



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

April 16, 2015

TO: Representative John Nygren
Room 309 East, State Capitol

FROM: Fred Ammerman, Program Supervisor

SUBJECT: Automobile Tax and Fee Comparison in Wisconsin and Neighboring States -- Based on Taxes on Gasohol

At your request, I am providing information comparing state taxes and fees on gasohol sales and for automotive registration in Wisconsin and the four neighboring states. The first sections of this memorandum provide information on the related tax and fee structures for these states. The final section provides information on the combined taxes and fees for various hypothetical automobile owners in each state.

State Taxes and Fees on Gasoline, Gasohol, and E-85 Sales

Each of the states has a fixed excise tax on sales of gasoline, with the lowest rate being 19 cents per gallon in Michigan and Illinois. While Iowa has a separate excise tax rate of 31.0 cents per gallon for gasoline that contains no ethanol, the excise tax rate for gasohol (gasoline blended with 10% ethanol), which represents the vast majority of sales in the state, is 29.0 cents per gallon. Minnesota has a lower tax rate for motor fuel containing 85% ethanol (E-85). Each state imposes an additional fee to fund clean-up of leaking underground storage tanks, similar to the petroleum inspection fee in Wisconsin. Finally, Illinois and Michigan impose their state sales tax on sales of gasoline. In Illinois, the sales tax of 6.25% is imposed on the sales price minus the state excise tax. Illinois also has a lower sales tax rate (80% of the 6.25% rate) on gasohol. E-85 is exempt from the state's sales tax in Illinois. In Michigan, the sales tax of 6.0% is imposed on the sales price minus the state motor fuel excise tax and fees.

The following table summarizes the state taxes and fees on gasoline, gasohol, and E-85 sales in each state. The sales taxes in Illinois and Michigan will produce a varying cents-per-gallon equivalent depending on the price of gasoline. For this table, a retail price of \$2.38 per gallon is used. This is the average, weekly price for April 6, 2015, for all grades of gasoline for the Midwest region, as reported by the U.S. Energy Information Administration. The cents-per-gallon equivalent will vary by 3.125 cents per gallon in Illinois (2.5 cents per gallon for gasohol) and by 3.0 cents per gallon in Michigan for each 50-cent per gallon change in price.

**Sales Taxes and Fees on Gasoline, Gasohol, and E-85 Sales
(In Cents per Gallon)**

	<u>Excise Tax</u>	<u>Environmental Fees</u>	<u>Sales Tax on \$2.38/Gallon</u>	<u>Total</u>
Illinois*				
Gasoline	19.0¢	1.1¢	13.7¢	33.8¢
Gasohol	19.0	1.1	11.0	31.1
E-85	19.0	1.1	---	20.1
Iowa				
Gasoline	31.0	1.0	---	32.0
Gasohol & E-85	29.0	1.0	---	30.0
Michigan **	19.0	0.875	13.1	33.0
Minnesota				
Gasoline & Gasohol	28.5	0.1	---	28.6
E-85	20.25	0.1	---	20.25
Wisconsin	30.9	2.0	---	32.9

* 6.25% sales tax on price net of state motor fuel excise tax.

**6.0% sales tax on price net of state motor fuel excise tax and fees.

Automobile Registration Fees

Wisconsin and Illinois each have a flat fee for automobile registration, equal to \$75 in Wisconsin and \$101 in Illinois. The registration fee structures in Iowa, Michigan, and Minnesota all include variable fees based on the price of the vehicle and the vehicle's age. The fee structure used in each state is described below.

Iowa. Registration fees in Iowa are based on the vehicle's list price and the number of model years old, plus the weight of the vehicle. For the first seven years, the value-based component equals 1% of list price. This drops to 0.75% for the eighth and ninth year and then to 0.5% for the tenth and eleventh year. For the twelfth and subsequent years, this component of the fee equals \$50. The weight-based component is identical for all years and equals \$0.40 per hundred pounds of vehicle weight.

