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### Transportation

#### L-5 State Motor Fuels Taxes and Fuel Use

For many years, the state sources that provide the most funding for transportation programs have been motor fuels taxes, sales tax, and registration fees. This article provides information regarding Kansas motor fuels taxes and fuel use.

#### Per Gallon Motor Fuel Taxes

Kansas' motor fuels taxes are 24¢ per gallon on gasoline and 26¢ per gallon on diesel fuel, unchanged since 2003. The table below lists the effective dates of tax increases for motor fuels. The increases in 1989 through 1992 were part of the Comprehensive Highway Plan as it was enacted in 1989, and those in 1999 and 2001 were part of the Comprehensive Transportation Program enacted in 1999. No increases in fuels taxes are associated with the Transportation Works for Kansas (T-Works) program enacted in 2010.

Motor Fuels Tax Rates Changes—1925-2017		
Effective Date	Gasoline	Diesel
1925	2¢	--
1929	3¢	--
1941	--	3¢
1945	4¢	4¢
1949	5¢	5¢
1956	--	7¢
1969	7¢	8¢
1976	8¢	10¢
1983	10¢	12¢
1984	11¢	13¢
1989	15¢	17¢
1990	16¢	18¢
1991	17¢	19¢
1992	18¢	20¢
1999	20¢	22¢
2001	21¢	23¢
2002	23¢	25¢
2003	24¢	26¢

A tax of 17¢ per gallon was imposed on E-85 fuels beginning in 2006. Certain fuel purchases, including aviation fuel and fuel used for non-highway purposes, are exempt from fuel tax.

A federal fuels tax of 18.4¢ per gallon for gasoline, gasohol, and special fuels and 24.4¢ per gallon for diesel fuel also is included in fuel prices. The amount of federal tax per gallon has not increased since 1993, although increases have been proposed in Congress.

Combined state, local, and federal gasoline taxes across the country as of July 1, 2018, averaged 52.49¢ per gallon and ranged from a low of 33.05¢ per gallon in Alaska to 77.10¢ per gallon in Pennsylvania and 73.62¢ per gallon in California. The equivalent rate for Kansas was 42.43¢ per gallon; for Colorado, 40.40¢; for Missouri, 35.75¢; for Nebraska, 47.30¢; and for Oklahoma, 38.40¢.<sup>1</sup>

In 2018, Oklahoma added taxes of 3¢ a gallon on gasoline and 6¢ a gallon on diesel. If approved by voters in November 2018, Missouri gasoline taxes will increase by 2.5¢ each year for four years beginning July 1, 2019. According to the National Conference of State Legislatures, California, Indiana, Montana, Oregon, South Carolina, Tennessee, and West Virginia increased gasoline taxes in 2017, and Utah accelerated indexing provisions enacted in 2015. In October 2016, New Jersey enacted a tax bill that, among other tax changes, increased the state's fuel tax by 23¢ per gallon starting November 1, 2016, which is its first fuel tax increase since 1988. In

2015, eight states passed legislation to increase fuel taxes. In 2013, six states and the District of Columbia enacted legislation to increase or allow an increase (generally, by indexing the rate) in gas taxes, followed by three more states in 2014.<sup>2</sup>

### **Revenue Projections if Tax Increased**

In 2017, three bills were introduced to increase motor fuel taxes in Kansas: SB 224 and HB 2412 proposed 5¢ increases, and HB 2382 proposed an 11¢ increase. The fiscal notes prepared by the Division of the Budget on those bills project revenue increases for FY 2019 of approximately \$92.0 million for a 5¢ increase and approximately \$203.0 million for an 11¢ increase.<sup>3</sup>

### **Fuels Usage and Tax Revenues**

Kansas fuel tax revenues and gasoline usage fluctuate, as illustrated in the graphics on the following pages.<sup>4</sup>

