

Independent Fiscal Office | Legislative Request | April 2025

This brief responds to a request from Senator Tim Kearney for the Independent Fiscal Office (IFO) to provide (1) revenue estimates for a statewide retail delivery fee (RDF) based on the Colorado model and set at \$0.25, \$0.50, \$0.75 and \$1.00 per taxable delivery and (2) an incidence analysis that considers any existing barriers to online shopping to better understand the impact a fee could have on different income groups.

Many states are struggling to fund the cost of transportation infrastructure using traditional methods. The rise of e-commerce, increased prevalence of electric vehicles, improved vehicle fuel efficiency and remote work have resulted in minimal or negative growth in gasoline excise tax revenues. For Pennsylvania, those factors reduced [gasoline consumption](#) by 1.8% per annum from 2019 to 2024. In February 2025, the Pennsylvania Transportation Advisory Committee issued the [Transportation and Land Use Implications of E-Commerce](#) report, which examined how the expansion of e-commerce impacts the transportation system, land use and local communities. The report recommends that policymakers consider an RDF to supplement existing revenue sources that fund transportation infrastructure.

In 2022, Colorado became the first state to enact a fee on certain retail deliveries by motor vehicle to locations within the state. The delivery must contain at least one tangible item that is subject to the state sales and use tax.¹ Each sale is considered a single retail delivery regardless of the number of deliveries required to fulfill the purchase (i.e., if a purchaser places one order for multiple items that are shipped separately, the delivery fee is

charged only once). A retailer must either collect the fee from the customer by itemizing the fee on the receipt or remit the fee on behalf of the customer. Firms with \$500,000 or less in annual retail sales are exempt from the fee. In the first full year, the \$0.27 fee (indexed annually to inflation) generated \$76 million. The current fee of \$0.29 is projected to raise \$102 million in fiscal year (FY) 2024-25.

In 2024, Minnesota enacted a \$0.50 RDF that is projected to generate \$59 million in FY 2024-25. The fee applies to retail deliveries that exceed \$100 and retailers with less than \$1 million in annual sales are exempt. Like Colorado, Minnesota does not require retailers to itemize the fee on the receipt if they remit it on the customer’s behalf.

Nine other states have proposed similar fees that range from \$0.25 (New York) to \$0.75 (Maryland and Nevada) per delivery. The table to the left lists the most recently proposed fees, projected annual revenue collections and implied deliveries per adult (age 18 or older) per month. Minnesota’s average of 2.2 deliveries adult/month is materially lower than all other states due to the two exemptions noted.

Retail Delivery Fee (RDF): State Comparison

	Fee	Annual Estimate	Monthly Deliveries ¹
Enacted RDF			
Colorado ²	\$0.29	\$102	6.2
Minnesota	\$0.50	\$59	2.2
Proposed RDF			
Hawaii	\$0.50	n.a.	--
Indiana	\$0.50	\$150	4.7
Maryland	\$0.75	\$250	5.7
Mississippi	\$0.30	n.a.	--
Nebraska	\$0.27	n.a.	--
Nevada	\$0.75	\$100	4.3
New York	\$0.25	n.a.	--
Ohio	\$0.50	\$306	5.5
Washington	\$0.30	\$112	4.9

Note: Estimates in dollar millions. Estimates that were not found are denoted with n.a.

1 Taxable monthly deliveries per adult age 18 or older.

2 Colorado estimate is an IFO projection based on collections through February 2025.

Source: Various state websites.

1 See [Retail Delivery Fee | Department of Revenue - Taxation](#).

Reliable data on Pennsylvania retail delivery volume were not readily available or were cost prohibitive to obtain. To determine a reasonable range for estimated deliveries per Pennsylvania adult per month, the analysis utilized two data sources: (1) implied Colorado retail deliveries based on estimated fee collections for FY 2024-25 adjusted for Pennsylvania demographics and (2) estimates of total U.S. deliveries for 2023 shared to Pennsylvania based on population age 18 or older.² The Colorado data yielded an average of 5.6 taxable deliveries per Pennsylvania adult age 18 or older per month, while U.S. data implied an average of 7.4 deliveries. (See table below.) The average based on U.S. data is overstated because (1) it is not reduced for deliveries that would be exempt from the fee under the proposal (i.e., the delivery does not include an item subject to sales and use tax or is from a retailer with \$500,000 or less in annual sales), (2) includes multiple deliveries that are associated with one order (i.e., would be subject to only one fee) and (3) does not reflect non-compliance that would occur.

Average Deliveries per Pennsylvania Adult

	CO Data		U.S. Data	
	CO ¹	PA ²	US ³	PA ²
Average Deliveries (per adult/per month)	6.2	5.6	8.2	7.4
Restaurants (e.g., DoorDash, Grubhub)	0.6	0.5	0.9	0.8
Grocery (e.g., Instacart, Shipt)	0.2	0.2	0.5	0.4
E-Commerce (e.g., USPS, FedEx, UPS, Amazon)	5.4	4.8	6.8	6.1

- 1 Total deliveries based on projected Colorado fees for FY 2024-25. Delivery type estimated based on distributions provided in Colorado's 2019 Emerging Mobility Impact Study, Technical Addendum: 2020 Emerging Mobility Impact Study Update. Adjusted for increased restaurant delivery activity.
- 2 Deliveries adjusted for the Pennsylvania population age 18 or older with a 10% reduction due to Pennsylvania's higher share of elderly population and other factors.
- 3 U.S. restaurant deliveries from statista.com; grocery deliveries estimated based on Colorado ratio of restaurant to grocery deliveries; e-commerce from Pitney Bowes U.S. Parcel Shipping Index.

