

June 2, 2026

The Honorable Members of the IJC on Transportation
Kentucky General Assembly
Frankfort, Kentucky

Dear Members of the Interim Joint Committee on Transportation:

We write to respectfully express concerns and provide additional information regarding the potential effects of Governor Beshear's recent Emergency Order (Executive Order 2026-235), which temporarily reduced the gas tax and is set to expire on June 10. Specifically, we are concerned with the Executive Branch's recent actions requesting local officials to request the Order be extended. Although intended to provide short-term consumer relief, if continued it will create inequities in the marketplace via a patchwork of gas taxes across the state and poses a meaningful risk to the long-term stability of the Commonwealth's transportation funding. Further, public comments on this matter have been misleading.

Our associations support sound public policy that promotes a responsible, competitive, and free market. At its core, this issue is not simply about the stated goal of reducing costs for consumers in the short term. It is about the broader policy implications, the real-world impacts on the marketplace, and the precedent this action could set moving forward.

While you have likely heard concerns raised solely from the perspective of the negative impacts to the Road Fund and on the Commonwealth's gas tax revenues, the impacts and challenges are much broader. The following concerns illustrate why extending this emergency declaration would be unsound public policy and detrimental to Kentucky's businesses, consumers, and communities:

1. Market volatility undermines the effectiveness of the temporary tax reduction and places undue pressure on small businesses

Daily fuel price swings driven by global markets often exceed the value of the temporary tax cut, leaving consumers with little real benefit. At the same time, local fuel retailers—many of them small businesses operating on thin margins—can be unfairly blamed for price changes they do not control. This weakens trust and adds unnecessary strain between consumers and Kentucky businesses.

2. Jurisdiction-based gas tax variation would impose significant administrative and compliance burdens

If gas tax rates vary by county or city, fuel distributors would have to track every gallon delivered to each retailer by jurisdiction to apply the correct tax rate at each locale within a tight monthly deadline. That would create significant administrative burden, increase costs, and raise the risk of errors. It would also set a precedent that could be difficult to reverse.

3. Uneven tax obligations would distort competition and create inequities in the marketplace

Retailers in higher-tax areas would have to collect more tax than competitors only a few miles away, putting them at an unfair disadvantage. Public policy should not distort the market by arbitrarily penalizing certain businesses.

4. County-level tax disparities would incentivize cross-border purchasing and weaken local economies

Consumers already cross state lines to buy cheaper fuel. A patchwork of county-level tax rates would create the same problem within Kentucky, drawing customers away from local businesses to save a few cents per gallon. That would hurt local economies and undermine the communities this policy is meant to help.

5. Differing city and county tax rates would place local retailers at a competitive disadvantage

If a city and its surrounding county have different gas tax rates, retailers inside city limits could face a serious disadvantage. That would create an uneven playing field and push consumers to shop outside their own communities. Local businesses should not have to compete against disparities created by government policy.

6. Reduced gas tax revenue would jeopardize critical state and local transportation funding

The gas tax is a key source of funding for Kentucky's roads, bridges, and transportation system. Extending the reduction would cut revenue for both state projects and the funds shared with cities and counties. Over time, those losses could delay needed maintenance and drive-up costs for taxpayers.

For these reasons, and because this issue is before the committee today, we wanted to take the opportunity on behalf of Kentucky's fuel distributors and retailers to highlight the potential consequences of this policy decision and the recent solicitation of local leaders to request an extension once the Governor's statutory 30-day authority expires. Our associations do not believe the General Assembly intended its limits on the Governor's emergency authority to create a backdoor mechanism through which the executive branch could encourage local officials to seek extensions, thereby allowing those limits to be circumvented.


Respectfully, we ask for the General Assembly's assistance in discouraging efforts by local officials to seek extensions of the Order within their jurisdictions. Kentucky is best served by stable, predictable tax policy that protects infrastructure funding, promotes fairness in the marketplace, and provides certainty for fuel businesses and consumers alike. Public policy should avoid creating artificial winners and losers when those outcomes can be prevented.

Thank you for your consideration of this important matter. We appreciate your attention to policies that advance Kentucky's long-term economic strength, fiscal responsibility, and fairness for communities across the state.

Sincerely,



Brian Clark, Executive Director
Kentucky Petroleum Marketers Assoc.



Tod Griffin, President
Kentucky Retail Federation
Kentucky Grocers & Convenience Store Assoc.