

Pennsylvania's Gasoline Tax



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This research brief provides an overview of Pennsylvania's gasoline tax rate, revenue collections, consumption and average tax burden per Pennsylvania licensed driver. Gasoline tax collections comprise roughly 55% of total Motor License Fund (MLF) revenues.¹ Residual MLF revenues are from various licenses and fees (22%), taxes on diesel (22%), alternative fuels and other motor receipts (e.g., investment income, permits and other miscellaneous revenue). MLF revenues support highway maintenance, capital projects and bridge construction and rehabilitation.² State transportation revenues are also used to leverage federal reimbursement for eligible highway and bridge projects.³

Pennsylvania levies the highest gasoline tax rate in the nation (see **Table 1**). The effective tax is approximately 11.5% of the retail pump price (at \$5.00 per gallon). The remaining price components include the federal gasoline tax (18.4 cents per gallon (cpg)), cost of crude oil, refining, distribution, marketing and profits.⁴

Table 1
State Gasoline Tax Rates

Top Five States	Rate	Border States	Rate	Rank
Pennsylvania	57.6	Maryland	36.1	8
California	51.1	Delaware	23.0	31
Washington	49.4	West Virginia	20.5	38
Illinois	39.2	New Jersey	10.5	49
Ohio	38.5	New York	8.1	50

Note: Rates are cents per gallon (cpg).

Source: Federation of Tax Administrators (FTA) State Motor Fuel Excise Tax Rates, as of January 1, 2022. Compiled by FTA from various sources. The rate is for comparison purposes and does not include all taxes/fees levied. See: <https://www.taxadmin.org/assets/docs/Research/Rates/mf.pdf>.

¹ Includes non-restricted and restricted Oil Company Franchise Tax (OCFT) revenues as defined by statute. The ratio of Act 89 Liquid Fuels (gasoline) and Fuels (diesel) revenue collections is used to estimate the gasoline portion of any revenue category that contains combined gasoline and diesel collections.

² Act 35 of 1981, Act 32 of 1983, Act 26 of 1991, Act 3 of 1997 and Act 89 of 2013 define the distribution of MLF revenues by use.

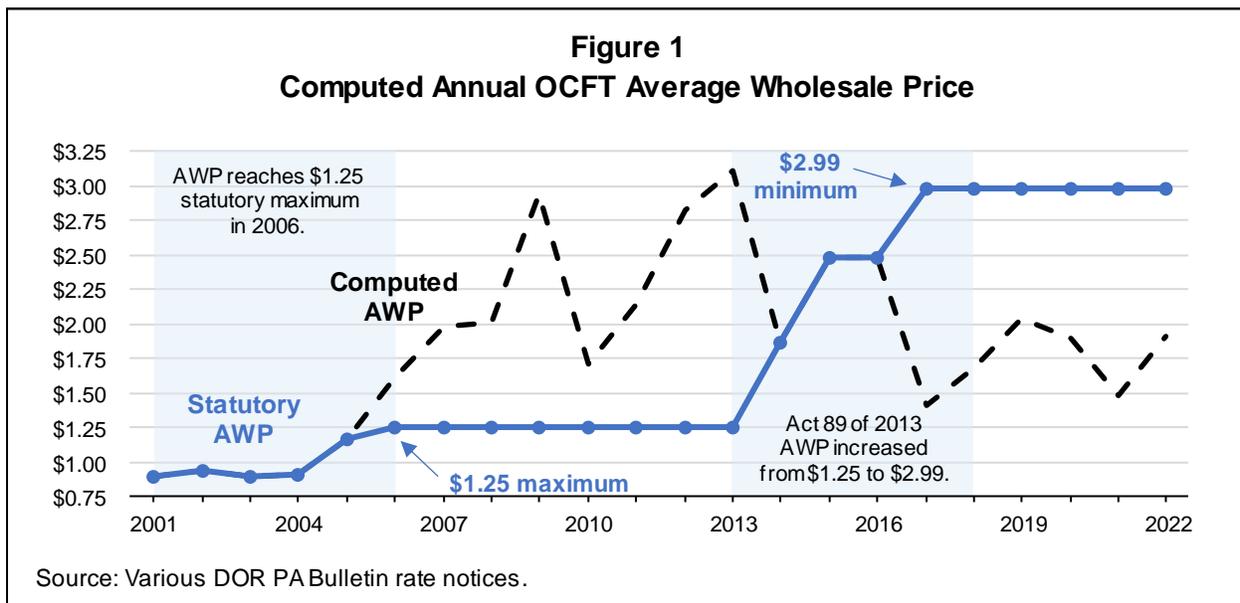
³ A typical project can receive 80% reimbursement. (See 23 U.S.C. 120: <https://uscode.house.gov/view.xhtml?req=granuleid:USC-1999-title23-section120&num=0&edition=1999>).

