



APRIL 2022 QUESTION OF THE MONTH

What would be the impact of a temporary suspension of motor fuel tax collections in CSG South states?

With the Russian War in Ukraine in full force and the host of sanctions that have been applied against Russian state-owned enterprises, oligarchs, and Russian President Vladimir Putin himself, there has been a spike in the price of gasoline. This is compounded by surging inflation that recently reached a new four-decade high. With this unfortunate confluence of events, some state leaders have begun to openly discuss a temporary suspension of state motor fuel tax collections. What would be the impact of a temporary suspension of motor fuel tax collections in CSG South states?

To determine this, one must first understand how the tax is constructed. There are currently two primary taxes applied: federal (18.4¢/gal on gasoline and 24.4¢/gal on diesel) and state (varies from state to state but ranges from 19¢ to 44¢/gal on unleaded and 18¢ to 41¢/gal on diesel). In some cases, there is a local tax applied. **In our region, the motor fuel tax is applied on a per-gallon basis and is either assessed at distribution or the retail point of sale. The underlying philosophy is that as a consumers drive more miles, they consume more fuel, thus contributing more in taxes for building and maintaining transportation infrastructure.**

What impact would a six-month pause in state motor fuel tax collections have in CSG South states? Using [2021 sales data](#) from the US Energy Information Administration

and [motor fuel tax rate data](#) from the American Petroleum Institute, it's possible to make a rough estimate of what a shortfall could look like. This assumes that 2022 fuel sales will be similar to 2021 sales (2022 likely will be higher as COVID-19 restrictions subside), and also assumes a uniform sales distribution across the year (summer consumption is usually higher than winter consumption). Additionally, this does not factor in diesel fuel (diesel is not the primary consumer fuel). For some consumers, this would be significant short-term savings. However, it would also leave a substantial hole in state transportation budgets.

STATE	6-MONTH SHORTFALL
ALABAMA	\$29,490,106.25
ARKANSAS	\$24,188,112.00
FLORIDA	\$127,237,204.25
GEORGIA	\$70,554,384.75
KENTUCKY	\$19,308,380.00
LOUISIANA	\$19,389,289.80
MISSISSIPPI	\$11,146,697.75
MISSOURI	\$21,266,094.00
NORTH CAROLINA	\$64,013,643.75
OKLAHOMA	\$15,520,100.00
SOUTH CAROLINA	\$25,253,738.75
TENNESSEE	\$35,668,087.00
TEXAS	\$106,795,000.00
VIRGINIA	\$39,105,576.00
WEST VIRGINIA	\$8,899,117.50
CSG SOUTH AVG	\$41,524,021.71