### **Amounts Households Spend**

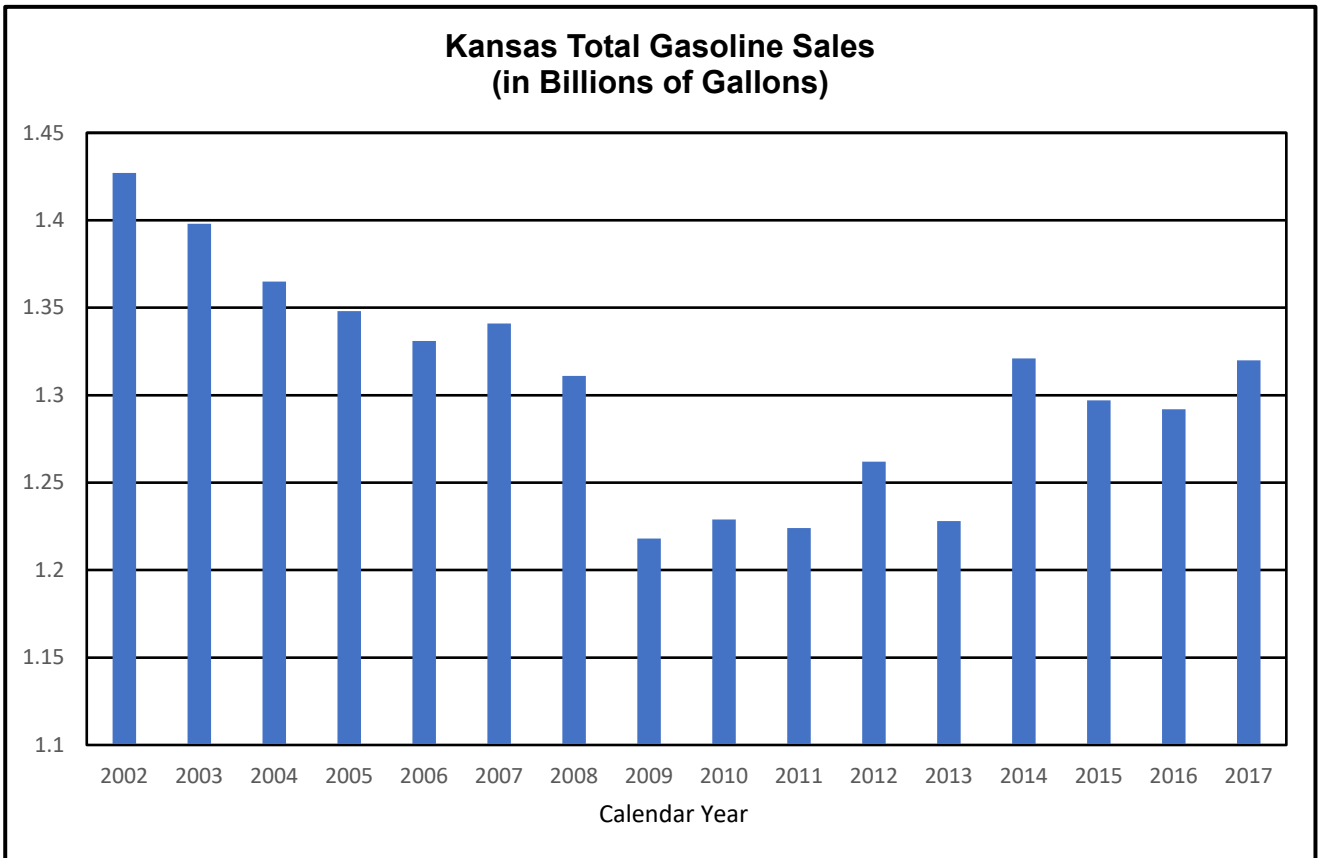
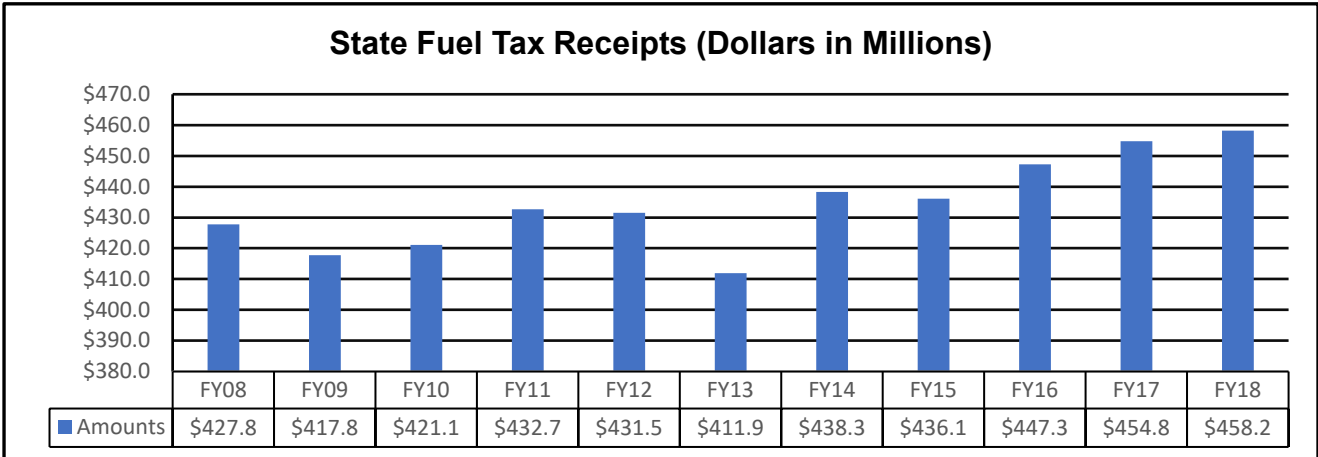
According to the Bureau of Labor Statistics in the U.S. Department of Labor, U.S. households spent an average of \$9,576 on transportation in 2017, which is an increase from \$8,293 in 2011. In 2017, \$1,968 (20.6 percent) of the transportation total was spent on gasoline.<sup>5</sup> If fuel prices average \$2.66 per gallon, Kansas state fuel taxes account for 9.0 percent of the amount motorists spend on fuel.

