



Kentucky's Motor Fuels Tax

**Interim Joint Committee on
Appropriations and Revenue
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**Perry Nutt
Legislative Research Commission
Office of Economic Analysis**



Kentucky's Motor Fuels Tax

- Kentucky's Motor Fuels Tax has 3 Parts:
 - Excise Tax - varies based on annual change in average wholesale price of gasoline (AWP)
 - Excise tax is equal to 9% multiplied by AWP.
 - AWP is determined by a survey of fuel dealers in the 1st month of each quarter.
 - AWP used to calculate the excise tax rate is determined annually and is based on the average of the quarterly surveys.
 - AWP used to calculate the rate can vary by no more than +/- 10% and cannot be below the statutory floor of \$2.177.
 - Supplemental Highway User Tax
 - Fixed @ 5 cents per gallon for gasoline and 2 cents per gallon for diesel.
 - Petroleum Storage Tank Environmental Assurance Fee
 - Fixed @ 1.4 cents per gallon.



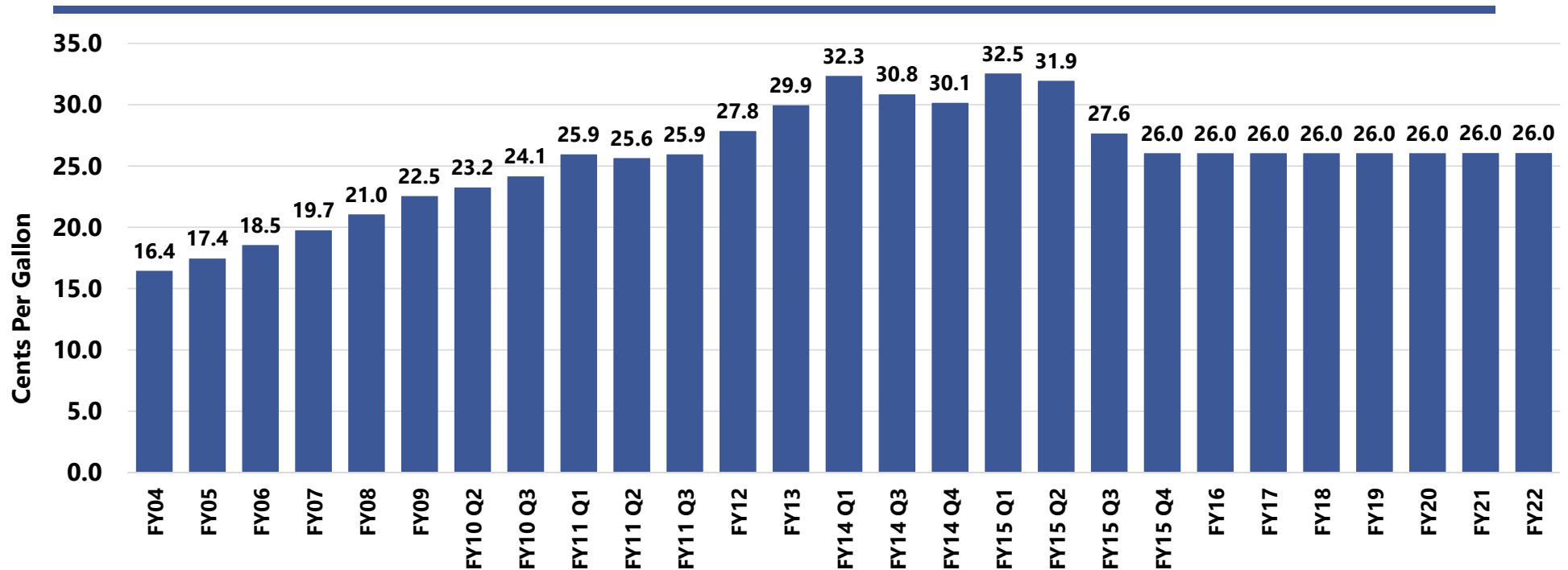
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- HB 299 (2015 RS) set the AWP used to calculate the excise tax at \$2.177 for FY 2015 Q4 and every quarter in FY 2016.
- Motor fuels excise tax rate since FY 2017 has been based on average AWP from 4 quarterly surveys conducted in the previous fiscal year.
- AWP has not risen above the statutory floor since passage of HB 299, thus the motor fuels tax on gasoline has stayed the same (26 cpg).

$$\begin{aligned} &\text{Kentucky's Motor Fuels Tax on Gasoline} \\ &(\$2.177/\text{gallon} * 9\%) = 19.6 \text{ cpg} + 5 \text{ cpg} + 1.4 \text{ cpg} = 26 \text{ cpg} \end{aligned}$$

