

Transportation Revenue Options

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Current Transportation Revenue Sources

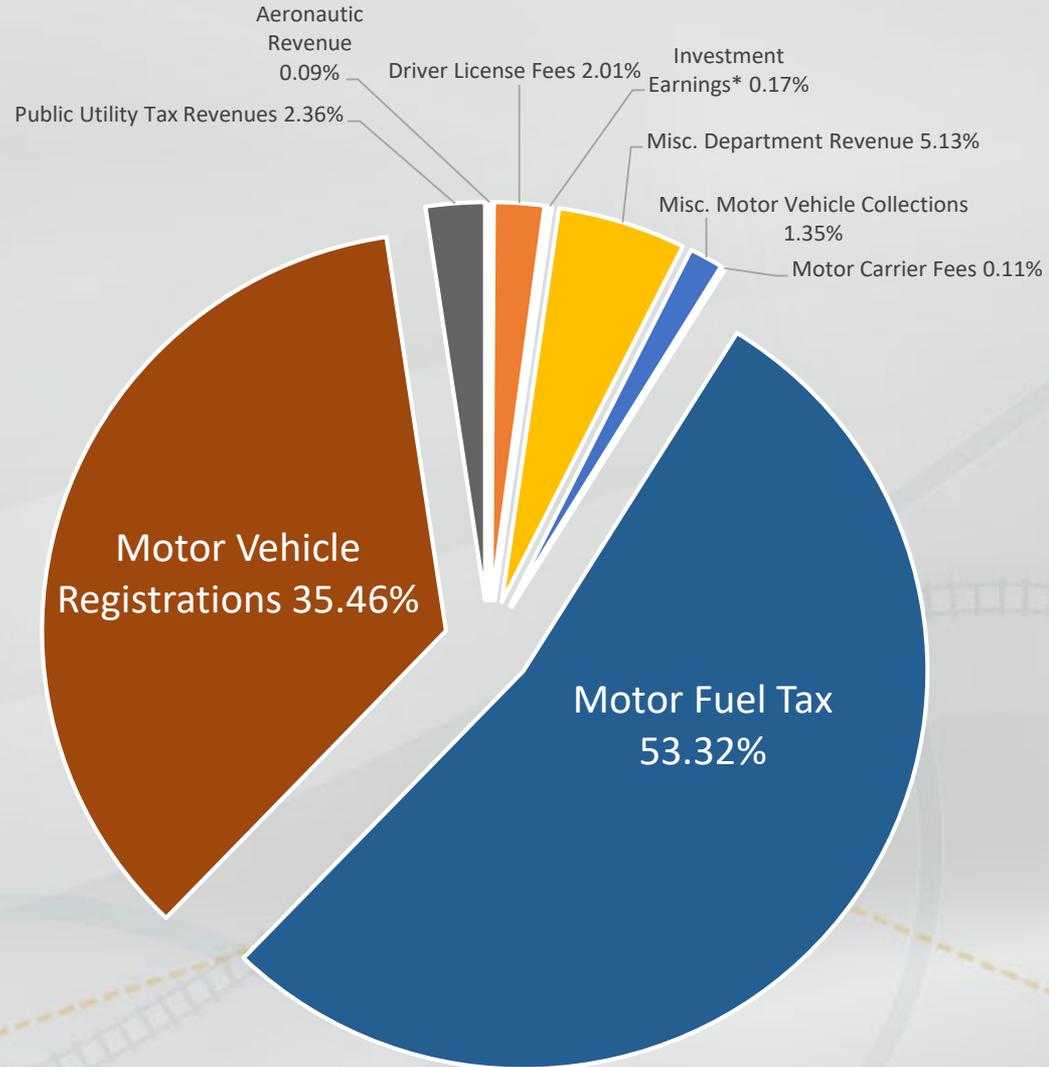
Wisconsin funds transportation through a combination of state funds, federal funds, bonding, and other sources

- State funds account for 60%
- 91% of budgeted state revenues are motor fuel taxes and vehicle registration fees