Michigan. Michigan's vehicle registration system is based on the manufacturer's suggested retail price (MSRP) of the vehicle. The fee for a new vehicle is determined according to a statutory schedule, under which vehicles are categorized in \$1,000 increments. The fee is equal to 0.5% of the MSRP, where the base of the calculation is the \$600 mark within the \$1,000 range. For instance, a new vehicle with a MSRP of \$24,800 would have a fee of \$123 (\$24,600 X .005). A new vehicle with a MSRP of \$6,000 or less would have a fee of \$30, which may have applied to some vehicles when the schedule was created in 1984, but is not likely to affect any new vehicles currently. Vehicles with a model year earlier than 1984 are registered according to the state's previous fee schedule, which was based upon the weight of the vehicle.

In subsequent years, the fee paid is reduced as follows: (a) in the second year, the registration fee is equal to 90% of the fee for the first year (a \$123 fee, for instance, would become \$111); (b) in the third year, the registration fee is equal to 90% of the fee in the second year (the

\$111 fee would decline to \$100); and (c) in the fourth year and subsequent years, the registration fee would decline to 90% of the fee in the third year (the \$100 fee would decline to \$90). In addition, until October 1, 2015, fees of \$2.25 for traffic law enforcement and safety and \$5.75 for transportation administration collection are collected for each registration.

Minnesota. In Minnesota, automobiles are subject to an annual registration fee of \$10, plus an additional amount equal to 1.25% of the base value. With certain exceptions, vehicle base value is determined by MSRP and the age of the vehicle. In the first year of a vehicle's life, the base value is generally equal to 100% of the MSRP. In each successive year, through the tenth year of a vehicle's life, this base value amount is adjusted downward by increments of 10% of the original MSRP. For instance, in the second year of the vehicle's life, the base value is equal to 90% of the original MSRP, whereas in the tenth year, it is equal to 10% of that value. For vehicles 11 years old and older, the annual registration fee is equal to the basic \$10 registration fee, plus an ongoing flat fee equal to \$25, for a total fee of \$35. In addition, registration renewals include a \$6 filing fee (\$10 for original registration) and a \$1 technology surcharge (scheduled to sunset on June 30, 2016).

Comparison of Annual State Taxes and Fees -- Based on Taxes on Gasohol

The annual state taxes and fees paid by an automobile owner will vary based on a number of factors that will each affect a state-to-state comparison in different ways. Gasohol taxes paid will vary based on the number of miles driven and the fuel efficiency of the vehicle. In Illinois and Michigan, the sales tax component of gasohol taxes will also vary with the price of gasohol, although this analysis is based on the current average price of \$2.38 per gallon in the Midwest region. Registration fees, while constant in Illinois and Wisconsin, will vary with the price and age of a vehicle in Iowa, Michigan, and Minnesota and with the weight of a vehicle in Iowa (this analysis uses a constant weight of 3,600 pounds). In order to capture the effect of these variations, this analysis uses the following variables: (1) vehicles with a MSRP when new of either \$25,000 or \$35,000; (2) driving either 8,000 miles, 12,000 miles, or 16,000 miles in a year; (3) fuel efficiency of either 15 miles per gallon (MPG), 22.5 MPG, or 30 MPG; and (4) age of either brand new, six years old, or 12 years old or older (after 12 years, the renewal fee in all five states remains constant). Based on Division of Motor Vehicles data through 2014, about 45% of automobiles in Wisconsin were 12 years old or older.

The results of this analysis are presented in the three attachments to this memorandum. Each attachment shows the total state taxes and fees paid in each of the five states for the various combinations of vehicle price, miles driven, and fuel efficiency, as well as the corresponding amounts per mile driven. Attachment 1 provides figures for a new automobile, while Attachments 2 and 3 show corresponding amounts for a six-year old and 12-year old or older vehicle, respectively.