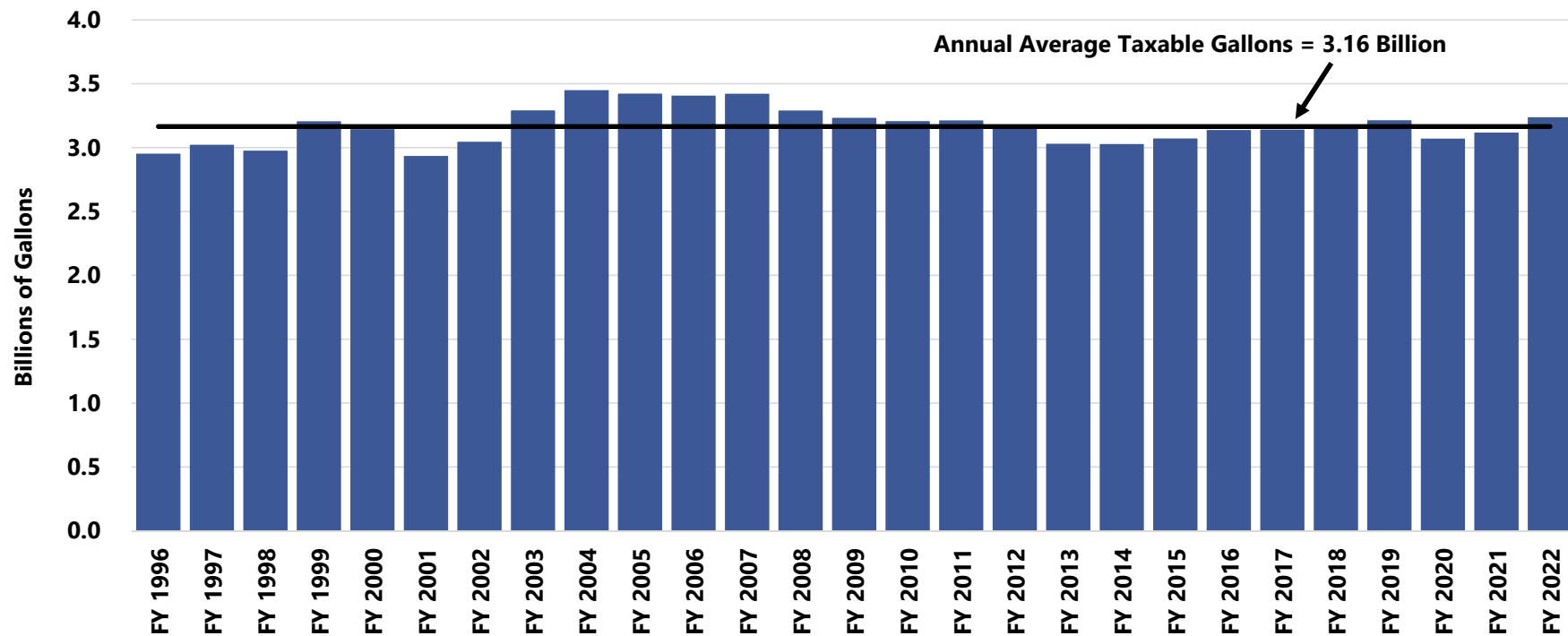


Kentucky's Gasoline Tax Rate By Fiscal Year



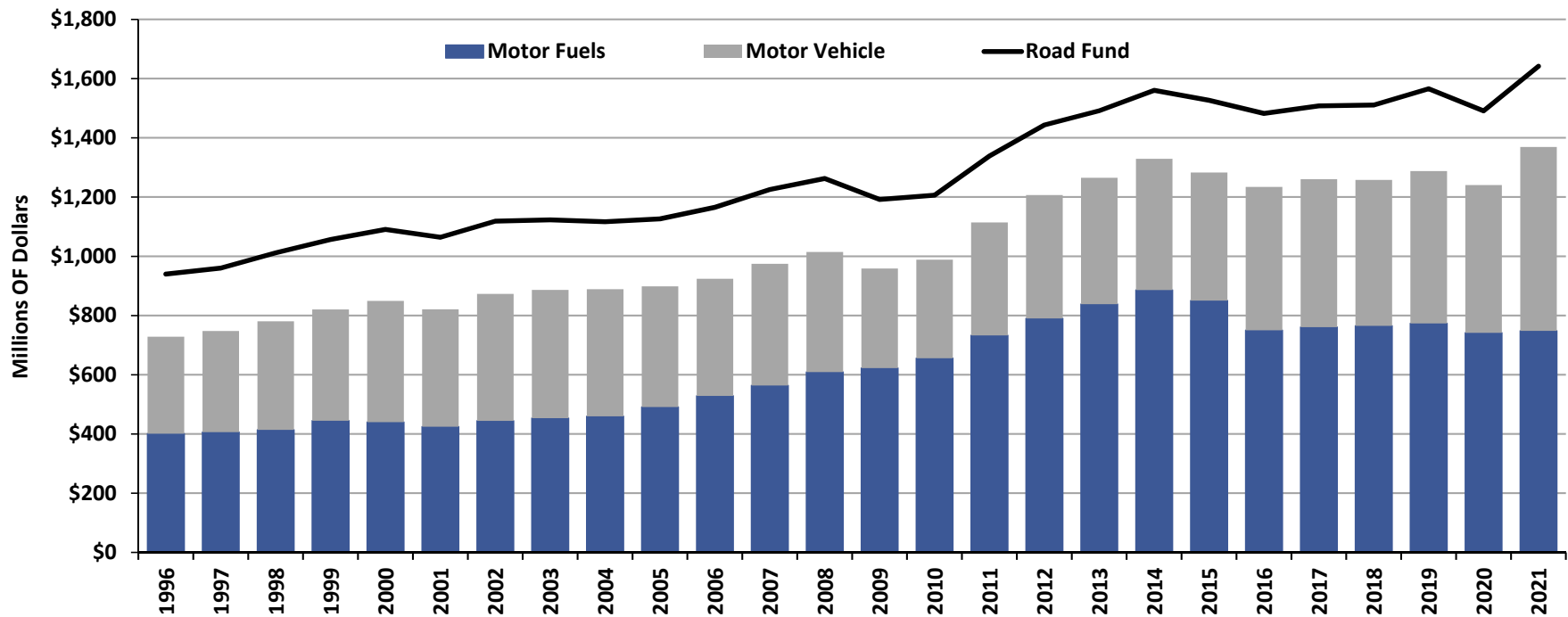


Kentucky Motor Fuels Taxable Gallons By Fiscal Year



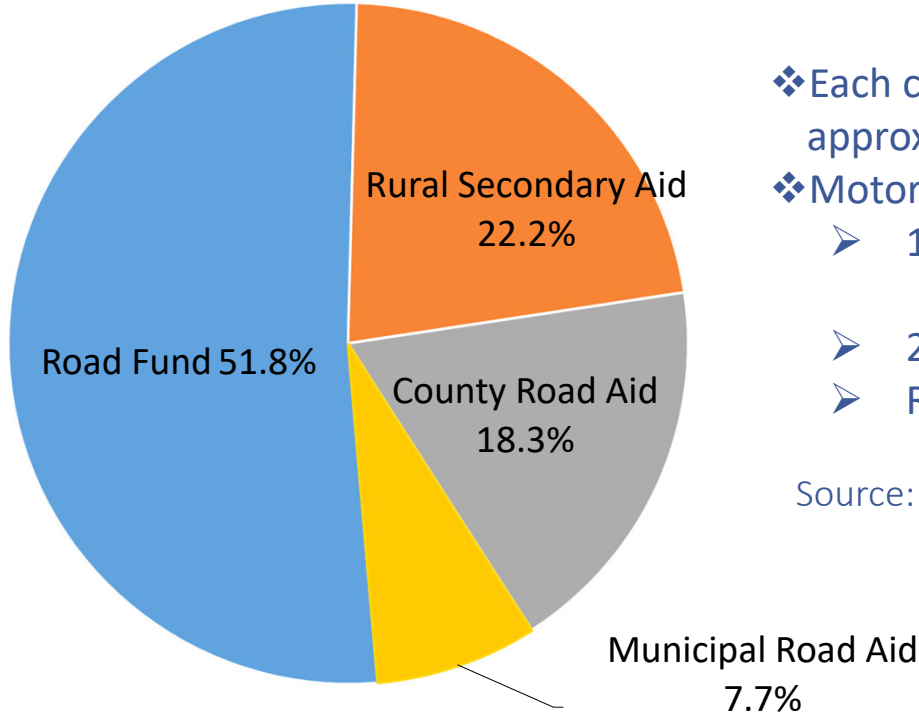


Road Fund, Motor Fuels, and Motor Vehicle Usage Tax Receipts By Fiscal Year





Motor Fuels Tax Allocation



- ❖ Each cent per gallon of motor fuels tax yields approximately \$31.6 million annually in revenue
- ❖ Motor fuels tax revenue sharing:
 - 1.4 cents per gallon goes to Underground Storage Tank Fund
 - 2.1 cents per gallon goes straight to Road Fund
 - Remainder is distributed as detailed in the pie chart

Source: KRS 224.60-140, 138.220(3), 177.320, 177.365



FY 2022 Average Wholesale Price of Gasoline

Survey Month	AWP (Survey) Per Gallon
July 2021 (Quarter 1)	\$2.264
October 2021 (Quarter 2)	\$2.380
January 2022 (Quarter 3)	\$2.332
April 2022 (Quarter 4)	\$3.071
FY 22 Average AWP	\$2.512

Annual Increase In AWP Is Limited To 10%	
FY 2022 AWP	\$2.177
Increase Limited By Statute To 10%	\$2.395
FY 2023 Motor Fuels Excise Tax Rate	21.6 Cents Per Gallon (9% * \$2.395)

Questions?

