

IMPACT OF CHANGES IN FEDERAL MOTOR FUEL TAX RATES
ON STATE MOTOR FUEL TAX RATES

Several States have provisions of law that would effect changes in the State imposed taxes on motor fuel if the Federal fuel tax rates were changed or such taxes were repealed. Generally these were enacted at a time when devolution of the highway program was a topic of discussion. These States were concerned about the impact that loss of Federal support for their highway programs enacted laws would have.

The following States have such provision in effect. This list may not be complete.

California—

- Gasoline.--If the federal fuel tax rate (currently 18.4 cents per gallon) is reduced below the rate of 9 cents per gallon and federal financial allocations to California for highway and exclusive public mass transit guideway purposes are reduced or eliminated correspondingly, the State tax rate on gasoline (currently 18 cents per gallon) would be increased so that that the combined State rate and federal tax rate per gallon equal 27 cents per gallon.
- Diesel.-- If the federal fuel tax rate (currently 24.4 cents per gallon) is reduced below the rate of 15 cents per gallon and federal financial allocations to California for highway and exclusive public mass transit guideway purposes are reduced or eliminated correspondingly, the State tax rate on gasoline (currently 18 cents per gallon, but scheduled to drop to 13 cents per gallon on July 1, 2011) would be increased so that that the combined State rate and federal tax rate per gallon equals what it would have been in the absence of the federal reduction

Nevada—

- If the motor fuel tax collected by the Federal Government is reduced in whole or in part, the State tax on motor vehicle fuel would be increased by a like amount.

Oklahoma—

- If the Federal excise tax rate on gasoline or diesel fuel (or both) is reduced below the rate imposed as of January 1, 1996 [18.3¢ per gallon for gasoline and 24.3¢ per gallon for diesel, the State tax rate on such fuel would be increased by a like amount.

Tennessee—

- If the Federal taxes imposed by the Internal Revenue Code (IRC) and allocated by chapter 98 of the IRC to the Highway Trust Fund [the full range of highway taxes, not just fuel taxes], the existing State tax on the sale or use of such products will be increased so as to maintain the amount of funding for the Tennessee Department of Transportation as was generated by the Federal tax. [Note that this is not the same as raising the State rate by the amount of the Federal rate reduction.]
- If the Federal tax is later increased, the State taxes would be adjusted downward.

TEXT OF LEGISLATIVE PROVISIONS

ARKANSAS

A.C.A. § 27-70-104

West's Arkansas Code Annotated [Currentness](#)

Title 27. Transportation

Subtitle 5. Highways, Roads, and Streets (Chapters 64 to 84)

▣ [Chapter 70](#). Highway Revenue Distribution

▣ [Subchapter 1](#). General Provisions

➔ **§ 27-70-104. Collection of excise tax**

(a) Should the Congress of the United States extend an option to the State of Arkansas to collect all or part of the existing excise tax on motor fuels imposed by the Internal Revenue Code, Chapter 31, Retailers Excise Tax, §§ 4041 and 4081, it is declared that the option is executed.

(b) Further, if the federal excise tax is reduced in any amount, the amount of the reduction will continue to be collected as state highway user revenues.

(c) Any increase in the federal excise tax, accompanied by state option, shall be disbursed as set forth in subsection (d) of this section.

(d) Any revenues derived under subsection (a) of this section will be classified as special revenues and shall be deposited in the State Treasury to the credit of the State Apportionment Fund for distribution under the Arkansas Highway Revenue Distribution Law, there to be used for the construction of state highways, county roads, and municipal streets.

CREDIT(S)

Acts of 1975, Act 610, §§ 1, 2; Acts of 1981, Act 719, § 1.

Formerly A.S.A. 1947, §§ 76-337, 76-338.

A.C.A. § 27-70-104, AR ST § 27-70-104

Current through end of the 2011 Regular Session.

Update:

In accordance with the said Arkansas Attorney General's Opinion No. 2000-117, the Arkansas Department of Finance and Administration has determined that it would be inappropriate for it to require collection of any state tax authorized under Ark. Code Ann. § 27-70-104(b) as a result of a reduction in the federal fuel tax if the United States Congress allows the federal funding legislation to expire.

CALIFORNIA

Revenue & Taxation Code Section 7360(a)(2) (*Motor Vehicle Fuel Tax*); Section 8651(b) (*Use Fuel Tax*); and Section 60050(a)(2) (*Diesel Fuel Tax*).

