

Minnesota's Motor Fuels Tax

Overview

What is the tax base?

Minnesota's motor fuels tax is paid on fuels used in highway vehicles, aircraft, boats, snowmobiles and all-terrain vehicles.

The tax rate varies by the type of fuel as follows:

Fuel Type	Rate (per gallon unless noted)
<i>Highway Fuels</i>	
Gasoline	20 cents (unchanged since 1988)
Diesel	20 cents (unchanged since 1988)
<i>Alternative fuels:</i>	
Ethanol and gasoline blend (E85)	14.2 cents
Liquefied petroleum gas or propane	15 cents
Compressed natural gas	\$1.739 per thousand cubic feet
Liquefied natural gas	12 cents
Methanol and gasoline blend (M85)	11.4 cents
<i>Aviation Fuels</i>	
	5 cents, less a refund based on annual purchases

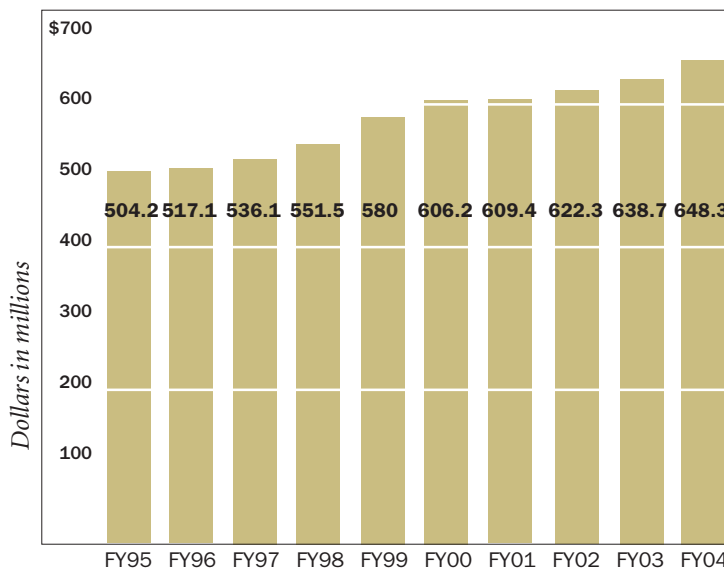
Who pays?

Typically, the state's 600 distributors collect and remit the motor fuels tax, but in some cases the tax is collected by special fuel dealers or bulk purchasers.

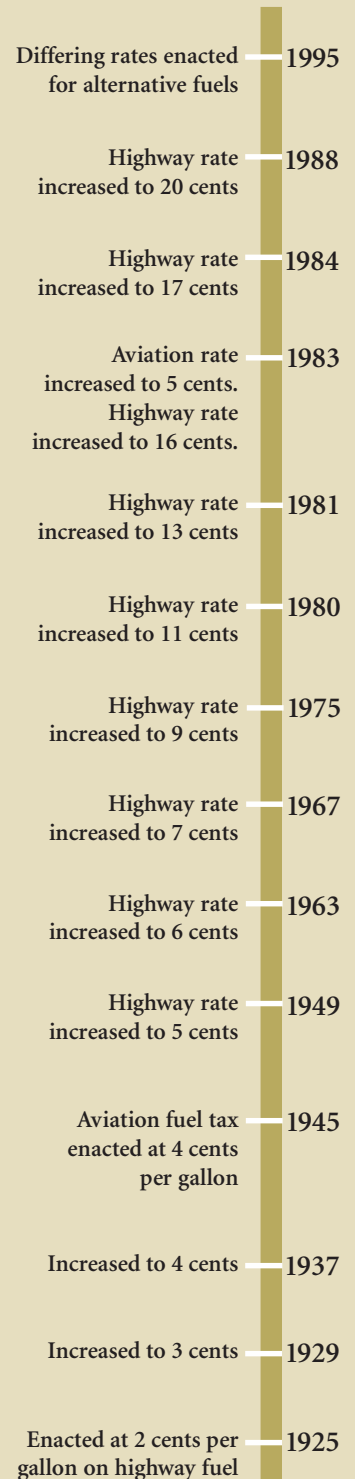
How much does the motor fuels tax raise?

In FY 2004, Minnesota's motor fuels tax raised \$648.3 million. A one-cent per gallon increase in all of the highway fuels rates (gasoline, diesel, and five alternative fuels) would raise about \$33 million annually.

In recent years, the motor fuels tax raised:



History of Tax Rate Increases



Revenue distribution

Revenues from the tax on aviation fuels go to the State Airports Fund. Revenues from the tax on highway fuels tax are dedicated as follows:

- 97.2 percent to the Highway User Tax Distribution Fund.
- 1.6 percent to the Special Revenue fund for boat and forest road usage.
- 1.2 percent to the Natural Resources Fund for snowmobile, all-terrain vehicle and off-road vehicle usage.

Exemptions

The motor fuels tax includes the following exemptions:

- The approximately 100 transit systems, such as Metro Transit, that receive state financial assistance. This exemption cost \$3 million in FY 2004.
- The estimated 3,100 vehicles that use special fuels (diesel) and that do not require registration, such as municipal fire trucks, police patrols and ambulances.
- Gasoline and special fuel purchases by the state's licensed ambulance services are also exempt. About 440 ambulances are covered by this exemption.