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S.B. 277
134th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. S. Huffman

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SUMMARY

- Reduces the tax rate on gasoline and diesel fuel to 28¢ per gallon for five years beginning no sooner than July 1, 2022.
- Suspends collection of the additional annual motor vehicle registration fee applicable to certain alternative fuel motor vehicles for five years beginning on January 1, 2023.

DETAILED ANALYSIS

Temporary tax and fee reduction

Motor fuel excise tax rates

The bill temporarily reduces the motor fuel excise tax rate from 38.5¢ per gallon for gasoline and 47¢ per gallon for diesel to 28¢ per gallon for both gasoline and diesel. The rate reduction begins to apply on July 1, 2022, or the first day of the first month after the reduction's effective date, whichever is later. The reduction expires and the tax returns to current law's rates five years later. The bill does not affect the rate of tax on compressed natural gas (CNG), which is currently being phased in, but will ultimately reach 47¢ per gallon equivalent in 2023.¹

Before July 1, 2019, the motor fuel excise tax rate for gasoline and diesel was 28¢ per gallon (CNG was not yet subject to the tax). The 133rd General Assembly's biennial transportation budget (H.B. 62) increased the tax rate and allocated revenue derived from the increase (i.e., the portion of the rate above 28¢ per gallon) differently from collections from the initial 28¢ per gallon. Under continuing law, approximately 65% of revenue from the initial 28¢ per gallon rate is allocated to the state for transportation purposes, while the remainder is allocated to local

¹ R.C. 5735.05.

governments for transportation projects. In contrast, 55% of the revenue from the portion of the rate above 28¢ per gallon is allocated to the state and the remainder to local governments.

All of the gasoline and diesel motor fuel tax collections for the five years that the bill reduces the rate to 28¢ is allocated in the same manner as the initial 28¢ per gallon before that reduction. In other words, gasoline and diesel motor fuel tax collections during those five years are allocated in the same manner as all motor fuel tax was before H.B. 62, i.e., approximately 65% to state projects and 35% to local governments.

Registration fee for alternative fuel vehicles

The bill suspends collection of the additional annual motor vehicle registration fee that applies to certain alternative fuel vehicles for five years, from January 1, 2023 through December 31, 2027. Under current law, the Registrar of Motor Vehicles and each deputy registrar must collect the additional annual fee at the time of motor vehicle registration and registration renewal. The owner or lessee of a plug-in hybrid electric motor vehicle or a battery electric motor vehicle must pay an additional \$200 registration fee.² The owner or lessee of a hybrid motor vehicle must pay an additional \$100 registration fee.³ The Registrar transmits the money from these fees to the State Treasurer, who distributes the money in the same manner as motor fuel taxes.⁴

The bill also amends the future version of the Revised Code Section pertaining to motor vehicle registration requirements (R.C. 4503.10) that will be effective October 1, 2022, to ensure that the bill's changes continue after that date.⁵

HISTORY

Action	Date
Introduced	12-14-21

S0277-I-134/ts

² A “plug-in hybrid electric motor vehicle” is a passenger car powered in part by a battery cell energy system that can be recharged via an external source of electricity. A “battery electric motor vehicle” is a passenger car powered wholly by a battery cell energy system that can be recharged via an external source of electricity. R.C. 4501.01(DDD) and (HHH), not in the bill.

³ A “hybrid motor vehicle” is a passenger car powered by an internal propulsion system consisting of both (1) a combustion engine, and (2) a battery cell energy system that cannot be recharged via an external source of electricity but can be recharged by other vehicle mechanisms that capture and store electric energy. R.C. 4501.01(EEE), not in the bill.

⁴ R.C. 4503.10(C)(5).

⁵ Sections 3, 4, and 5.