West's Annotated California Codes [Currentness](#)

Revenue and Taxation Code ([Refs & Annos](#))

Division 2. Other Taxes ([Refs & Annos](#))

▣ [Part 2](#). Motor Vehicle Fuel Tax Law ([Refs & Annos](#))

▣ [Chapter 2](#). Imposition of Tax ([Refs & Annos](#))

➔ **§ 7360. Amount of tax; combined state and federal tax amount; federal exemption; additional tax**

(a)(1) A tax of eighteen cents (\$0.18) is hereby imposed upon each gallon of fuel subject to the tax in [Sections 7362](#), [7363](#), and [7364](#).

(2) If the federal fuel tax is reduced below the rate of nine cents (\$0.09) per gallon and federal financial allocations to this state for highway and exclusive public mass transit guideway purposes are reduced or eliminated correspondingly, the tax rate imposed by paragraph (1), on and after the date of the reduction, shall be recalculated by an amount so that the combined state rate under paragraph (1) and the federal tax rate per gallon equal twenty-seven cents (\$0.27).

(3) If any person or entity is exempt or partially exempt from the federal fuel tax at the time of a reduction, the person or entity shall continue to be so exempt under this section.

(b)(1) On and after July 1, 2010, in addition to the tax imposed by subdivision (a), a tax is hereby imposed upon each gallon of motor vehicle fuel, other than aviation gasoline, subject to the tax in [Sections 7362](#), [7363](#), and [7364](#) in an amount equal to seventeen and three-tenths cents (\$0.173) per gallon.

(2) For the 2011-12 fiscal year and each fiscal year thereafter, the board shall, on or before March 1 of the fiscal year immediately preceding the applicable fiscal year, adjust the rate in paragraph (1) in that manner as to generate an amount of revenue that will equal the amount of revenue loss attributable to the exemption provided by [Section 6357.7](#), based on estimates made by the board, and that rate shall be effective during the state's next fiscal year.

(3) In order to maintain revenue neutrality for each year, beginning with the rate adjustment on or before March 1, 2012, the adjustment under paragraph (2) shall also take into account the extent to which the actual amount of revenues derived pursuant to this subdivision and, as applicable, [Section 7361.1](#), the revenue loss attributable to the exemption provided by [Section 6357.7](#) resulted in a net revenue gain or loss for the fiscal year ending prior to the rate adjustment date on or before March 1.

(4) The intent of paragraphs (2) and (3) is to ensure that the act [\[FN1\]](#) adding this subdivision and [Section 6357.7](#) does not produce a net revenue gain in state taxes.

CREDIT(S)

(Added by [Stats.2011, c. 6 \(A.B.105\), § 24, eff. March 24, 2011.](#))

[\[FN1\]](#) [Stats.2011, c. 6 \(A.B.105\).](#)

Revenue and Taxation Code ([Refs & Annos](#))

Division 2. Other Taxes ([Refs & Annos](#))

¶ [Part 3](#). Use Fuel Tax ([Refs & Annos](#))

¶ [Chapter 2](#). Imposition of Tax ([Refs & Annos](#))

➔ **§ 8651. Levy on use; rate; federal tax; exemption**

(a) An excise tax is hereby imposed for the use of fuel at the following rate per gallon:

(1) Fourteen cents (\$0.14) during 1990, on and after August 1.

(2) Fifteen cents (\$0.15) during 1991.

(3) Sixteen cents (\$0.16) during 1992.

(4) Seventeen cents (\$0.17) during 1993.

(5) Eighteen cents (\$0.18) on and after January 1, 1994.

(b) If the federal fuel tax is reduced below the rate of fifteen cents (\$0.15) per gallon and federal financial allocations to this state for highway and exclusive public mass transit guideway purposes are reduced or eliminated correspondingly, the tax rate imposed by this section, on and after the date of the reduction, shall be increased by an amount so that the combined state and federal tax rate per gallon equals the following:

(1) Twenty-nine cents (\$0.29) during 1990, on and after August 1.

(2) Thirty cents (\$0.30) during 1991.

(3) Thirty-one cents (\$0.31) during 1992.

(4) Thirty-two cents (\$0.32) during 1993.

(5) Thirty-three cents (\$0.33) on and after January 1, 1994.

(c) If any person or entity is exempt or partially exempt from the federal fuel tax at the time of a reduction, the person or entity shall continue to be exempt under this section.