Fiscal Year 18 State Gross Revenues by Type

Motor Fuel Tax	\$1,059,365,647
Motor Vehicle Registrations	\$704,484,818
Misc. Department Revenue	\$101,896,560
Public Utility Tax Revenues	\$46,940,610
Driver License Fees	\$39,884,094
Misc. Motor Vehicle Collections	\$26,878,031
Investment Earnings*	\$3,408,244
Motor Carrier Fees	\$2,205,667
Aeronautic Revenue	\$1,844,866

Total Gross Revenue \$1,986,908,541



- Aeronautic Revenue
- Driver License Fees
- Investment Earnings*
- Misc. Department Revenue

Revenue Options

Derived from “Fund Solvency Report” (December 2016)

- Fuel options
 - Excise tax
 - Sales tax
 - Excise tax indexing
 - Wholesale tax
 - Eliminate loss allowance
- Motor Vehicle options
 - Increase existing registration fees
 - Fee linked to new vehicle value
 - Title fee increase
 - Sales tax on autos and auto parts
 - Eliminate trade in exemption
- Other options
 - Mileage based use fee
 - Tolling

Fuel Option – Consumer Excise Tax Increase

- A 1 cent per gallon increase on motor fuel tax would generate approximately \$33 million annually

Advantages:

- Easy to administer & quick to generate new revenue
- Applies to all users of Wisconsin roadways not only residents

Disadvantages:

- Fixed excise tax growth more uncertain than income or sales taxes which fund other government functions
- Revenue can be constrained by potential fuel economy increases in fleet vehicle (such as increased use of electric or hybrid vehicles)

Fuel Option – Sales Taxes

- Sales tax option - currently consumers don't pay sales tax for motor fuel purchases (State collects 5% of current sale tax rates for taxable items)
- If exemption was eliminated and all revenue were directed to the Transportation Fund we estimate that by the third year we would raise about \$475 million in additional revenue annually
- Considerations:
 - Sales taxes on motor fuel currently collected in Illinois & Michigan
 - Will also increase local sales tax revenue (est. \$47.5 million- third yr.)
 - Will increase consumer costs
 - Will require operating changes for service stations

Fuel Option – Excise Indexing

- Return to indexing process used before it was eliminated in 2006
- Estimated to raise \$55.5 million additional annually by third year of implementation if indexing is not used to “catch-up”
- Considerations:
 - Can ensure steady “floor” for revenue leading better expenditure planning
 - Driven by Consumer Price Index changes which is an artificial estimate of cost increases

Fuel Option – Variable Wholesale Motor Fuel Taxes

- Collect new motor fuel tax at the wholesale level by adding a new tax on gasoline and diesel at the wholesale level with a set per gallon minimum “floor” rate of \$0.409 (diesel) and \$0.359 (gasoline)
- Estimated to raise about \$215 million annually by third year of implementation based the assumption that the tax would be set at 8 percent of the existing excise fee.

Fuel Option – Variable Wholesale Motor Fuel Taxes (continued)

- Considerations:
 - Mimics an indexed consumer motor fuels tax by providing increased revenue a solid revenue floor if petroleum prices decrease
 - Would rise with changes in petroleum prices to provide additional revenue like other income or sales taxes
 - May be volatile since petroleum prices change frequently

Fuel Option – Eliminate Loss Allowance

- Currently motor fuel suppliers and service station operators allowed to deduct estimated evaporation and other losses from tax payments
- Eliminating these deductions would raise about \$13 million annually
- Considerations:
 - Would also mimic motor fuel tax indexing by increasing revenues if suppliers distribute more fuel in times of economic growth
 - Some believe technological improvements in fuel storage have eliminated evaporation/spillage problems

Motor Vehicle Option – Increase Existing Registration Fees

- \$1 increase passenger/light truck fee = \$4 million annually last increase in 2008
- 1% increase in heavy truck registration fees = \$1.3 million annually last increase in 2008
- \$1 in registration late fee generates about \$500,000 annually
- Advantages
 - Easy to implement
 - Will not decrease with fuel economy of fleet
- Disadvantages
 - Only applies to vehicles registered in Wisconsin

Motor Vehicle Option –Registration Fees linked to New Vehicle Value

- Implement sliding annual registration fee only for new vehicles based on value of vehicle...would continue for life of vehicle registration in Wisconsin
- Estimated annual revenue of \$49 million by third year
- Considerations:
 - Consistent with nearby states of Iowa, Michigan & Minnesota
 - Could increase complexity and costs of registration process

