



2019-2020 General Assembly

HOUSE BILL 77: DOT 2020-2021 FY Budget/Governance, Sec. 4.2: Motor Fuel Excise Tax Floor

Committee:		Date:	October 29, 2020
Introduced by:		Prepared by:	Trina Griffin Staff Attorney
Analysis of:	Sec. 4.2 of S.L. 2020-91		

OVERVIEW: Section 4.2 of S.L. 2020-91 sets a temporary floor on the motor fuel excise tax rate such that the 2021 rate cannot be lower than the current rate of 36.1¢ per gallon. Effective July 1, 2020, this change is expected to increase revenue by \$20.2 million in FY 2020-21 and \$33.4 million in FY 2021-22.

This section became effective July 1, 2020.

CURRENT LAW: A motor fuel excise tax is imposed on all motor fuels sold, distributed, or used in the State. Each calendar year, the tax rate is determined by applying a growth percentage to the rate in effect for the previous year. This growth percentage is equal to 75% of the State population growth rate plus 25% of the Consumer Price Index for All Urban Consumers: energy growth rate. Population and energy prices can move up or down, so the motor fuel tax rate may increase or decrease each year. The current rate is 36.1¢ per gallon.

BILL ANALYSIS: Section 4.2 of S.L. 2020-91 sets a floor on the 2021 motor fuel excise tax rate equal to the rate for calendar year 2020 (36.1¢ per gallon). Absent this provision, the rate for the 2021 calendar year was forecasted to be 35.2¢ per gallon based on the application of the forecasted growth percentage of -2.4%. Therefore, holding the rate at 36.1¢ per gallon is estimated to result in additional revenue of 0.9¢ per gallon. In 2022, the rate will revert to whatever the rate would be under current law.

EFFECTIVE DATE: This section became effective July 1, 2020.

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