by the state in the Gasoline Excise Tax Fund and distributed monthly to the counties, townships, and municipalities.

15 cents per gallon (“cents per gallon tax”; R.C. 5735.05, 5735.23) – One cent from each gallon is transferred to the Local Transportation Improvement Program Fund. Revenue from this levy and the first 2 cents per gallon levy together make up the \$100,000 that is transferred monthly to the Grade Crossing Fund; this levy contributes ¹⁵/₁₇ of \$100,000. The balance is distributed as follows:

- 75.0 percent to the state;
- 10.7 percent to municipalities in proportion to their motor vehicle registrations;¹
- 9.3 percent to all counties in equal amounts;¹
- 5.0 percent to all townships in equal amounts.¹

Administration

The motor vehicle fuel excise tax and the motor fuel use tax are administered by the Tax Commissioner.

Ohio Revised Code Citations

Chapters 5728 and 5735.

Recent Legislation

House Bill 1, 128th General Assembly (budget provisions effective July 17, 2009; other provisions effective on Oct. 16, 2009 or on other dates)

Highway Safety Fund distribution made permanent – Uncodified section 506.20 of the bill requires that, starting in fiscal year 2010, the first 2 percent of motor fuel tax revenue received in the prior month be distributed to the

state Highway Safety Fund to defray the costs of administration and enforcement of motor vehicle registration and operation laws. This provision replaces a temporary law (section 209.10 of House Bill 67 and House Bill 119 of the 127th General Assembly) that called for monthly distributions of up to \$1.6 million to the fund during fiscal years 2008 and 2009.

House Bill 2, 128th General Assembly (effective July 1, 2009; certain provisions effective on other dates)

Shrinkage allowance – Section 757.10 of the bill set shrinkage allowances at the same levels for 2010-11 as were in place for fiscal years 2009-10. Licensed distributors receive a 1 percent discount on total gallons of fuel received, minus 0.5 percent on gallons sold to retailers, for fuel lost through shrinkage and evaporation. Retailers receive a 0.5 percent discount on gallons of fuel purchased from licensed distributors.

House Bill 114, 129th General Assembly (effective July 1, 2011; certain provisions effective on other dates)

Shrinkage allowance – Section 755.30 extends in the 2012-2013 fiscal biennium the shrinkage allowances that were in place for fiscal years 2008-11. Licensed distributors receive a 1 percent discount on total gallons of fuel received, minus 0.5 percent on gallons sold to retailers, for fuel lost through shrinkage and evaporation. Retailers receive a 0.5 percent discount on gallons of fuel purchased from licensed distributors.

Table 1

Motor Vehicle Fuel Tax Gross Collections Reported on Tax Returns, Refunds and Net Tax After Refunds, Fiscal Years 2007-2011			
Fiscal Year	Gross Collections	Refunds	Net Tax After Refunds
2007	\$1,870,645,500	\$23,785,500	\$1,846,860,000
2008	1,840,101,163	20,902,540	1,819,198,623
2009	1,781,875,055	19,858,314	1,762,016,741
2010	1,799,719,997	18,092,998	1,781,626,999
2011	1,814,134,148	16,973,787	1,797,160,361

Source: Department of Taxation, as reported on tax returns.

Table 2

Taxable Gallons of Motor Vehicle Fuel, Fiscal Years 2007-2011					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Gasoline	5,098,793,739	5,011,225,903	4,947,371,191	4,970,761,774	4,988,781,906
Special Fuels ¹	1,579,493,298	1,568,327,418	1,429,969,330	1,441,256,585	1,491,098,136
Total	6,678,287,037	6,579,553,321	6,377,340,521	6,412,018,359	6,479,880,042

¹ Includes diesel fuel (clear and dyed), kerosene, biodiesel, and propane fuel used to operate motor vehicles on public highways and waterways.