The revenue estimates assume 5.8 taxable deliveries per adult per month for FY 2025-26.³ The number of deliveries is projected to increase 4% per annum, which partially offsets the annual decline in Pennsylvania’s age 18 or older population. For FY 2025-26, a delivery fee of \$0.25 is projected to generate \$180 million (fee

Pennsylvania RDF Revenue Estimate

Fee Amount	25-26	26-27	27-28
\$0.25	\$180	\$188	\$196
\$0.50	\$358	\$374	\$389
\$0.75	\$532	\$555	\$578
\$1.00	\$692	\$721	\$751

Note: Dollars in millions.
Source: Estimates by the IFO based on Colorado's RDF revenues. FY 2025-26 assumes 5.8 taxable deliveries per adult per month.

effective for entire year), and a fee of \$1.00 is projected to generate \$692 million. The results are not linear because the estimates include behavioral impacts (e.g., order consolidation, travel to local retailer) particularly as the fee increases to \$1.00.

The request asked that the analysis include “an incidence analysis that takes into consideration the existing barriers of entry for online shopping.” The IFO undertook a thorough review of existing studies and reports. Given that only two states currently levy an RDF, minimal research is available regarding potential barriers to online shopping.

2 Due to Pennsylvania demographics, the Colorado and U.S. per capita figures were reduced by 10% when adjusted for Pennsylvania. Relevant attributes that reduce the per capita figure include: (1) a higher proportion of elderly residents (deliveries decline notably for older adults), (2) a higher share of rural population (urban residents spend more online) and (3) lower per capita income (higher income consumers spend more online). These adjustments are based on research by Ernst and Young (Colorado Retail Delivery Fee presentation (February 2024)) and the Washington State Joint Transportation Committee (Retail Delivery Fee Analysis report (June 2024)).

3 The estimates utilize 5.6 taxable deliveries per month based on Colorado data for FY 2024-25 grown to 5.8 for FY 2025-26.

However, the studies and reports reviewed identify some general relationships between average monthly deliveries and income, age and geographic location (i.e., urban vs rural).⁴ Studies find these results:

- There is a positive relationship between the number of home deliveries and household income, but the relationship is not linear, and home deliveries do not increase at the same rate as income (i.e., if income doubles, home deliveries increase, but at a slower rate).
- Urban residents receive a higher number of e-commerce and restaurant deliveries.
- For lower-income consumers, a higher share of deliveries is for meals, and a lower share is e-commerce.
- The number of deliveries peaks for those age 35 to 44, and then declines notably for older adults.

The final table presents three stylized examples to illustrate the potential impact of an RDF for households with income levels of \$50,000, \$100,000 and \$200,000. The data used for these examples are based on (1) the Colorado Retail Delivery Fee presentation published by Ernst and Young (February 2024) that used a representative survey of 1,163 Colorado residents and (2) IFO estimates of monthly taxable deliveries per Pennsylvania adult age 18 or older. The examples assume each household includes two adults age 18 or older and an RDF of \$0.50.

The three stylized examples show:

- Most firms elected to itemize the fee in Colorado, rather than remit the fee on behalf of the customer and not itemize it. Given that outcome and the fee structure (i.e., a modest fee added to the final retail sale), it is likely that the fee would be passed forward to final consumers. The IFO did not encounter any research that disputes that outcome. The computations in the table assume that the entire fee is fully passed forward.
- The proposed fee is moderately regressive. For the \$50,000 household, the annual fee is \$54, and the effective tax rate (fee / annual income) is 0.11%. For the \$200,000 household, the respective figures are \$96 and 0.05%.
- If restaurant deliveries are exempt from the fee, it would likely reduce regressivity. The data show that meal deliveries comprise a larger share of deliveries for lower-income than higher-income households.
- Research finds that lower-income consumers should be more responsive to the fee amount, so that higher fees are more likely to alter their behavior. But research also finds that lower-income consumers face more transportation-related challenges (less access to transportation and brick and mortar retail establishments) than higher-income consumers.

Annual Fees for Three Pennsylvania Households

	Household Income		
	\$50,000	\$100,000	\$200,000
Monthly Deliveries	9.00	12.00	16.00
E-commerce	6.00	9.50	12.50
Restaurants	2.00	1.50	2.00
Grocery and Other	1.00	1.00	1.50
Annual Fee	\$54	\$72	\$96
Effective Tax Rate	0.11%	0.07%	0.05%

Note: Assumes a 50 cent delivery fee. Household includes two adults age 18 or older. Taxable deliveries only.

Staff Contacts

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4 See “Colorado Retail Delivery Fee” (February 2024) and “Retail Delivery Fee Analysis” (June 2024).