



Hartford, Connecticut  
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## 2008 FTA Motor Fuel Tax Section Annual Meeting

**What Are We Going  
To Do When the  
Money Runs Out?**

# Simple...

- **raise your tax rate**
- **add a new tax/fee**
- **modify your tax**
- **protect the tax you have**

# Option 1...

## **Raise your current MF Tax rate**

Going from 20¢ to 22¢ equals  
a 10% increase of revenues



## Option 2...

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**Add an additional  
tax or fee  
associated with  
motor fuel**

# These May Include...

- Sales tax
- Environmental-type taxes/fees
- Other taxes/fees
  - Inspection fee, petroleum fee, commercial fee, license tax, privilege tax, oil franchise tax, etc

# States with Additional Components on Motor Fuel

**Sales Tax** 9

**Environmental** 10

**Other** 13

**(29 states have MFT only)**



**Welcome to**

**Illinois' world  
of taxation  
on motor fuel**

# Illinois Fuel Cost Components

## Product Base Price per Gallon of Fuel \*

- + Federal Excise Tax (\$0.183 gas, \$0.184 diesel)
- + Leaking Underground Storage Tank (UST) (\$0.003/ gal)
- + Environmental Impact Fee (EIF) (\$0.008/ gal)
- + County Motor Fuel Tax (in DuPage, Kane & McHenry)
- + State Sales Tax (6.25%)
- + Local Sales Tax
- + Local Motor Fuel Excise Taxes
- + State Motor Fuel Tax (\$0.19/gal gas, \$0.215 gal diesel)

## PUMP PRICE

\* Price exclusive of all taxes, with mark-up added

# Illinois Fuel Cost Component Examples

	FY 2007:
<b>State sales tax rate = 6.25%</b> (5% State, 1% City, 0.25% County)	<b>\$650 million</b>
<b>UST/EIF = \$0.011</b>	<b>\$74 million</b>
<b>CMFT = \$0.04 per gallon</b> <ul style="list-style-type: none"><li>• DuPage, Kane, McHenry Counties</li></ul>	<b>\$30 million</b>
<b>Local Sales Tax</b> <ul style="list-style-type: none"><li>• Springfield = 1.25%</li><li>• Chicago = 4.0%</li></ul>	



# Option 3...

Change your  
"fixed" rate to a  
"sliding" rate.

(ie. change ¢ per gal to a %)



Assuming \$4.00 per gallon:

“fixed rate” set  
at 19¢ per gal



19¢ per gal

“sliding rate”  
at 7% per gal



28¢ per gal

# Illinois Example

Gasoline – 2007  
5,114,204,495 gallons

@19¢ per gal

\$971,698,854

@28¢ per gal

\$1,431,977,259

+ \$460,278,405



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# 2 Pitfalls to This Option

# 1) The Price of Fuel Drops

\$1 per gal = 07¢ MFT (7%)

\$2 per gal = 14¢ MFT

\$3 per gal = 21¢ MFT

Fixed rate = 19¢ MFT per gal

Cheaper fuel = less \$ in the coffers

## 2) Revenue Forecasting is Difficult

### Average Gasoline Price in Illinois

2003: \$1.54<sup>8</sup>

2004: \$1.85<sup>9</sup>

2005: \$2.24<sup>4</sup>

2006: \$2.57<sup>5</sup>

2007: \$2.82<sup>2</sup>

~ 83%  
deviation

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2008: \$3.58<sup>5</sup>  
(thru 09/01)

~ 131%  
deviation

# With a Fixed Rate...

It's easier to forecast revenues:

2003: 5.232 billion gals

2004: 5.301 billion gals

2005: 5.205 billion gals

2006: 5.176 billion gals

2007: 5.114 billion gals

~ 3.7%  
deviation



# 4<sup>th</sup> Option...

**Protect your Motor Fuel Fund from being raided.**

- The “lead” will most likely come from your DOT
- Work with your industry associations



# Sounds interesting, but...

- these options are ALL uphill battles
- as Revenuers, we administer taxes – not add/change/modify them



# So What Can You Do Now?

- Increase your processing review diligence
- Utilize your Audit staff
- Collect on bad debts
- Utilize the JOC, ExStars, etc

# So What Can You Do Now?

## Increase your enforcement efforts

- become active with Uniformity
- take advantage of FTA's training classes

**\$1 on enforcement = \$10-\$15  
return**

Dr. Mark Weimer, Battelle 09/22/2008

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"I think I see the problem. You had your taxes prepared by a taxidermist."



# Questions?

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