CREDIT(S)

(Added by [Stats.1989, c. 106, § 11, eff. July 10, 1989](#), operative Aug. 1, 1990. Amended by [Stats.1990, c. 627 \(S.B.2829\), § 5, eff. Sept. 10, 1990.](#))

West's Annotated California Codes [Currentness](#)

Revenue and Taxation Code ([Refs & Annos](#))

Division 2. Other Taxes ([Refs & Annos](#))

¶ [Part 31](#). Diesel Fuel Tax Law ([Refs & Annos](#))

¶ [Chapter 2](#). Imposition of Tax ([Refs & Annos](#))

➔ **§ 60050. Diesel fuel tax; amount; increase; exemption; reduction**

(a)(1) A tax of eighteen cents (\$0.18) is hereby imposed upon each gallon of diesel fuel subject to the tax in [Sections 60051](#), [60052](#), and [60058](#).

(2) If the federal fuel tax is reduced below the rate of fifteen cents (\$0.15) per gallon and federal financial allocations to this state for highway and exclusive public mass transit guideway purposes are reduced or eliminated correspondingly, the tax rate imposed by paragraph (1), including any reduction or adjustment pursuant to subdivision (b), on and after the date of the reduction, shall be increased by an amount so that the combined state rate under paragraph (1) and the federal tax rate per gallon equal what it would have been in the absence of the federal reduction.

(3) If any person or entity is exempt or partially exempt from the federal fuel tax at the time of a reduction, the person or entity shall continue to be exempt under this section.

(b)(1) On July 1, 2011, the tax rate specified in paragraph (1) of subdivision (a) shall be reduced to thirteen cents (\$0.13) and every July 1 thereafter shall be adjusted pursuant to paragraphs (2) and (3).

(2) For the 2012-13 fiscal year and each fiscal year thereafter, the board shall, on or before March 1 of the fiscal year immediately preceding the applicable fiscal year, adjust the rate reduction in paragraph (1) in that manner as to result in a revenue loss attributable to paragraph (1) that will equal the amount of revenue gain attributable to [Sections 6051.8](#) and [6201.8](#), based on estimates made by the board, and that rate shall be effective during the state's next fiscal year.

(3) In order to maintain revenue neutrality for each year, beginning with the rate adjustment on or before March 1, 2013, the adjustment under paragraph (2) shall take into account the extent to which the actual amount of revenues derived pursuant to [Sections 6051.8](#) and [6201.8](#) and the revenue loss attributable to this subdivision resulted in a net revenue gain or loss for the fiscal year ending prior to the rate adjustment date on or before March 1.

(4) The intent of paragraphs (2) and (3) is to ensure that the act [\[FN1\]](#) adding this subdivision and [Sections 6051.8](#) and [6201.8](#) does not produce a net revenue gain in state taxes.

CREDIT(S)

(Added by [Stats.2011, c. 6 \(A.B.105\), § 30, eff. March 24, 2011.](#))

[\[FN1\]](#) [Stats.2011, c. 6 \(A.B.105\).](#)

NEVADA

N.R.S. 365.185

West's Nevada Revised Statutes Annotated [Currentness](#)

Title 32. Revenue and Taxation (Chapters 360-377B)

☞ [Chapter 365](#). Taxes on Certain Fuels for Motor Vehicles and Aircraft ([Refs & Annos](#))

☞ [Imposition of Tax](#)

➔ **365.185. Additional excise tax levied on motor vehicle fuel if federal tax reduced or discontinued; duties of suppliers and Department**

1. In addition to any other tax provided for in this chapter, there is hereby levied an excise tax on motor vehicle fuel.
2. This tax must be imposed and will increase if the tax collected by the Federal Government pursuant to the provisions of [26 U.S.C. § 4081](#) or any other tax collected by the Federal Government relating to motor vehicle fuel is reduced or discontinued in whole or in part. The amount of the tax so imposed by this State must be equal to the amount by which the federal tax is reduced.
3. This tax must be accounted for by each supplier and collected in the manner provided in this chapter. The tax must be paid to the Department and delivered by the Department to the State Treasurer.

CREDIT(S)

Added by Laws 1973, p. 584. Amended by Laws 1975, p. 1692; [Laws 1997, c. 588, § 1](#); [Laws 1999, c. 224, § 73, eff. Jan. 1, 2002](#).

LIBRARY REFERENCES

[Taxation](#) ⇐ [3680](#), [3707](#).

Westlaw Topic No. [371](#).

[C.J.S. Taxation §§ 2027, 2034 to 2036, 2062](#).

