

## MOTOR FUEL/SPECIAL FUEL TAX

- Statutory Provision

Title 30, Delaware Code, Chapter 51.

- Collection/Administrative Agency

The Department of Transportation, Motor Fuel Tax Administration, administers this tax.

- General Liability

Delaware imposes an excise tax on each gallon of gasoline sold or used in the state. The tax is collected by and paid to the state by licensed distributors. An excise tax is also imposed on the retail sale or use of special fuel, which includes all combustible gases and liquids suitable for propulsion of motor vehicles except fuels that are determined to be gasoline or gasohol. The special fuel tax is collected by and paid to the state by licensed suppliers, users, and dealers.

- Tax Rates

The excise tax rate is 23 cents per gallon of gasoline and 22 cents per gallon of special fuel, sold or used in the state.

- Tax Receipts (\$ millions)<sup>1</sup>

<u>Fiscal Year</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Total (\$)</u>	112.4	113.7	120.1	117.5	117.8	114.6	112.9	113.8	112.9	116.0

- Tax Preferences

The following items have been identified as motor fuel tax preferences within the Delaware Code:

### 3.01 Motor Fuel Tax Exemptions

1. Statutory Provision

Title 30, Delaware Code, Chapter 51, Subchapter I, §5111(a)(5)

2. Description

This provision exempts gasoline sold to volunteer fire companies, veterans groups, and civic ambulance companies from the motor fuel tax.

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<sup>1</sup> Figures are for gasoline and special fuel receipts

Section 5111 of the Delaware Code also exempts gasoline sold to the federal or state government from the motor fuel tax. However, these exemptions are not considered tax preferences for the purpose of this report. (Please see section titled “Delaware Tax Provisions Not Included” for more discussion.)

3. Estimated Revenue Loss

FY 13: \$20,000

FY 14: \$15,000 - \$25,000

4. Assessment

Whether the tax code is the most appropriate policy tool to provide public support for these activities is open to question. Proponents of the preference may argue that the exemption is justified because these organizations perform quasi-public service functions that the state or one of its political subdivisions would otherwise provide.

5. Inadvertent Effects

None noted.

**3.02 Motor Fuel Tax Refunds**

1. Statutory Provision

Title 30, Delaware Code, Chapter 51, Subchapter I, §5120(a).

2. Description

This provision allows for a refund of motor Fuel taxes in the following circumstances:

- Gas sold for use in stationary engines, tractors, motor boats, aircraft, and any other vehicle or machine that does not utilize public highways; or,
- Gas sold to operators of a taxicab business with a base of operations in Delaware.

3. Estimated Revenue Loss

FY 13: \$165,000

FY 14: \$100,000 - \$200,000

4. Assessment

Because the motor fuel excise tax is intended to be a road use tax, the exemption of fuel in off-highway vehicles and machines is considered legitimate. However, one may question the exemption for taxicabs, as they frequently use public roads and highways.

5. Inadvertent Effects  
None noted.

### 3.03 Special Fuel Exemptions

1. Statutory Provision  
Title 30, Delaware Code, Chapter 51, §5133(a)
2. Description  
This provision exempts gasoline sold to volunteer fire companies, veterans groups, and civic ambulance companies from the special fuel tax.

Section 5111 of the Delaware Code also exempts fuel sold to the federal or state government from the special fuel tax. However, these exemptions are not considered tax preferences for the purpose of this report. (Please see section titled “Delaware Tax Provisions Not Included” for more discussion.)

3. Estimated Revenue Loss  
FY 13: \$100,000  
FY 14: \$150,000 - \$250,000
4. Assessment  
The rationale for exempting special fuels used by eligible vehicles is consistent with the exemption of such vehicles from the motor fuels tax. Please refer to the discussion in Items 3.01 and 3.02.
5. Inadvertent Effects  
None noted.