⁴ U.S. Energy Information Administration (See <https://www.eia.gov/energyexplained/gasoline/factors-affecting-gasoline-prices.php?msckid=c3084f24c0ad11ec8716ff12b15d1bde>).

Pennsylvania’s gasoline tax rate in cpg is calculated annually by the Pennsylvania Department of Revenue (DOR) and is equal to the statutory millage rate (one mill equals 0.1%) imposed on a gallon of gasoline multiplied by the average wholesale price (AWP) of motor vehicle fuel for the 12-month period ending September 30.⁵ The newly computed rate is effective the following January 1. The computed AWP varied significantly over the past 20 years (see **Figure 1**):

- From 2001 to 2006, the computed AWP per gallon of fuel fluctuated within the statutorily imposed minimum (\$0.90) and maximum (\$1.25) until it exceeded the maximum in 2006. The tax imposed on a gallon of gasoline ranged from 25.9 cpg to 31.2 cpg.
- From 2006 to 2013, the computed AWP exceeded the statutory \$1.25 maximum, so the gasoline tax rate remained constant at 31.2 cpg.
- Between 2013 to 2018 (implementation of Act 89 of 2013), gasoline tax revenue increased 9.9% per annum as the statutory AWP was incrementally raised to a new minimum of \$2.99 with no maximum. Because the AWP was set by statute during a portion of this transition, no AWP was computed by DOR between 2014 and 2016.
- Since 2017, the computed AWP has remained below the \$2.99 statutory minimum and the tax imposed has remained at 57.6 cpg since 2018.⁶

Under current law, the tax rate will change only if the computed AWP exceeds the \$2.99 minimum. The most recent AWP calculated by DOR (for the 12-month period ending September 30, 2021) was \$1.92.⁷



⁵ Through 2013, the AWP was statutorily limited by a \$0.90 minimum and \$1.25 maximum. Act 89 of 2013 modified the tax rate (in mills) imposed on a gallon of gasoline and the statutory minimum and maximum AWP. Under Act 89, the AWP was incrementally increased between 2014 and 2016 until it was subject to a new minimum of \$2.99 (no maximum) beginning January 1, 2017.

