



NORTH CAROLINA

Department of Transportation



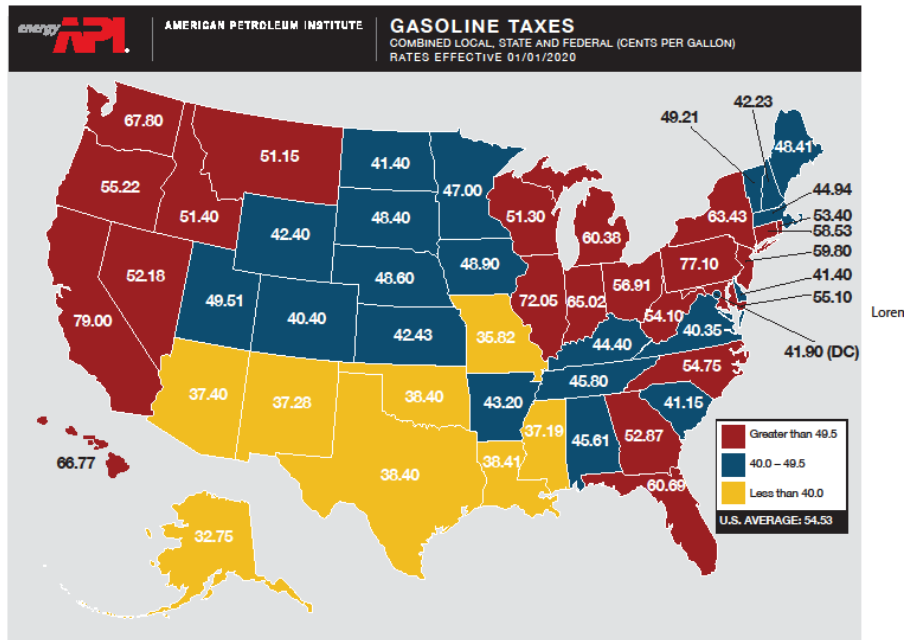
Modernizing Existing Revenue Sources

Amna Cameron

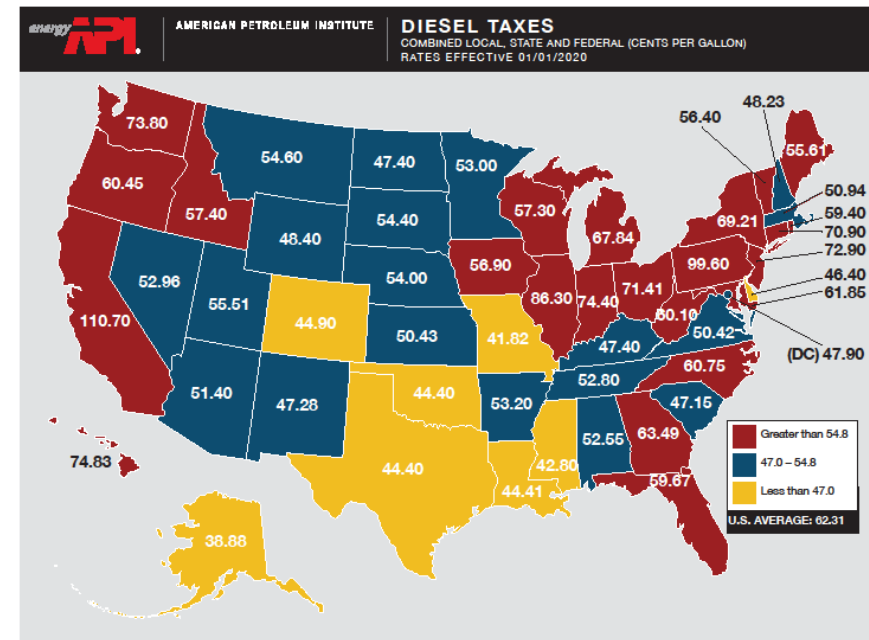
July 31, 2020

Motor Fuels Tax

- Annual rate, set by formula, changes on January 1
- 36.1 cents per gallon (cpg) plus 0.25 inspection fee
- North Carolina's tax rates are near national average (36.13 cpg/gas; 37.91 cpg/diesel) but high compared to neighboring states



