

# Vermont Legislative Joint Fiscal Office

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## ISSUE BRIEF

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### **H. 438 – 2% Assessment on the retail price of gasoline – How it works**

H. 438 imposes a 2% assessment on the retail price of gasoline. Revenue from the assessment (along with a 3 cent-per-gallon assessment on diesel fuel) is segregated from all other transportation fund revenue in a special fund, the Transportation Infrastructure Bond fund, which is dedicated to payment of the debt service on transportation infrastructure bonds. Revenue in excess of debt service requirements may be expended on transportation capital projects. This brief describes how the 2% retail assessment will work.

Collection at the distributor level: Current law imposes a 19 cent-per-gallon tax and a 1 cent-per-gallon petroleum clean up fee on the sale of gasoline. The tax and fee are collected by distributors when they sell fuel to retail stations. To avoid changing the collection system, the 2% retail assessment will also be collected by distributors. Since the final retail price is not known at the time of the distributor sale, the 2% assessment is not based on the at-the-pump price but instead is based on the average retail price of gasoline during the prior calendar quarter.

Department of Public Service: DPS surveys stations on a statewide basis each month and publishes a report of average prices. See <http://publicservice.vermont.gov/pub/pub.html>. The “retail price” for purposes of the 2% assessment which is applicable, for example, in the 2d calendar quarter (April-June) shall be the average of the average retail prices for regular gasoline reported by DPS in the first calendar quarter (January-March). DPS will publish its survey results by the 20<sup>th</sup> of each month and in March, June, September and December DMV will compute the quarterly average applicable for the following quarter and inform the distributors.

Example: Since the retail price applicable during any calendar quarter is a fixed dollar amount that applies to all sales, the 2% assessment in any particular quarter can be reduced to a cent-per-gallon equivalent. Suppose, for example, that the average retail price for a quarter is determined to be \$2.00 a gallon. Subtracting state and federal cent-per-gallon taxes, the 2% assessment is imposed on \$1.616. Multiplying the assessed amount by 2%, the assessment for the following quarter is reduced to a fixed cent-per-gallon amount of  $\$1.616 * 2\% = \$0.032$  per gallon. On all sales during the quarter, the distributor would collect  $19 + 1 + 3.2 = 23.2$  cents per gallon.