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Transportation

M-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.

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 purchases of 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.

As of July 1, 2019, combined state, local, and federal gasoline taxes across the country averaged 54.57¢ per gallon and ranged from a low of 33.06¢ per gallon in Alaska to 79.60¢ per gallon in California and 77.10¢ per gallon in Pennsylvania. The equivalent rate for Kansas was 42.43¢ per gallon; for Colorado, 40.40¢; for Missouri, 35.82¢; for Nebraska, 49.00¢; and for Oklahoma, 38.40¢.¹

In 2018, Oklahoma added taxes of 3¢ a gallon on gasoline and 6¢ a gallon on diesel. In November 2018, Missouri voters rejected an increase in gasoline taxes of 2.5¢ each year for four years beginning July 1, 2019. According to the National Conference of State Legislatures, Alabama, Arkansas, Illinois, Ohio, and Virginia had enacted gasoline tax increases in 2019; 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 was 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 2014.²

Revenue Projections if Tax Increased

In Kansas during the 2019 Session, HB 2370 and SB 188 (identical as introduced) proposed phased increases of 3¢ a gallon for gasoline and 5¢ a gallon for diesel by fiscal year (FY) 2023. The fiscal notes prepared by the Division of the Budget projected total increased revenues by FY 2023 of \$40.0 million annually to the SHF and \$20.2 million to the Special City and County Highway Fund (SCCHF).³ Also in 2019, HB 2381 proposed 6¢ increases for all motor fuels, changing the allocations between the SHF and the SCCHF, and reducing the percentage of sales and compensating use taxes statutorily directed to the SHF. In the fiscal note for that bill, the Division of the Budget stated the Department of Revenue estimated the changes would increase motor fuels tax revenues to the SHF by \$104.2 million but reduce sales and compensating use taxes directed to the SHF by the same amount. All three bills are pending as of November 2019.

Fuels Usage and Tax Revenues

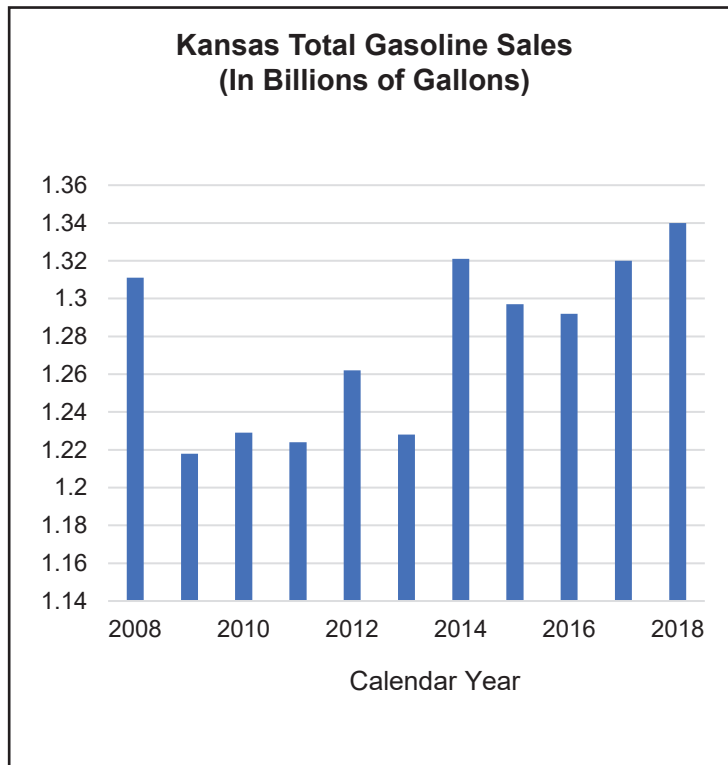
Kansas fuel tax revenues and gasoline usage fluctuate, as illustrated in the graphics on the following pages.⁴

Amounts Households Spend

According to the Bureau of Labor Statistics in the U.S. Department of Labor, U.S. households spent an average of \$9,761 on transportation in 2018, which is an increase from \$8,293 in 2011. In 2019, \$2,109 (21.6 percent) of the transportation total was spent on gasoline.⁵ If fuel prices average \$2.35 per gallon, Kansas state fuel taxes account for 10.2 percent of the amount motorists spend on fuel.

State Gasoline Taxes as Portion of Overall Fuel Cost					
		U.S. Average		Kansas	
Vehicle, driving	Gallons Used	Fuel Cost Average, \$2.56	State Tax Average, \$0.3617	Fuel Cost Average, \$2.35	Tax Average, \$0.24
12,000 miles, 15 mpg	800	\$2,048	\$297	\$1,880	\$192
12,000 miles, 25 mpg	480	\$1,229	\$178	\$1,128	\$115
12,000 miles, 35 mpg	343	\$878	\$127	\$806	\$82
30,000 miles, 15 mpg	2,000	\$5,120	\$743	\$4,700	\$481
30,000 miles, 25 mpg	1,200	\$3,072	\$446	\$2,820	\$288
30,000 miles, 35 mpg	857	\$2,194	\$319	\$2,014	\$206
State gasoline tax as percent of overall fuel cost		14.5%		10.2%	
Fuel costs from https://gasprices.aaa.com/ as of September 16, 2019, for regular gasoline.					
State tax costs from https://www.api.org/oil-and-natural-gas/consumer-information/motor-fuel-taxes and as of July 1, 2019.					

Amounts Raised from State Fuel Taxes (in millions):	
FY 2005	\$422.8
FY 2006	\$424.7
FY 2007	\$430.5
FY 2008	\$427.8
FY 2009	\$417.8
FY 2010	\$421.1
FY 2011	\$432.7
FY 2012	\$431.5
FY 2013	\$411.9
FY 2014	\$438.3
FY 2015	\$436.1
FY 2016	\$447.3
FY 2017	\$454.8
FY 2018	\$458.2
FY 2019	\$460.8



- 1 American Petroleum Institute, “Combined Local, State and Federal (Cents per Gallon) Rates Effective 7/1/2019,” <http://www.api.org/oil-and-natural-gas/consumer-information/motor-fuel-taxes>, accessed September 16, 2019.
- 2 2018 Oklahoma HB 1010 and 2018 Missouri HB 1460. National Conference of State Legislatures, “Recent Legislative Actions Likely To Change Gas Taxes,” August 23, 2019, <http://www.ncsl.org/research/transportation/2013-and-2014-legislative-actions-likely-to-change-gas-taxes.aspx>, accessed September 16, 2019.
- 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 and reports for previous years, accessed September 16, 2019.
- 5 U.S. Department of Labor Bureau of Labor Statistics, news release dated September 10, 2019, “Consumer Expenditures–2018,” <https://www.bls.gov/news.release/pdf/cesan.pdf>, accessed September 16, 2019.

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