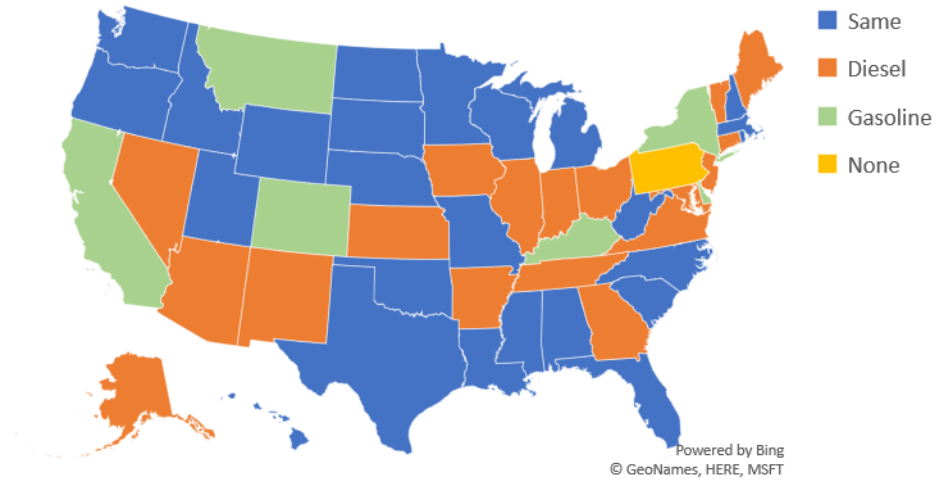
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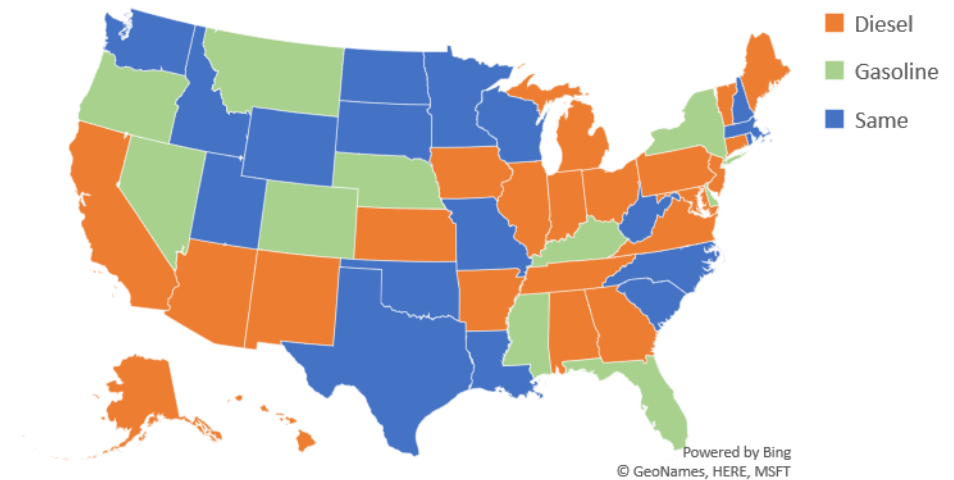
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Motor Fuels Tax

State Motor Fuels Taxes



State Motor Fuels Taxes and Fees



- Many states levy different motor fuels tax rates
 - Tax only: 18 states tax diesel higher and 6 states tax gas higher
 - Combined: 22 states tax diesel higher and 10 states tax gas higher

Motor Fuels Tax

Refunds and exemptions include:

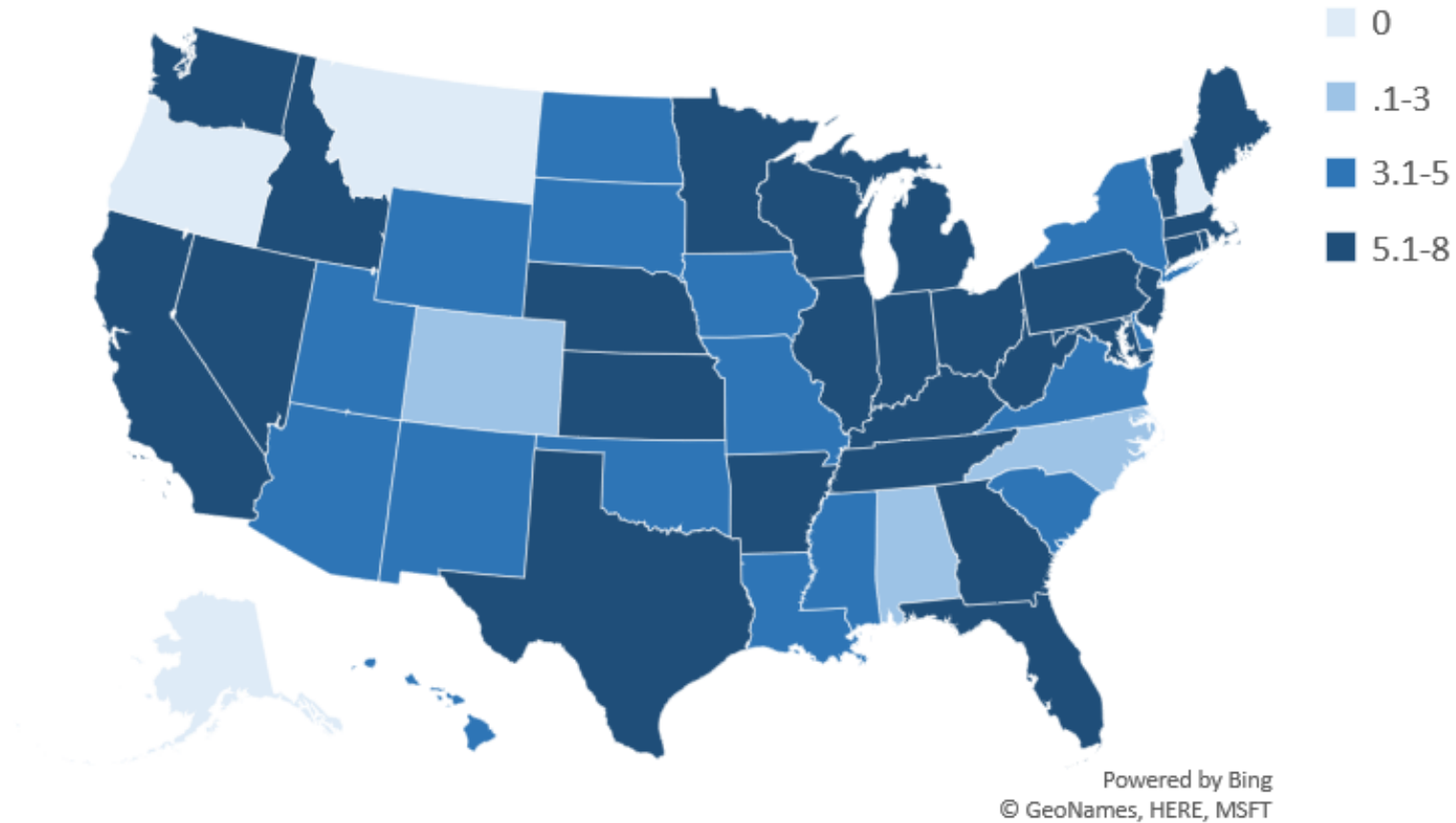
- Commercial vehicles using fuel for equipment (i.e. power takeoff)
- Nonprofits
- Volunteer fire and rescue squads
- Off-highway use
- Schools
- Governments
- Hospitals
- 1% discount for timely payment (\$22 million)

Motor Fuels Tax

Options for Consideration

- Enact a sales tax in addition to or in lieu of motor fuels tax
- Enact a miles-based user fee
- Increase tax on diesel or gasoline
 - Gasoline: One penny equals \$40 million
 - Diesel: One penny equals \$10 million
- Reduce or eliminate refunds or exemptions
- Apply separate excise tax on items where funds are diverted from NCDOT (leaking underground storage tanks; dredging; Water and Air Quality Account, Wildlife Resources Fund)
- Authorize local option motor fuels taxes
- Adjust formula

Highway Use Tax (HUT)



- 3%: NC rate is among the lowest in the nation
- Rate has never been adjusted
- 8 states do not allow net of trade exemption

Highway Use Tax (HUT) Comparison

Alabama	Florida	Georgia	Kentucky	North Carolina	South Carolina	Tennessee	Virginia	West Virginia
2% plus local tax	6% plus local tax	6.6%	6% (no NOT)	3%	5% or maximum of \$500	7%	4.15% (no NOT)	6%
\$300	\$900	\$990	\$1200	\$450	\$500	\$1,050	\$830	\$900