Table 3

Amounts of Motor Vehicle Fuel Tax Revenue Distributed to Local Governments by County, Calendar Year 2011									
County	Amount Distributed To:				County	Amount Distributed To:			
	County	Townships	Municipalities	Total		County	Townships	Municipalities	Total
ADAMS	\$2,366,745	\$1,318,336	\$302,431	\$3,987,512	LORAIN	\$2,366,745	\$1,605,846	\$7,534,257	\$11,506,848
ALLEN	2,366,745	1,158,151	1,885,760	5,410,656	LUCAS	2,366,745	1,231,288	10,853,866	14,451,899
ASHLAND	2,366,745	1,318,336	978,592	4,663,673	MADISON	2,366,745	1,230,447	692,114	4,289,306
ASHTABULA	2,366,745	2,380,832	1,736,944	6,484,521	MAHONING	2,366,745	1,656,749	3,329,722	7,353,216
ATHENS	2,366,745	1,242,813	672,683	4,282,241	MARION	2,366,745	1,320,465	1,266,264	4,953,474
AUGLAIZE	2,366,745	1,230,447	1,090,047	4,687,239	MEDINA	2,366,745	1,574,622	3,023,286	6,964,653
BELMONT	2,366,745	1,440,750	1,175,987	4,983,482	MEIGS	2,366,745	1,055,239	225,165	3,647,149
BROWN	2,366,745	1,406,356	499,636	4,272,737	MERCER	2,366,745	1,230,447	838,939	4,436,131
BUTLER	2,366,745	1,740,156	6,195,963	10,302,864	MIAMI	2,366,745	1,061,724	2,438,060	5,866,529
CARROLL	2,366,745	1,239,374	208,155	3,814,274	MONROE	2,366,745	1,582,004	158,225	4,106,973
CHAMPAIGN	2,366,745	1,054,669	616,469	4,037,882	MONTGOMERY	2,366,745	1,167,455	14,058,832	17,593,032
CLARK	2,366,745	1,041,099	2,239,633	5,647,476	MORGAN	2,366,745	1,230,447	118,419	3,715,611
CLERMONT	2,366,745	1,782,861	833,965	4,983,571	MORROW	2,366,745	1,406,225	262,259	4,035,230
CLINTON	2,366,745	1,142,558	726,426	4,235,729	MUSKINGUM	2,366,745	2,232,862	1,142,237	5,741,843
COLUMBIANA	2,366,745	1,640,156	1,633,959	5,640,860	NOBLE	2,366,745	1,318,336	108,713	3,793,794
COSHOCTON	2,366,745	1,933,560	550,219	4,850,524	OTTAWA	2,366,745	1,054,669	610,874	4,032,288
CRAWFORD	2,366,745	1,406,225	1,015,890	4,788,861	PAULDING	2,366,745	1,054,669	313,405	3,734,819
CUYAHOGA	2,366,745	191,606	36,914,073	39,472,423	PERRY	2,366,745	1,230,447	434,654	4,031,846
DARKE	2,366,745	1,766,972	969,516	5,103,233	PICKAWAY	2,366,745	1,318,336	808,766	4,493,847
DEFIANCE	2,366,745	1,054,669	743,116	4,164,530	PIKE	2,366,745	1,230,447	240,119	3,837,311
DELAWARE	2,366,745	1,821,565	1,738,423	5,926,732	PORTAGE	2,366,745	1,630,476	2,424,281	6,421,502
ERIE	2,366,745	824,886	1,727,355	4,918,986	PREBLE	2,366,745	1,054,669	700,933	4,122,347
FAIRFIELD	2,366,745	1,299,977	2,235,762	5,902,484	PUTNAM	2,366,745	1,318,336	666,006	4,351,087
FAYETTE	2,366,745	878,891	538,225	3,783,861	RICHLAND	2,366,745	1,644,554	2,553,550	6,564,848
FRANKLIN	2,366,745	1,600,713	35,590,322	39,557,780	ROSS	2,366,745	1,439,727	985,219	4,791,691
FULTON	2,366,745	1,066,310	806,102	4,239,157	SANDUSKY	2,366,745	1,066,904	1,050,938	4,484,586
GALLIA	2,366,745	1,320,090	205,374	3,892,208	SCIOTO	2,366,745	1,439,796	811,029	4,617,570
GEAUGA	2,366,745	1,547,516	502,075	4,416,336	SENECA	2,366,745	1,318,336	1,212,739	4,897,820
GREENE	2,366,745	1,082,349	4,074,564	7,523,658	SHELBY	2,366,745	1,230,447	1,084,819	4,682,011
GUERNSEY	2,366,745	1,670,741	547,239	4,584,725	STARK	2,366,745	2,392,546	5,663,995	10,423,287
HAMILTON	2,366,745	2,049,955	16,273,644	20,690,344	SUMMIT	2,366,745	980,933	15,012,945	18,360,622
HANCOCK	2,366,745	1,507,521	1,790,710	5,664,976	TRUMBULL	2,366,745	2,305,836	3,429,653	8,102,234
HARDIN	2,366,745	1,318,336	556,392	4,241,473	TUSCARAWAS	2,366,745	1,941,479	2,065,071	6,373,295
HARRISON	2,366,745	1,318,336	277,835	3,962,916	UNION	2,366,745	1,230,666	805,032	4,402,443
HENRY	2,366,745	1,142,558	562,680	4,071,983	VAN WERT	2,366,745	1,054,669	522,608	3,944,022
HIGHLAND	2,366,745	1,498,933	485,017	4,350,695	VINTON	2,366,745	1,054,669	117,852	3,539,266
HOCKING	2,366,745	977,023	285,932	3,629,699	WARREN	2,366,745	1,304,268	3,314,884	6,985,897
HOLMES	2,366,745	1,230,447	186,084	3,783,276	WASHINGTON	2,366,745	1,944,088	891,192	5,202,025
HURON	2,366,745	1,669,893	1,379,951	5,416,589	WAYNE	2,366,745	1,427,936	1,966,977	5,761,657
JACKSON	2,366,745	1,054,669	498,453	3,919,866	WILLIAMS	2,366,745	1,054,669	755,922	4,177,336
JEFFERSON	2,366,745	1,248,777	1,311,264	4,926,786	WOOD	2,366,745	1,754,422	2,623,738	6,744,905
KNOX	2,366,745	1,944,936	725,877	5,037,557	WYANDOT	2,366,745	1,142,558	516,633	4,025,935
LAKE	2,366,745	592,009	6,137,863	9,096,617					
LAWRENCE	2,366,745	1,275,788	739,872	4,382,404					
LICKING	2,366,745	2,243,673	3,202,968	7,813,386	TOTAL	\$208,273,537	\$121,696,716	\$241,806,091	\$571,776,345
LOGAN	2,366,745	1,496,183	802,450	4,665,378					

Source: Records of the Department of Taxation.