



Senate Bill 574

Motor Fuel Tax – Exemption – Use in City- or County-Owned Vehicles

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

Date: February 20, 2013

From: Andrea Mansfield

The Maryland Association of Counties (MACo) **SUPPORTS** SB 574. This bill would grant county governments the same motor fuel tax exemption afforded to the State.

Under current law, counties are required to pay the motor fuel tax on motor fuel purchased by the county for county-owned vehicles. The State was also required to pay the motor fuel tax in a comparable situation until Fiscal Year 2006, when an exemption was provided for motor fuel purchased by the Department of General Services for use by State agencies. SB 574 seeks the same exemption for motor fuel purchased in bulk by a county and dispensed at a county-owned fuel station for use in county-owned vehicles. Based on a survey of county governments, this would save counties approximately \$7 million annually – needed relief to a county's budget that could be used to fund transportation or other priorities.

An amendment being offered to the bill by the sponsor at MACo's request would also authorize a county to request a refund of motor fuel taxes from the Comptroller's Office. This amendment mirrors the State motor fuel tax exemption process. Some fuel stations may be multiuse sites, meaning that other organizations purchase gas from the site. If this is the case, a county may not be able to purchase the motor fuel tax exempt; instead the county would need to submit documentation to request a refund of the motor fuel tax paid for county-owned vehicles.

MACo believes this legislation promotes parity. Just as governmental entities typically do not tax one another based on sales or income, this same logic should apply to the motor fuel tax. Extending this current exemption would eliminate the requirement of one taxpayer-supported fund subsidizing another.

Accordingly, MACo urges the Committee to issue a **FAVORABLE** report on SB 574.