State Gasoline Taxes as Portion of Overall Fuel Cost													
Vehicle, driving	Gallons used	U.S. average		Kansas		Colorado		Missouri <sup>1</sup>		Nebraska		Oklahoma	
		Fuel cost average, \$	State tax average, \$	Fuel cost average, \$	Tax average, \$	Fuel cost average, \$	Tax average, \$	Fuel cost average, \$	Tax average, \$	Fuel cost average, \$	Tax average, \$	Fuel cost average, \$	Tax average, \$
12,000 miles, 15 mpg	800	\$2,280	\$273	\$2,128	\$192	\$2,328	\$173	\$2,080	\$139	\$2,200	\$224	\$2,112	\$152
12,000 miles, 25 mpg	480	\$1,368	\$164	\$1,277	\$115	\$1,397	\$104	\$1,248	\$83	\$1,320	\$134	\$1,267	\$91
12,000 miles, 35 mpg	343	\$977	\$117	\$912	\$82	\$998	\$74	\$891	\$59	\$943	\$96	\$905	\$65
30,000 miles, 15 mpg	2,000	\$5,700	\$682	\$5,320	\$481	\$5,820	\$432	\$5,200	\$347	\$5,500	\$560	\$5,280	\$380
30,000 miles, 25 mpg	1,200	\$3,420	\$409	\$3,192	\$288	\$3,492	\$259	\$3,120	\$208	\$3,300	\$336	\$3,168	\$228
30,000 miles, 35 mpg	857	\$2,443	\$292	\$2,280	\$206	\$2,494	\$185	\$2,229	\$149	\$2,357	\$240	\$2,263	\$163
State gasoline tax as percent of overall fuel cost		12.0%		9.0%		7.4%		6.7%		10.2%		7.2%	

<sup>1</sup> The 2018 general election ballot in Missouri will include a measure to increase state fuel taxes by 2.5¢ each year for four years.

Fuel costs from <https://gasprices.aaa.com/> as of September 17, 2018.

State tax costs from <https://www.api.org/oil-and-natural-gas/consumer-information/motor-fuel-taxes> and as of July 1, 2018.



- 1 American Petroleum Institute, “Combined Local, State and Federal (Cents per Gallon) Rates Effective 7/1/2018,” <http://www.api.org/oil-and-natural-gas/consumer-information/motor-fuel-taxes>, accessed September 17, 2018.
- 2 2018 Oklahoma HB 1010 and 2018 Missouri HB 1460. National Conference of State Legislatures, “Recent Legislative Actions Likely To Change Gas Taxes,” February 20, 2018, <http://www.ncsl.org/research/transportation/2013-and-2014-legislative-actions-likely-to-change-gas-taxes.aspx>, accessed September 17, 2018.
- 3 A very small percentage of the overall revenue increases projected would come from commercial vehicle fuel permit increases included in the bills.
- 4 Reports, Monthly Motor Fuel Reported by States, U.S. Department of Transportation, Federal Highway Administration, Office of Highway Policy Information, Motor Fuel, and the Highway Trust Fund. [http://www.fhwa.dot.gov/policyinformation/motorfuelhwy\\_trustfund.cfm](http://www.fhwa.dot.gov/policyinformation/motorfuelhwy_trustfund.cfm) and reports for previous years, accessed September 18, 2018.
- 5 U.S. Department of Labor Bureau of Labor Statistics, news release dated September 11 2018, “Consumer Expenditures–2017,” <https://www.bls.gov/news.release/pdf/cesan.pdf>, accessed September 17, 2018.

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