



WYOMING LEGISLATIVE SERVICE OFFICE

Memorandum

DATE October 16, 2023

TO Members, Joint Transportation, Highways and Military Affairs Interim Committee

FROM Taylor DuPont, Associate Fiscal Analyst

SUBJECT Diesel Fuel and Registration Fee Amendments

Members of the Joint Transportation, Highways and Military Affairs Interim Committee (Committee) requested LSO staff to estimate what increase in the diesel fuel tax would be needed to offset the repeal of state vehicle registration fees for diesel vehicles.

Short Answer:

Applying bounded estimates of exemptions, the revenue decrease from reducing all passenger car, truck, and commercial diesel vehicle registration fees by their full amount to \$0 would be offset by an estimated increase to the diesel tax of 2.5-4.0 cents, with the most likely estimate around **3.5 cents**.

Explanation, Detail, Limitations, and Assumptions:

Based on the Wyoming Department of Transportation (WYDOT)'s forecast of diesel tax collections for fiscal year (FY) 2025, each penny of diesel fuel tax is forecast to raise about \$3.4 million, distributed 75 percent to the Highway Fund, 20 percent to counties, and 5 percent to cities and towns.

In WYDOT's Revenue Information System (RIS) as of October 9, 2023, there are an estimate 3,210 passenger cars, 75,162 trucks, and 10,769 commercial vehicles either registered as diesel vehicles, or with an unknown fuel type and assumed to be diesel vehicles based on the ratio of diesel to gasoline vehicles among known fuel-type vehicles. The state registration fee for passenger cars in W.S. 31-3-101(a)(ii)(A) is \$30, and the fee for trucks in W.S. 31-3-101(a)(ii)(E) ranges between \$5 and \$90, based on weight. WYDOT reports most trucks pay \$90 dollars, so this analysis assumes all 75,162 trucks pay \$90, in order to produce an upper bound on the estimate. Total fee revenue from diesel passenger cars and trucks is therefore an estimated \$6.9 million.

The fee for commercial vehicles is based on gross vehicle weight per W.S. 31-18-401(a)(ii)(A), and many commercial vehicles receive a percentage exemption on the fee as listed in W.S. 31-18-401(b)(ii) or (iii), meaning these vehicles pay anywhere from 15 percent to 75 percent of the original fee. WYDOT does not track or monitor these exemptions, so available data does not allow exact calculation of total fee revenue from commercial vehicles. However, the total number of commercial vehicles taking exemptions is known, so to try to account for these exemptions in the estimate, LSO staff produced lower and upper bounds on commercial diesel vehicle registration fees by assuming the exemptions were the highest and lowest,

respectively, they could be. For the lower bound, assuming the commercial vehicles taking exemptions had the most expensive registrations and took the largest exemption, total fee revenue from commercial vehicles is an estimated \$1.6 million. On the high end, assuming the vehicles taking exemptions had the least expensive registrations and took the smallest exemption, total fee revenue from commercial vehicles is an estimated \$6.2 million. The actual revenue decrease, and offsetting diesel tax increase, would be between those two estimates when considering exemptions.

Total fee revenue from passenger cars, trucks, and commercial vehicles therefore ranges between an estimated \$8.5 million and an estimated \$13.1 million, with the most likely estimate around \$10.8 million. Reducing these fees to \$0 would require an increase in the diesel fuel tax of an estimated 2.5 cents to 4.0 cents. This estimate includes known vehicle registrations, assumptions about the prevalence of diesel vehicles among vehicles with an unknown fuel type, and assumptions about commercial exemptions.

The revenue decrease resulting from reducing registration fees on vehicles whose registration fees are collected and apportioned to multiple states on a pro-rata basis cannot be estimated with available data. Neither LSO nor WYDOT staff have the ability to accurately predict the impact of multi-state registrations on the estimate. Nonetheless, the result will be higher, not lower, than the net result of all other factors (known registration collections, estimated exemptions, and estimated vehicles with unknown fuel types). As a result, a best guesstimate of a net neutral approach would be on the order of a 3.5 cent increase in diesel fuel taxes to conservatively offset the elimination of vehicle registration fees for diesel fuel vehicles. The actual amount might reasonably fall between 3.0 and 4.5 cents.

WYDOT estimates that Wyoming residents pay about 38 percent of diesel fuel taxes, while the remaining 62 percent is paid by non-residents. Wyoming residents pay all registration fees for vehicles registered in the state. Additionally, registration fees are distributed 100 percent to the Highway Fund, while diesel fuel taxes are not, so even though the policy is estimated to be neutral with respect to total revenue, the Highway Fund would see a revenue decrease and counties and municipalities would see a matching revenue increase.

If you have further questions, please advise.