



Office of The Ulster County Comptroller

Gas Tax

March 30, 2016

In 2015, the United States saw its largest drop in fuel prices in nearly seven years.¹ The greatest amount of monetary relief experienced at the pump since 2008 was largely enjoyed from coast to coast, residents of Ulster County included. While the current price of gas seems to be trending upward, projections keep it below \$3.00/gallon through 2016.² As costs fluctuate almost as regularly as the seasons change, it is worth undertaking an analysis as to where exactly our dollars go after we are done filling our tanks.

Federal, State, and Local Taxes on Motor Fuel

Taxes are levied on the retail sale of motor fuel, including gasoline, benzol, reformulated blend stock for oxygenate blending, conventional blend stock for oxygenate blending, E85, fuel grade ethanol that meets the ASTM International active standards specification D4806 or D4814, or other products that are suitable for use in the operation of a motor vehicle engine.³ As an example, a consumer can expect to pay \$0.58 toward taxes when the price of gas is

\$2.00/gallon. The \$0.58 is allocated among federal, state, and local governments to cover various expenses related to transportation infrastructure.

Federal Excise Tax is imposed when motor fuel is produced outside of, imported into, and first sold in New York State (“NYS”). The revenue of \$0.18/gallon from the Federal Excise Tax is deposited into the Highway Trust Fund – a collection of accounts that finance the creation and upkeep of public roads, highways, and transit systems – for an annual approximation of about \$34 billion.

The *NYS Excise Tax* (\$0.08/gallon) and the *NYS Petroleum Business Tax* (\$0.18/gallon) both remain at a fixed level regardless of the current sale price. These taxes are jointly administered and collected by the state. Tax revenue from the NYS Excise Tax and Petroleum Business Tax are dedicated to the Mass Transportation Trust Fund, the Highway and Bridge Trust Fund, and the Mass Transportation Operating Assistance Fund.

Together, the *NYS Spill Tax* and the *NYS Petroleum Testing Fee* amount to less than \$0.01/gallon. The *NYS Oil Spill Fund*, funded by the Spill Tax, finances the state’s cleanup costs, compensates spill victims for their monetary losses, and seeks reimbursement from spillers for cleanup costs when restitution is owed but unpaid.

Local Sales Tax is a percentage imposed on the total sale of fuel within a certain taxing jurisdiction. Local

¹ See “U.S. All Grades All Formulations Retail Gasoline Prices,” U.S. Energy Information Administration. Available at https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pets&_emm_epm0_pte_nus_dpg&f=a.

² See “Short-Term Energy Outlook,” U.S. Energy Information Administration. Available at <http://www.eia.gov/forecasts/steo/>.

³ See “Petroleum Business Tax,” NYS Department of Taxation and Finance. Available at <https://www.tax.ny.gov/bus/petrol/ptidx.html>



Sales Tax varies from county to county, depending on the taxing methodology used (i.e. whether it is cents/gallon or a percentage of sales tax), as well as the actual percentage of sales tax applied.⁴ For example, Ulster County's rate is 4%, which provides a \$.05 tax amount of the pre fee and excise tax gas price at a base rate of \$1.37. The local sales tax revenue is dedicated to Ulster County's General Fund.

According to the NYS Department of Taxation and Finance, the state's "percentage rate sales and use taxes (sales tax) on motor fuel and highway diesel motor fuel changed to a cents-per-gallon method [in 2006]."⁵ Thus, *NYS Sales Tax* – unlike the sales tax received by the County – is set at a fixed rate of \$0.08/gallon, which is retained entirely by the state and deposited into the NYS General Fund.

Consumer Behavior and its Effect on the County

At first glance, lower fuel prices may lead one to believe that associated expenditures and taxes would diminish too, while allowing consumers to experience greater savings. The summary above shows that most taxes on the state and federal levels are collected based on a flat rate per gallon, not a percentage of sales. Thus, no matter what the sticker price at the pump may say, federal and state tax collections should remain constant – whether gas is \$3.00 or \$1.95, federal and state taxes will amount to \$.53 per gallon.

