

## Diesel Tax

### Revenue Description

There are two sources of revenue associated with the taxation of special fuels (primarily diesel): the diesel tax paid to the Montana Department of Transportation (MDT) for every gallon of diesel sold or used in the state; and a tax assessed on each gallon of diesel fuel for the purpose of funding petroleum storage tank cleanup.

Distributors are allowed to withhold 1.0% of the diesel tax as an allowance for collecting the tax. In order to prevent the possibility of dual taxation of motor fuels purchased by Montana citizens and businesses on Indian reservations, MDT and Indian tribes may enter into a cooperative agreement. Refunds of the tax paid is provided for commercial vehicle use other than for use on public highways and streets, governmental use, and nonpublic school use for the transportation of pupils.

[Article VIII, Section 6](#) of the Montana Constitution provides that money from taxes on vehicle fuel be used solely for: payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; payment of county, city, and town obligations on streets roads, and bridges; and enforcement of highway safety, driver education, tourist promotion, and administrative collection costs. Appropriation of the money for any other use requires a three-fifth vote of each house of the legislature.

### Statutory Reference

Tax Rate – [15-70-321\(2\), MCA](#); [75-11-313, MCA](#) (storage tank cleanup)

Tax Distribution – [15-70-101\(1\), MCA](#); [75-11-314, MCA](#) (storage tank cleanup)

Date Due – 25<sup>th</sup> of the following month ([15-70-344\(1\), MCA](#))

### Applicable Tax Rates

- Diesel (Special) Fuel Tax: \$0.2775 per gallon
- Petroleum Storage Tank Cleanup Tax: \$0.0075 per gallon

**Collection Frequency:** Monthly

### Distribution

Diesel tax proceeds are distributed to MDT after the following deductions:

- 1.0% withheld by distributors;
- Administrative expenses and refunds under the tribal agreements;
- Diesel tax refunds; and
- Refunds through the international fuel tax agreement.

Of the amount distributed to MDT, 1/4 of \$0.01 per gallon is allocated specifically to the funding of highway system maintenance.

**Summary of Legislative Action:** No impacting legislation was enacted in the 2015 session.

### Revenue Estimate Methodology

#### Data

Diesel tax collections data from SABHRS is used to produce a proxy amount for taxable gallons of diesel sold in Montana.

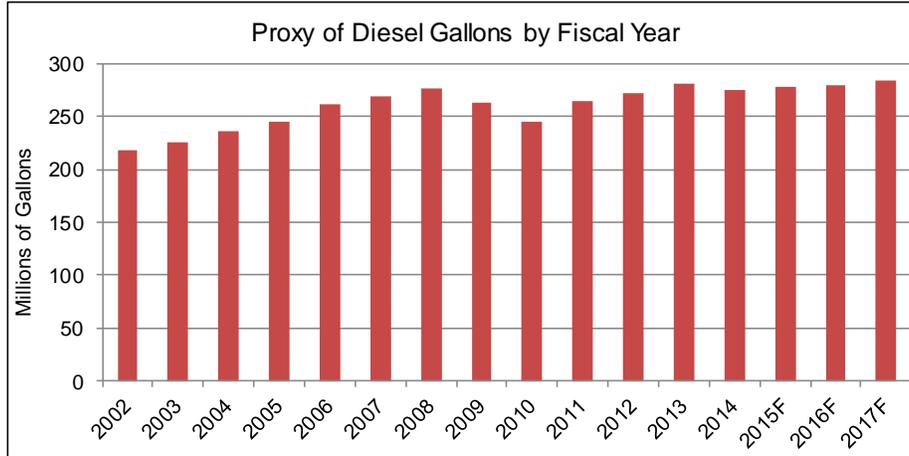
#### Analysis

Diesel fuel taxes are estimated as separate taxes. First, the diesel tax is imposed on each gallon of diesel sold in the state. A second tax is imposed on all diesel fuel distributed in the state for the purpose of diesel storage tank clean-up costs (storage tank tax). The two taxes are applied to different bases, because the diesel fuel tax provides credits against the cost of the tax to consumers who use the diesel “off highway.”

## Consumption Taxes

## Diesel Tax

Future growth in diesel consumption is calculated using an autoregressive moving average time series. The storage tank tax is expected to follow the same patterns as the diesel fuel tax. The effective gasoline tax rates—created to adjust for the statutory credit provided to diesel distributors—are applied to the estimates to produce the estimate for gross tax revenues.



### Adjustments

Several adjustments are made to the expected gross diesel fuel tax revenues. Gross tax revenues are reduced by refunds, incentives, MDT administrative costs, and tribal agreements, resulting in the estimate for net diesel fuel tax revenue. No adjustments are required for the storage tank tax. The net tax revenues of the two taxes are combined to determine the estimate for total diesel fuel tax revenue.

### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2015 Legislature.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Gross \$ Millions	Diesel Tax \$ Millions	Tank Tax \$ Millions	Refunds \$ Millions
A 2002	\$58.261	-	\$62.221	\$56.094	\$2.166	(\$3.960)
A 2003	60.133	-	64.332	57.902	2.232	(4.199)
A 2004	63.181	-	67.600	60.750	2.431	(4.419)
A 2005	65.367	-	70.069	62.723	2.644	(4.702)
A 2006	70.595	-	74.767	67.780	2.815	(4.172)
A 2007	71.020	-	76.687	68.185	2.835	(5.667)
A 2008	74.302	-	79.004	71.488	2.814	(4.702)
A 2009	71.791	-	75.135	69.159	2.632	(3.344)
A 2010	66.896	-	70.016	64.313	2.583	(3.120)
A 2011	71.994	-	75.820	69.181	2.813	(3.826)
A 2012	74.292	-	77.922	71.350	2.943	(3.629)
A 2013	76.071	-	80.430	73.093	2.979	(4.359)
A 2014	75.560	-	78.753	72.609	2.951	(3.193)
F 2015	76.411	-	79.642	73.471	2.941	(3.230)
F 2016	76.752	-	79.997	73.818	2.933	(3.246)
F 2017	77.975	-	81.274	75.043	2.931	(3.300)

**Consumption Taxes**

**Diesel Tax**

FY	Diesel Effective Rate	Tank Effective Rate	Diesel Gallons Millions	Tank Gallons Millions
A 2002	27.5%	0.8%	218.597	288.854
A 2003	27.5%	0.8%	226.047	297.553
A 2004	27.5%	0.8%	237.218	324.090
A 2005	27.5%	0.8%	245.428	352.536
A 2006	27.5%	0.8%	261.906	375.269
A 2007	27.5%	0.8%	268.819	378.036
A 2008	27.5%	0.8%	277.333	375.173
A 2009	27.5%	0.8%	263.909	350.994
A 2010	27.5%	0.8%	245.455	344.436
A 2011	27.5%	0.8%	265.744	375.099
A 2012	27.5%	0.8%	272.924	392.360
A 2013	27.5%	0.8%	281.925	397.148
A 2014	27.5%	0.8%	275.919	393.446
F 2015	27.5%	0.8%	279.192	392.104
F 2016	27.5%	0.8%	280.513	391.106
F 2017	27.5%	0.8%	285.168	390.838

**Revenue Projection**