Motor Vehicle Option – Title Fee Increase

- Increase existing fee for vehicle title/title transfers
- \$1 increase would result in about \$1.5 million annually
- Considerations:
 - Easy to implement

Motor Vehicle Option – Sales tax on Autos and Parts

- Direct existing state sales tax on new and used vehicle sales and auto parts from General Fund to Transportation Fund
- Estimated to generate about \$630 million annually by 3rd year
- Considerations:
 - May be difficult to implement according to DOR
 - No net increase in consumer payments
 - Lowers General Fund revenue

Motor Vehicle Option – Eliminate Trade-In Exemption

- Eliminate trade-in exemption that lowers sale taxes paid for new vehicle purchases
- Estimated to generate about \$87 million annually by 3rd year
- Considerations:
 - Coordinate changes with Department of Revenue
 - Wisconsin would be somewhat unique (42 states have trade-in exemption; nearest state without exemption is Michigan)

Other Sources Option – Mileage Based Use Fee

- Charge users of Wisconsin registered vehicles an annual use fee of 1.02 cents per mile (first 3000 miles exempted)
- Generate about \$325 million annually by 3rd year
- Considerations:
 - Equitable since its based on system usage
 - Estimated to take 2 years to implement with substantial upfront costs
 - Based on self-reporting
 - Will not charge visitors from other states
 - Could be perceived as “double taxing”

Other Sources Option – Tolling

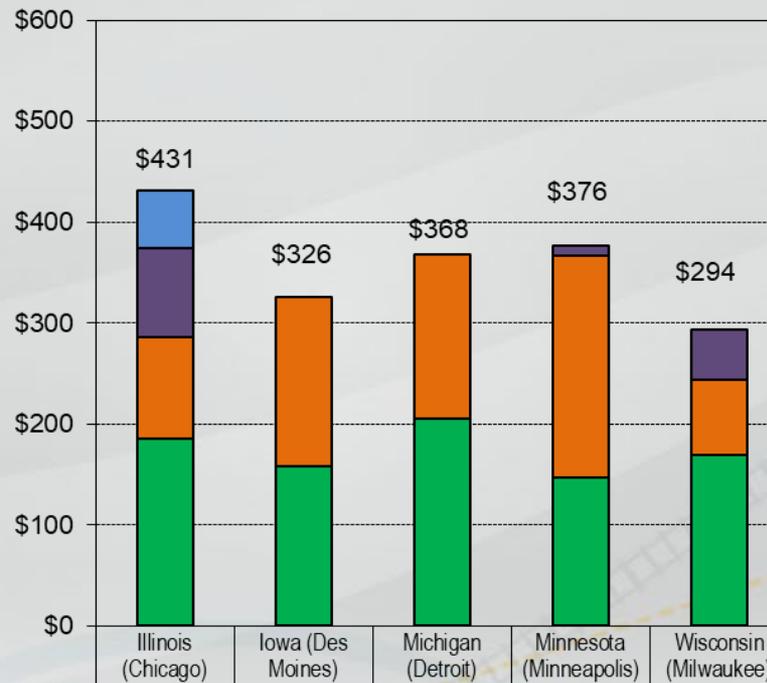
Based on the tolling study required by 2015 Wisconsin Act 55, implementing tolling in Wisconsin would require the following:

- State statutory authority to implement tolling must be granted by the State Legislature.
- The state would need to seek federal approval to implement tolling on the federal-aid highway system
- Advanced study, design, engineering, and deployment activities would need to take place (the study estimated approximately 48 months)
- Secure funding
- Construction
- Implementation/opening of tolling facility

Comparative Costs for the Midwest

- Wisconsin currently has the lowest cost of vehicle ownership among its neighboring states (based on city-specific comparisons)
- Cost of owning an average 2016 sedan in Milwaukee is approximately \$294 annually ----above cost includes motor fuel tax, registration, and local fees
- The next lowest cost city is Des Moines, Iowa at \$326 annually

Midwest Comparison Chart Sedan



Includes all known state excise, sales, and environmental taxes and fees levied on gasoline, plus vehicle registration renewal fees as of January 1, 2019. State registration amounts in Iowa, Michigan and Minnesota based on vehicle age and value.

