



MONTANA LEGISLATIVE BRANCH

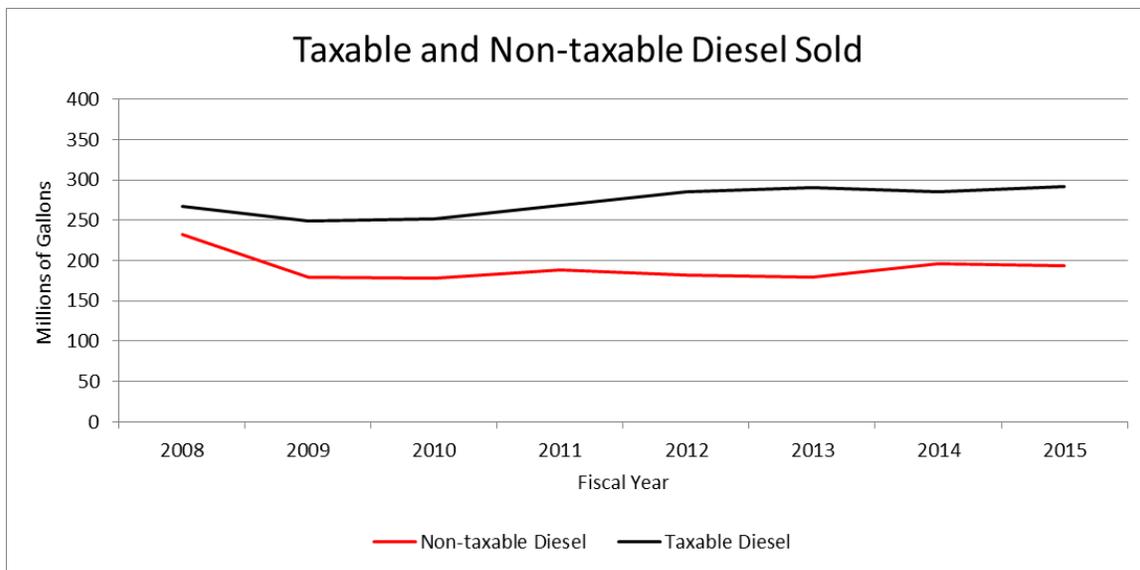
Legislative Fiscal Division

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Director
AMY CARLSON

DATE: March 11, 2016
 TO: Revenue and Transportation Interim Committee
 FROM: Sam Schaefer
 RE: Diesel and Dyed Diesel Tax Analysis

In Montana there is both a taxable and non-taxable variety of diesel. The state tax on taxable diesel is \$0.2775 per gallon. The federal tax on taxable diesel is an additional \$0.244 per gallon. The non-taxable variety is dyed red and is not taxed by the state or federal government. This type of fuel is not intended for use on public roadways, and is used primarily by farming and construction equipment. The chart below displays the total diesel sold in the state dating back to 2008.



In the most recent fiscal year, diesel tax collections totaled \$82.7 million. Per the request from the committee, the revenue impact of taxing all diesel at a state rate of \$0.18 per gallon was analyzed. Diesel tax estimates contained in HJ 2 were used for this analysis. As shown in the graph above, approximately 40% of all diesel sold is of the non-taxable variety. This value was assumed to remain at 40% for the analysis. The overall revenue impact is shown below.

Fiscal Year	HJ 2 Estimate (\$ Millions)	Tax all Diesel at \$0.18/gallon	Revenue Impact (\$ Millions)
2016	\$80.0	\$86.5	\$6.5
2017	\$81.3	\$87.9	\$6.6