I hope this information is helpful. Please let me know if you have any questions or need additional information.

FA/sas
Attachments

ATTACHMENT 1

Comparison of Annual State Taxes and Fees by State for a New Automobile (Based on Taxes on Gasohol)

	<u>Total State Taxes and Fees</u>					<u>State Taxes and Fees Per Mile</u>				
	<u>IA</u>	<u>IL</u>	<u>MI</u>	<u>MN</u>	<u>WI</u>	<u>IA</u>	<u>IL</u>	<u>MI</u>	<u>MN</u>	<u>WI</u>
\$25,000 MSRP										
<i>8,000 Miles</i>										
15 MPG	\$424	\$267	\$307	\$486	\$250	5.3¢	3.3¢	3.8¢	6.1¢	3.1¢
22.5 MPG	371	211	248	435	192	4.6	2.6	3.1	5.4	2.4
30 MPG	344	184	219	410	163	4.3	2.3	2.7	5.1	2.0
<i>12,000 Miles</i>										
15 MPG	504	349	395	562	338	4.2	2.9	3.3	4.7	2.8
22.5 MPG	424	267	307	486	250	3.5	2.2	2.6	4.1	2.1
30 MPG	384	225	263	448	207	3.2	1.9	2.2	3.7	1.7
<i>16,000 Miles</i>										
15 MPG	584	432	483	639	426	3.7	2.7	3.0	4.0	2.7
22.5 MPG	478	322	365	537	309	3.0	2.0	2.3	3.4	1.9
30 MPG	424	267	307	486	250	2.7	1.7	1.9	3.0	1.6
\$35,000 MSRP										
<i>8,000 Miles</i>										
15 MPG	524	267	357	611	250	6.6	3.3	4.5	7.6	3.1
22.5 MPG	471	211	298	560	192	5.9	2.6	3.7	7.0	2.4
30 MPG	444	184	269	535	163	5.6	2.3	3.4	6.7	2.0
<i>12,000 Miles</i>										
15 MPG	604	349	445	687	338	5.0	2.9	3.7	5.7	2.8
22.5 MPG	524	267	357	611	250	4.4	2.2	3.0	5.1	2.1
30 MPG	484	225	313	573	207	4.0	1.9	2.6	4.8	1.7
<i>16,000 Miles</i>										
15 MPG	684	432	533	764	426	4.3	2.7	3.3	4.8	2.7
22.5 MPG	578	322	415	662	309	3.6	2.0	2.6	4.1	1.9
30 MPG	524	267	357	611	250	3.3	1.7	2.2	3.8	1.6

MSRP = manufacturer's suggested retail price when new.
MPG = miles per gallon.

ATTACHMENT 2

Comparison of Annual State Taxes and Fees by State for a Six-Year Old Automobile (Based on Taxes on Gasohol)