⁴ See "Sales Tax Collection Charts for Qualified Motor Fuel or Highway Diesel Motor Fuel Sold at Retail," Publication 873, Department of Taxation and Finance. Available at <https://www.tax.ny.gov/pdf/publications/sales/pub873.pdf>.

⁵ See "Local Sales and Use Tax Rates on Qualified Motor Fuel, Highway Diesel Motor Fuel, and B20 Biodiesel," Publication 718-F, NYS Department of Taxation and Finance. Available at <https://www.tax.ny.gov/pdf/publications/sales/pub718f.pdf>.

The local sales tax component is the only portion that is adversely affected by reduced gasoline prices. This negative impact on collections could be minimized after considering a recent study suggesting that consumers spend roughly 80% of their savings from lower gas prices. Therefore, \$0.80 would be injected into the economy for every \$1 that consumers save at the pump.⁶

More favorable fuel costs afford the average consumer a bit more leeway to purchase necessary goods and services, as well as greater disposable income that can cross a plethora of marketplaces and industries. The aforementioned study by JPMorgan Chase & Co. also indicates that almost 20% of this savings has reportedly been spent at restaurants alone, while the remaining amount may supplement any expenses from groceries to home improvements to entertainment.

Moreover, most of the purchases listed above have an attached sales tax of 8% (i.e. 4% for Ulster County and 4% for New York). This trickle-down effect propelled by the spending power of the average consumer could potentially offset the economic losses suffered by the County due to a smaller contribution from the overall fuel sales tax. In keeping with this idea, sales tax collections could even see an uptick in total revenues.

⁶ See "How Falling Gas Prices Fuel the Consumer," JPMorgan Chase & Co. Available at <https://www.jporganchase.com/content/dam/jpmorganchase/en/legacy/corporate/institute/document/jpmc-institute-gas-report.pdf>.




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Gas Tax Calculator

Instructions: To determine the amount of tax applied per gallon of gas, input the current price per gallon in the "Price at Pump" field. The amount of tax paid per gallon will update automatically. Available online at YourEyesonUlster.com

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		ULSTER COUNTY OFFICE OF THE COMPTROLLER											
Ulster County Gas Tax Calculator													
Price @ Pump	\$ 2.00	<table border="1"><thead><tr><th colspan="2">Tax Summary</th></tr></thead><tbody><tr><td>Federal Tax =</td><td>\$ 0.18</td></tr><tr><td>NYS Taxes =</td><td>\$ 0.34</td></tr><tr><td>Ulster County Tax =</td><td>\$ 0.06</td></tr><tr><td>Total Taxes =</td><td>\$ 0.58</td></tr></tbody></table>		Tax Summary		Federal Tax =	\$ 0.18	NYS Taxes =	\$ 0.34	Ulster County Tax =	\$ 0.06	Total Taxes =	\$ 0.58
Tax Summary													
Federal Tax =	\$ 0.18												
NYS Taxes =	\$ 0.34												
Ulster County Tax =	\$ 0.06												
Total Taxes =	\$ 0.58												
Gas Price	\$ 1.42												
Federal Excise Tax	0.184												
NYS Petroleum Business Tax	0.178												
NYS Spill Tax	0.003274												
NYS Petroleum Testing Fee	0.0005												
NYS Excise Tax	0.0805												
NYS Sales Tax	0.08												
Ulster County Sales Tax (4%)	0.056682												

Note: All tax amounts are represented in dollars and/or cents per gallon unless otherwise indicated. The Calculator has been designed to account for certain state and local taxes that are charged on a per gallon basis, in addition to the County sales tax rate that is determined based on a percentage of the total cost. Tax rates used in the example above were effective as of March 14, 2016, and may be subject to change.