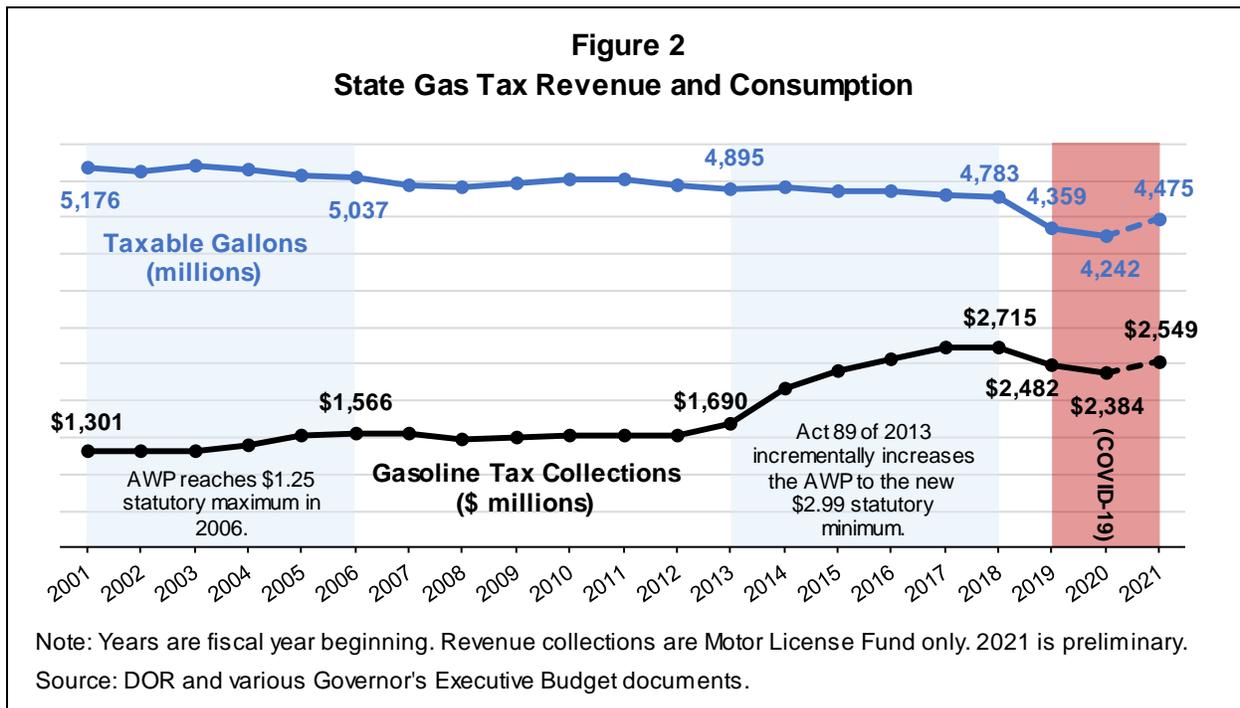
⁶ The tax rate differed beginning in 2018 due to a statutory change in the millage rate under Act 89 of 2013.

⁷ Pennsylvania Bulletin, *Rates of Tax on Aviation Gasoline and Jet Fuel for 2022; Oil Company Franchise Tax Rate for 2022; Alternative Fuel Tax Rates for 2022*, 51 Pa.B. 7815, December 11, 2021.

Figure 2 displays historical gasoline tax revenue collections and consumption.