	Total State Taxes and Fees					State Taxes and Fees Per Mile				
	<u>IA</u>	<u>IL</u>	<u>MI</u>	<u>MN</u>	<u>WI</u>	<u>IA</u>	<u>IL</u>	<u>MI</u>	<u>MN</u>	<u>WI</u>
\$25,000 MSRP										
<i>8,000 Miles</i>										
15 MPG	\$424	\$267	\$273	\$326	\$250	5.3¢	3.3¢	3.4¢	4.1¢	3.1¢
22.5 MPG	371	211	215	275	192	4.6	2.6	2.7	3.4	2.4
30 MPG	344	184	186	250	163	4.3	2.3	2.3	3.1	2.0
<i>12,000 Miles</i>										
15 MPG	504	349	361	402	338	4.2	2.9	3.0	3.4	2.8
22.5 MPG	424	267	273	326	250	3.5	2.2	2.3	2.7	2.1
30 MPG	384	225	230	288	207	3.2	1.9	1.9	2.4	1.7
<i>16,000 Miles</i>										
15 MPG	584	432	449	478	426	3.7	2.7	2.8	3.0	2.7
22.5 MPG	478	322	332	377	309	3.0	2.0	2.1	2.4	1.9
30 MPG	424	267	273	326	250	2.7	1.7	1.7	2.0	1.6
\$35,000 MSRP										
<i>8,000 Miles</i>										
15 MPG	524	267	310	388	250	6.6	3.3	3.9	4.9	3.1
22.5 MPG	471	211	251	337	192	5.9	2.6	3.1	4.2	2.4
30 MPG	444	184	222	312	163	5.6	2.3	2.8	3.9	2.0
<i>12,000 Miles</i>										
15 MPG	604	349	398	465	338	5.0	2.9	3.3	3.9	2.8
22.5 MPG	524	267	310	388	250	4.4	2.2	2.6	3.2	2.1
30 MPG	484	225	266	350	207	4.0	1.9	2.2	2.9	1.7
<i>16,000 Miles</i>										
15 MPG	684	432	486	541	426	4.3	2.7	3.0	3.4	2.7
22.5 MPG	578	322	369	439	309	3.6	2.0	2.3	2.7	1.9
30 MPG	524	267	310	388	250	3.3	1.7	1.9	2.4	1.6

MSRP = manufacturer's suggested retail price when new.
MPG = miles per gallon.

ATTACHMENT 3

Comparison of Annual State Taxes and Fees by State for a 12-Year Old or Older Automobile (Based on Taxes on Gasohol)

	<u>Total State Taxes and Fees</u>					<u>State Taxes and Fees Per Mile</u>				
	<u>IA</u>	<u>IL</u>	<u>MI</u>	<u>MN</u>	<u>WI</u>	<u>IA</u>	<u>IL</u>	<u>MI</u>	<u>MN</u>	<u>WI</u>
\$25,000 MSRP										
<i>8,000 Miles</i>										
15 MPG	\$224	\$267	\$273	\$195	\$250	2.8¢	3.3¢	3.4¢	2.4¢	3.1¢
22.5 MPG	171	211	215	144	192	2.1	2.6	2.7	1.8	2.4
30 MPG	144	184	186	118	163	1.8	2.3	2.3	1.5	2.0
<i>12,000 Miles</i>										
15 MPG	304	349	361	271	338	2.5	2.9	3.0	2.3	2.8
22.5 MPG	224	267	273	195	250	1.9	2.2	2.3	1.6	2.1
30 MPG	184	225	230	156	207	1.5	1.9	1.9	1.3	1.7
<i>16,000 Miles</i>										
15 MPG	384	432	449	347	426	2.4	2.7	2.8	2.2	2.7
22.5 MPG	278	322	332	245	309	1.7	2.0	2.1	1.5	1.9
30 MPG	224	267	273	195	250	1.4	1.7	1.7	1.2	1.6
\$35,000 MSRP										
<i>8,000 Miles</i>										
15 MPG	224	267	310	195	250	2.8	3.3	3.9	2.4	3.1
22.5 MPG	171	211	251	144	192	2.1	2.6	3.1	1.8	2.4
30 MPG	144	184	222	118	163	1.8	2.3	2.8	1.5	2.0
<i>12,000 Miles</i>										
15 MPG	304	349	398	271	338	2.5	2.9	3.3	2.3	2.8
22.5 MPG	224	267	310	195	250	1.9	2.2	2.6	1.6	2.1
30 MPG	184	225	266	156	207	1.5	1.9	2.2	1.3	1.7
<i>16,000 Miles</i>										
15 MPG	384	432	486	347	426	2.4	2.7	3.0	2.2	2.7
22.5 MPG	278	322	369	245	309	1.7	2.0	2.3	1.5	1.9
30 MPG	224	267	310	195	250	1.4	1.7	1.9	1.2	1.6

MSRP = manufacturer's suggested retail price when new.

MPG = miles per gallon.