



Some Key Details of the Transportation Bill (a clarification)

Policy Brief Volume 13, Number 59 calculated the impact of the transportation bill on taxes on diesel fuel, defined by Title 75 subsection 9002 as “Fuels”, and *not for gasoline* (“Liquid Fuels”). To clarify the differences, this *Brief* shows the impact of the bill on gasoline taxes.

To recap, from the previous *Brief*, “Fuels” (diesel) are subject to four separate millages. First is the imposition of 60 mills for highway maintenance and construction. Secondly, another 55 mills is added with the proceeds distributed to county maintenance districts and other local highway and bridge projects and the Turnpike. Third, another 38.5 mills is applied with proceeds to be deposited into the Motor License Fund and lastly, another 55 mills is added for the Highway Bridge Improvement Restricted Account. All together they sum to 208.5 mills.

Act 89 augments language in this subsection stating “an additional 64 mills in calendar year 2014, then reduced to 49 mills in calendar year 2015, 48 mills in calendar 2016, 41 mills in calendar 2017, and 39 mills in each calendar year thereafter, is imposed upon all liquid fuels and fuels...”

Act 89 also increases the cap to the oil company franchise tax from \$1.25 per gallon on wholesale fuel which is used to calculate the tax levy is being raised to a set price of \$1.87 per gallon after December 31, 2013 (an increase of 50 percent). It will be set at \$2.49 in 2015 (a further increase of 33 percent), and then the taxable set price will be set at a minimum of \$2.99 after December 31, 2016 (and not in 2016 as the previous *Brief* noted). The calculations of the impact on diesel fuel (“Fuels”) taxes are shown in the table:

Year	Average wholesale price per gallon set for “oil company franchise tax”	Total millage applied to oil company franchise tax	Tax added to retail price of <i>diesel</i> if all wholesale passed through and 12 cents retail eliminated in 2014	Cumulative Increase over 2013 (38.1¢)
2013	90¢ min \$1.25 max	208.5	26.1¢ (+12¢ retail tax) = 38.1¢	-----
2014	\$1.87 set price	272.5	51.0¢	12.9¢
2015	\$2.49 set price	257.5	64.1¢	26.0¢
2016	\$2.49 set price	256.5	63.9¢	25.8¢
2017	\$2.99 min	249.5	74.6¢	36.5¢
2018 ₊	\$2.99 min	247.5	74¢	35.9¢

However, gasoline is defined as “Liquid Fuels” in subsection 9004 and thus is not subject to the 55 mills as dictated by subsection 9502(a)4 (the Highway Bridge Improvement Restricted Account) but will be subject to the additional mills under Act 89. Thus, the total millage applied to “Liquid Fuels” is lower than for “Fuels”. The calculations for the impact on gasoline taxes are as follows:

Year	Average wholesale price per gallon set for “oil company franchise tax”	Total millage applied to oil company franchise tax	Tax added to retail price of <i>gasoline</i> if all wholesale passed through and 12 cents retail eliminated in 2014	Cumulative Increase over 2013 (31.2¢)
2013	90¢ min \$1.25 max	153.5	19.2¢ (+12¢ retail tax) = 31.2¢	-----
2014	\$1.87 set price	217.5	40.7¢	9.5¢
2015	\$2.49 set price	202.5	50.4¢	19.2¢
2016	\$2.49 set price	201.5	50.2¢	19.0¢
2017	\$2.99 min	194.5	58.2¢	27.0¢
2018 ₊	\$2.99 min	192.5	57.6¢	26.4¢

Thus, the implementation of the new millage rates and increased cap on the oil company franchise tax, as specified in Act 89, will hit all drivers in the Commonwealth. But for those who purchase diesel, primarily in the trucking industry, they face the additional burden of the 55 mills (5.5¢ per dollar) whereas gasoline purchasers do not. The current cents per gallon rate for diesel purchasers (38.1¢) ranks as the fifth highest in the country behind Connecticut (54.9¢), California (45.3¢), Illinois (43.0¢), and New York (40.85¢). As the cap on the oil company franchise tax increases from \$1.25 to \$1.87 to \$2.49, Pennsylvania’s per gallon tax on diesel fuel will increase from 38.1¢ to 51¢ to 64.1¢ which will easily be the highest in the nation in 2015 (assuming other states do not raise their rates as well).

While some may not think much of the increase to diesel fuel prices, keep in mind that a vast majority of the products we consume are delivered by truck and any tax increases will be passed on to the eventual consumers through higher product prices.

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