N. R. S. 365.185, NV ST 365.185

Current through the 2009 75th Regular Session and the 2010 26th Special Session of the Nevada Legislature and technical corrections received from the Legislative Counsel Bureau (2010).

OKLAHOMA

68 Okl.St. Ann. § 500.4A

Oklahoma Statutes Annotated [Currentness](#)

Title 68. Revenue and Taxation ([Refs & Annos](#))

☞ [Chapter 1](#). Tax Codes ([Refs & Annos](#))

☞ [Article 5](#). Motor Fuel Tax Code ([Refs & Annos](#))

☛ § 500.4A. Levy of tax equal to reduction in federal excise tax

A. In the event that, by federal law, the federal excise tax imposed on gasoline or diesel fuel or both is reduced from the rate imposed on January 1, 1996, there shall be levied a tax equal to the reduction in the federal excise tax on gasoline or diesel fuel or both. The tax on gasoline or diesel fuel or both shall be imposed beginning the first day following the reduction in the rate of the federal excise tax on gasoline or diesel fuel or both. The tax imposed by this subsection resulting from a reduction in federal excise tax on gasoline or diesel fuel or both shall not include any reduction in federal excise tax imposed on diesel fuel for use in trains pursuant to the Internal Revenue Code, [26 U.S.C., Section 4041](#), in that the federal excise tax levy on diesel fuel for use in trains is not appropriated or apportioned to the Federal Highway Trust Fund.

B. The tax levied pursuant to subsection A of this section shall be in addition to and applicable to all gasoline and diesel fuel subject to the tax imposed and levied pursuant to [Section 500.4 of Title 68 of the Oklahoma Statutes](#). It is the intent of this section that the tax shall be conclusively presumed to be a direct tax and shall be a direct tax on the retail or ultimate consumer precollected for the purpose of convenience and facility to the consumer. The levy and assessment on other persons as specified in the Motor Fuel Tax Code [\[FN1\]](#) shall be as agents of the state for the precollection of the tax. The provisions of this section shall in no way affect the method of collecting the tax as provided in the Motor Fuel Tax Code. The tax imposed by this section shall be collected and paid at those times, in the manner, and by those persons specified in the Motor Fuel Tax Code.

CREDIT(S)

[Laws 1997, c. 259, § 1, eff. Nov. 1, 1997.](#)

[\[FN1\] Title 68, § 500.1 et seq.](#)

< A system of composite numbers initiated in 1963 under which each section number was preceded by an article number and a dash was abolished by Laws 1965, c. 215, § 2.>

Current with chapters of the First Regular Session of the 53rd Legislature (2011) effective July 1, 2011.

TENNESSEE

T. C. A. § 67-3-206

West's Tennessee Code Annotated [Currentness](#)

Title 67. Taxes and Licenses ([Refs & Annos](#))

☞ [Chapter 3](#). Petroleum Products and Alternative Fuels Tax Law

☞ [Part 2](#). Imposition of Taxes and Fees ([Refs & Annos](#))

➔ **§ 67-3-206. Funding under highway trust fund; maintenance**

(a) Notwithstanding any provision of law to the contrary, if the federal government reduces or eliminates any or all taxes imposed by title 26 of the United States Code and allocated by chapter 98 of that title of the federal highway trust fund, the existing state tax imposed on the sale and/or use of such products shall be adjusted so as to maintain the amount of funding for the Tennessee department of transportation generated by the federal tax. The adjustment in the state tax shall become effective simultaneously with the reduction in the federal tax. The department of revenue is directed to collect such taxes and allocate such taxes in their entirety, less the appropriate cost of administration, to the state highway trust fund for use by the department of transportation. If the federal government elects to increase any or all taxes imposed by title 26 of the United States Code and allocated by chapter 98 of that title to the federal highway trust fund after it has reduced or eliminated such taxes, the state tax on the sale and/or use of such products is reduced equal to the amount of the increase by the federal government. No amounts of revenue received pursuant to the provisions of this section shall be pledged specifically to the payment of debt service on any state bond or note.

(b) The provisions of this section shall cease to be effective until July 1, 2009, at which time this section shall have full effect of law.

CREDIT(S)

[1997 Pub.Acts, c. 323, § 1, eff. May 30, 1997](#); [2006 Pub.Acts, c. 1019, § 58, eff. June 27, 2006](#); [2008 Pub.Acts, c. 1106, § 40, eff. June 5, 2008](#).

Formerly § 67-3-1306.