

## GASOLINE TAX: HOW DOES MICHIGAN COMPARE TO SURROUNDING STATES?

Michigan’s roads and highways need repair, and Governor Snyder has proposed a significant increase in the state’s gasoline excise tax and vehicle registration fees to help fund it. In this bulletin, we compare the burden of motor fuel taxes in Michigan to seven neighboring states.

While state road and highway financing is rife with complexities, excise taxes on the sale of motor fuels are a significant source of federal and state funding for road maintenance. An excise tax is imposed on a volume basis. For example, the federal government imposes an 18.4 cents excise tax per gallon of gasoline.

Both federal and state governments collect fuel taxes on a per-gallon basis. Some states, including Illinois allow local regions to assess fuel taxes as well. Often, only the excise tax is taken into consideration when comparing tax rates across states. However, other taxes impact the cost of motor fuels, including surcharges, fees, and sales tax. Sales taxes imposed on motor fuel purchases can be a significant share of the overall tax burden on motor fuel purchases. Additionally, because sales taxes are levied on the value, rather than volume of sales, it is subject to fluctuations in fuel prices.

The table and charts below display motor fuel tax data collected by the American Petroleum Institute.<sup>1</sup> This information is based on averages and assumptions with regard to prices and product mix.<sup>1</sup>

While Michigan’s motor fuels tax is amongst the lowest of the eight states, once considering other taxes on the sale of gasoline, Michigan motorists pay taxes amongst the highest in the region. Three of these states impose a sales tax on

the final sale value of gasoline, including, Illinois, Indiana and Michigan. Hence, when assessing the burden of Michigan’s taxes on motor fuels, it is important to consider all imposed taxes.

The State of Michigan Attorney General’s website provides more information about the calculation of Michigan’s fuel tax.<sup>3</sup>

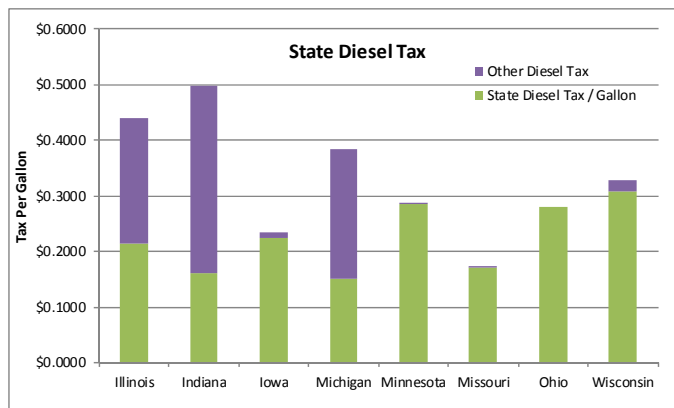
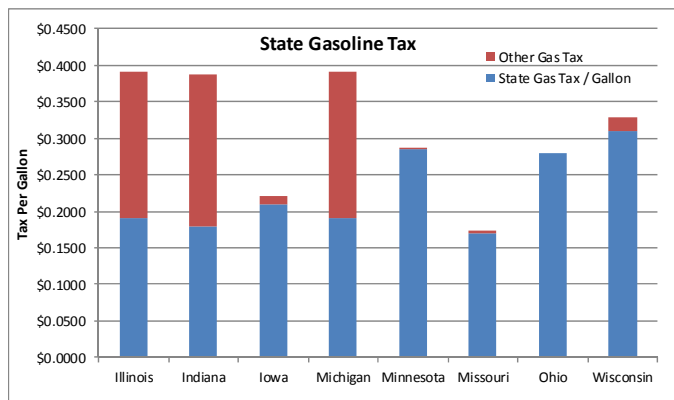


Table 1 Total State Fuel Tax per Gallon

State	Gasoline			Diesel		
	State Gas Tax / Gallon	Other Gas Tax	Total State Gas Tax	State Diesel Tax / Gallon	Other Diesel Tax	Total State Diesel Tax
Illinois	\$ 0.1900	\$ 0.2010	\$ 0.3910	\$ 0.2150	\$ 0.2260	\$ 0.4410
Indiana	\$ 0.1800	\$ 0.2069	\$ 0.3869	\$ 0.1600	\$ 0.3381	\$ 0.4981
Iowa	\$ 0.2100	\$ 0.0100	\$ 0.2200	\$ 0.2250	\$ 0.0100	\$ 0.2350
Michigan	\$ 0.1900	\$ 0.2010	\$ 0.3910	\$ 0.1500	\$ 0.2347	\$ 0.3847
Minnesota	\$ 0.2850	\$ 0.0010	\$ 0.2860	\$ 0.2850	\$ 0.0010	\$ 0.2860
Missouri	\$ 0.1700	\$ 0.0030	\$ 0.1730	\$ 0.1700	\$ 0.0030	\$ 0.1730
Ohio	\$ 0.2800	\$ -	\$ 0.2800	\$ 0.2800	\$ -	\$ 0.2800
Wisconsin	\$ 0.3090	\$ 0.0200	\$ 0.3290	\$ 0.3090	\$ 0.0200	\$ 0.3290

Source: American Petroleum Institute

<sup>1</sup> Motor Fuel Taxes State Gasoline Tax Reports, American Petroleum Institute, January 2014 [http://www.api.org/oil-and-natural-gas-overview/industry-economics/~media/Files/Statistics/StateMotorFuel\\_OnePagers.pdf](http://www.api.org/oil-and-natural-gas-overview/industry-economics/~media/Files/Statistics/StateMotorFuel_OnePagers.pdf) accessed 1/16/2014

<sup>2</sup> “..... API’s chart reflects a weighted average for each state, meaning that any taxes which can vary across a state’s jurisdiction are averaged according to the population of the local areas subject to each particular tax rate. Where appropriate, the weighted average also takes into consideration the typical percentages of premium, midgrade, and regular fuel purchased in each state. In states where taxes vary depending upon the price of the motor fuel (for example, where the tax rate is set as a percentage of the sales price rather than a cents per gallon method), the state average listed on the chart is a snapshot based upon the price of fuel (as reported by AAA) on the date the chart is updated.....”

<sup>3</sup> See web page “State of Michigan Attorney General Bill Schuette Gas Prices Retail Gasoline Price Components” for the calculation of Michigan sales tax on fuel. [http://www.michigan.gov/ag/0,1607,7-164-17334\\_17362-93060--00.html](http://www.michigan.gov/ag/0,1607,7-164-17334_17362-93060--00.html) accessed 1/16/2014.