

LOCAL OPTION MOTOR FUEL TAX

Description

The state of Texas levies a flat 20 cent per gallon tax on gasoline and diesel fuels. Local regions could require an additional gas and diesel tax that would be levied on local fuels.



How Will This Help?

- **Provide additional funds for local projects** – Creating a local motor fuels tax would provide funds to reduce traffic congestion and help maintain the safety and quality of local roadways.
- **Increase the number of projects completed** – Having additional local revenue could mean a project's schedule gets moved up or the scope gets expanded. Additional revenue could also result in additional projects being funded that otherwise would not.
- **Helps the fuel tax to keep pace with rising highway construction costs** – Since 1991, road construction and maintenance costs have almost doubled, while the state motor fuels tax has remained at the same rate. Creating a local motor fuels tax would help bridge this gap.

What's the Down-Side?

- **General opposition to fee increases** – The Legislature and the public have recently been opposed to any tax or fee increases.
- **Additional local fees may dissuade new businesses** – The local fee will only apply to fuel sold in the local area. An additional tax may detract new businesses and slow economic growth.

Estimated Funding Yield

Local 1 cent/gal. tax would, from 2014 to 2017, yield an estimated:

- \$33 million in Austin,
- \$127 million in Dallas-Ft. Worth,
- \$114 million in Houston, and
- \$40 million in San Antonio.

Local 5 cent/gal. tax would, from 2014 to 2017, yield an estimated:

- \$166 million in Austin,
- \$635 million in Dallas-Ft. Worth,
- \$571 million in Houston, and
- \$198 million in San Antonio.

Around the Nation

Florida allows counties to levy a local option motor fuel tax that varies depending on county population. Tax funds go directly toward road maintenance and bridge repairs.

Implementation Issues

- Low cost to implement, no new technology or increased costs of compliance to users.
- Legislative action is required to implement this funding change.
- Local voter/users would need to be educated regarding the costs and benefits.