Local option taxes and fees in state's largest city shown where applicable.

Based on costs for a vehicle with a fuel efficiency rating of 29.2 miles per gallon driven 15,000 miles.

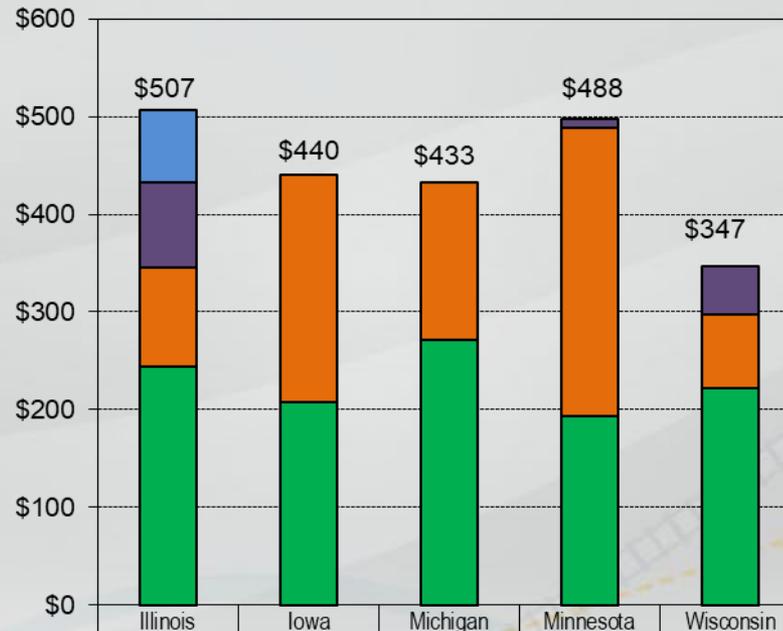
Does not include federal fuel taxes (18.4cpg totaling \$95 in each state) or tolls imposed on certain highways and bridges.

Amounts are rounded.

	Illinois (Chicago)	Iowa (Des Moines)	Michigan (Detroit)	Minnesota (Minneapolis)	Wisconsin (Milwaukee)
Local Option Taxes on Gasoline (Chicago)	\$57	\$0	\$0	\$0	\$0
Local Option Registration Fee (Chicago, Milwaukee, Minneapolis)	\$88	\$0	\$0	\$10	\$50
Total State Registration Fees	\$101	\$169	\$162	\$219	\$75
Total State Taxes/Fees on Gasoline	\$185	\$158	\$206	\$147	\$169

Midwest Comparison Chart

SUV



Includes all known state excise, sales, and environmental taxes and fees levied on gasoline, plus vehicle registration renewal fees as of January 1, 2019. State registration amounts in Iowa, Michigan and Minnesota based on vehicle age and value.

Local option taxes and fees in state's largest city shown where applicable.

Based on costs for a vehicle with a fuel efficiency rating of 22.2 miles per gallon driven 15,000 miles.

Does not include federal fuel taxes (18.4cpg totaling \$124 in each state) or tolls imposed on certain highways and bridges.

Amounts are rounded.

	Illinois	Iowa	Michigan	Minnesota	Wisconsin
Local Option Taxes on Gasoline (Chicago)	\$74	\$0	\$0	\$0	\$0
Local Option Registration Fee (Chicago, Milwaukee, Minneapolis)	\$88	\$0	\$0	\$10	\$50
Total State Registration Fees	\$101	\$233	\$162	\$295	\$75
Total State Taxes/Fees on Gasoline	\$244	\$207	\$271	\$193	\$222

Impact of 5 Cent Motor Fuel Tax Increase

- Analysis assumes a family with 1 sedan and 1 SUV
 - Sedan (29.2 mpg) driven 8,000 miles per year
 - SUV (22.2 mpg) driven 12,000 miles per year
- Current estimated annual motor fuel tax paid for the above family is \$252
- Estimated annual motor fuel tax paid increases by approximately \$40 or 15.8%
- A 5 cent increase of motor fuel taxes would generate about \$165 million annually