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/or 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)[1]

Fiscal Year:	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total ($):	99.3	107.7	107.3	112.4	113.7	120.1	117.5	117.8	114.6	112.9	113.8

- 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

[1] Figures are for gasoline and special fuel receipts

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

3. Estimated Revenue Loss
FY 11: $300,000
FY 12: $200,000 - $300,000

4. Assessment
Whether the tax code is the most appropriate policy tool to provide public support for these activities is open to question. It can be argued that the exemption is justified given that 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 utilized public highways; or

- Gas sold to operators of a taxicab business with a base of operations in Delaware.

3. Estimated Revenue Loss
FY 11: $105,000
FY 12: $100,000 - $200,000

4. Assessment
As the motor fuel excise tax is perceived as a road use tax, the exemption of fuel in off-highway vehicles and machines is considered to be legitimate. One may question, however, the exemption for taxicabs, as they clearly 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
The special fuel tax shall not apply to special fuel sold and delivered to and used by the following persons:

- The United States or any governmental agency thereof;
- The state and every political subdivision thereof;
- And volunteer fire companies in any of their official vehicles and veterans' or civic organizations in their ambulances when such ambulances are provided on a volunteer basis.

3. Estimated Revenue Loss
FY 11: $136,000
FY 12: $100,000 - $200,000

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.