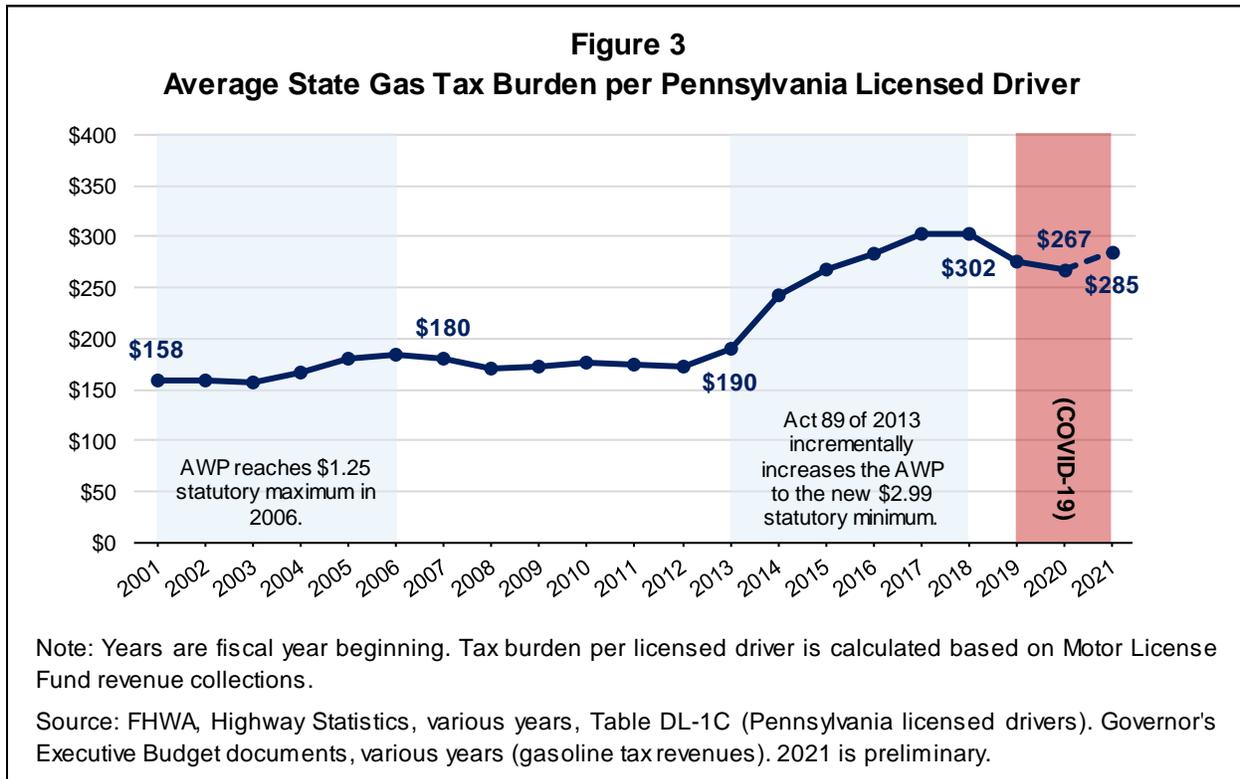
- From 2001 to 2006, the AWP reached the \$1.25 statutory maximum. Over that same period, gasoline revenues increased 3.8% per annum.
- From 2006 to 2013, the AWP was constrained by statute at \$1.25 (maximum) even though the computed AWP was much higher. (See Figure 1.) Without a tax rate increase, gasoline tax revenues grew 1.1% per annum.
- From 2013 to 2018 (Act 89 of 2013 implementation), gasoline tax revenue increased 9.9% per annum.
- From 2018 to 2020, revenue collections declined sharply (-6.3% per annum) because the AWP remained at the minimum (\$2.99) while consumption fell primarily due to pandemic-related mitigation efforts that altered driving habits (e.g., less leisure travel, more telecommuting).
- Collections for FY 2021-22 are expected to increase 6.9%, while taxable gallons are expected to increase 5.5%. The difference in growth rates is the result of receiving tax collections on a delayed basis.

Due to the initial state revenue loss from the COVID-19 pandemic, the Pennsylvania Department of Transportation (DOT) reduced FY 2019-20 highway and bridge program expenditures by \$430 million from the prior year.⁸ Subsequently, a substantial amount of federal transportation funds has been received by DOT and may be used to offset the initial program reduction.



⁸ See the IFO's [Department of Transportation Performance-Based Budget Report](#).

Prior to Act 89 of 2013, the annual gasoline tax burden per Pennsylvania licensed driver ranged between \$158 and \$190 (see **Figure 3**). After Act 89 was fully implemented (2018), that amount increased to approximately \$302. In 2020, with the onset of the pandemic and reduced gasoline consumption, the average annual gasoline tax burden dropped to \$267, or \$22 per month. Based on FY 2020-21 data, the average Pennsylvania licensed driver consumed 463 gallons of gasoline per year, or 8.9 gallons per week.



Although gasoline consumption and driving behavior are expected to recover to near pre-pandemic levels in the short-term, enhanced vehicle fuel efficiency will generate a downward trend in consumption similar to that which occurred prior to the pandemic (from 2010 to 2018 consumption declined 0.61% per annum). In addition to the permanent revenue loss that results from reduced consumption, inflationary factors also affect DOT's buying power. Since 2018, the department's Bid Price Index (BPI) has increased by 5.1% per annum.⁹ The BPI is DOT's inflation index based on contractor's cost of materials (e.g., structural steel, structural concrete) used for heavy road and bridge construction. As a primary source for state transportation funding, gasoline tax revenues that cannot keep pace with rising project costs could cause funding challenges for DOT's highway and bridge infrastructure program and limit access to federal reimbursement for project costs.

Staff Acknowledgements

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⁹ Pennsylvania Department of Transportation, latest available.