Assumes \$20,000 purchase price and \$5,000 net-of-trade (NOT) exemption

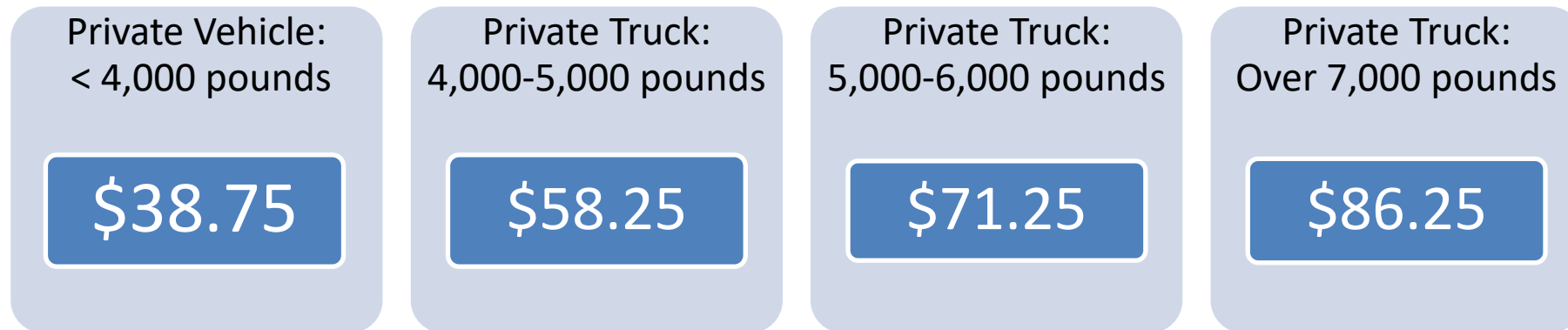
Highway Use Tax (HUT)

Options for Consideration

- Raise the tax rate
- Eliminate, apply a cap, or vary rate based on purchase price for net-of-trade transactions
- Eliminate or raise existing \$2,000 cap on:
 - Class A vehicles (commercial vehicles)
 - Class B vehicles (recreational vehicles)
- Authorize local option tax

DMV: Registration Fees

- NCDMV registration fees varies by weight
- Inflationary increase on 7/1/2020



- Other states have flat fees, or the fee is based on weight, vehicle age, horsepower, or vehicle value
 - Missouri Commission (2018) recommended switch from horsepower to MPG

DMV: License Fees

- NCDMV flat license fee on 7/1/2020



- Average state annual license fee is approximately \$6.70, with private passenger car fees ranging from \$2.08 to \$21.25 per year

DMV: Commercial fees

North Carolina varies the rate by vehicle weight

- Is the rate commiserate to cost to repair road damage?

Fees from other states:

- Combination weight and miles travelled (KY, NY, NM, OR)
- Miles-based (OR, UT)
- Flat fee (IN Transportation Infrastructure Improvement Fee (\$15/annually))

DMV Fees

Options for Consideration

- Are the rates competitive with other states?
- Increase personal vehicle registration fees
- Vary commercial vehicle IRP fees and motor carrier surcharge fees to account for vehicle weight and associated road damage
- Consider annual fee dedicated to maintenance, like \$15 Indiana fee for infrastructure improvements
- Apply inflationary adjustment yearly

Ferry Tolling

NCDOT has 7 ferry routes

3* routes are to tolled

(one way fare for vehicle under 20')

- Ocracoke/Cedar Island: \$15
- Ocracoke/Swan Quarter: \$15
- Southport/Fort Fisher: \$7

\$10 toll on remaining routes
\$5 million



*Excludes time limited passenger ferry from Hatteras to Ocracoke

General Fund Transfers

Should NCDOT receive General Fund monies to support transportation investments?

- General sales tax revenue
- General fund appropriations

General Fund Transfers

Should NCDOT receive “transportation-related” revenues deposited in General Fund?

- Short-term rental leases
- Vehicle subscription services and car sharing companies
- Sales tax on transportation-related goods and services (auto parts, repairs, tires)

General Fund Transfers

Should NCDOT receive General Fund monies that indicate increased use of the transportation system?

- Sales tax on e-commerce
- Sales tax on shipping