

Fuel Taxes in Pennsylvania

Background

Pennsylvania has a “two-tier system” for the assessment of fuel taxes. This system was originally designed in 1981 with the establishment of the Oil Company Franchise Tax (OCFT) in addition to the Flat Tax on fuel.

Each state has a unique way of calculating its fuel taxes and Pennsylvania is not alone. The chart below lists the current Pennsylvania gasoline and diesel tax rates.

Pennsylvania’s Fuel Tax Rates *(in effect for 2011)*

Tax Type	Gas Tax Rate	Diesel Tax Rate
Federal Tax Rate	18.4 cents	24.4 cents
Flat Tax	12.0 cents	12.0 cents
OCFT	19.2 cents	26.1 cents
Underground Storage Tank Indemnification Fund	1.1 cents	1.1 cents
TOTAL—PA only:	32.3 cents	39.2 cents
GRAND TOTAL:	50.7 cents	63.6 cents

Note: all rates are per gallon equivalents

How the Rates are Calculated

Federal Flat Tax: The rate of 18.4 cents per gallon for gasoline and 24.4 cents per gallon for diesel is set by federal law and has not been changed since 1993.

State Flat Tax: Pennsylvania first established a fuel “flat tax” in 1931. Many changes to this tax—mainly on the disbursement side—have been made throughout the years. Since 1983, however, the tax has remained at 12 cents per gallon. The tax primarily funds the general Motor License Fund, payments to municipalities and payments into the County Liquid Fuels Tax Fund.

Oil Company Franchise Tax (OCFT): This tax was first established in 1981 and is recalculated annually. The tax is based on the average wholesale price of fuel and is assessed on all fuels used or sold and delivered by distributors within Pennsylvania. The tax computation formula is set in state law and was increased in 1983, 1991 and 1997. The rate has remained unchanged since 1997. The tax formula contains a built-in cap which has kept the current rate in place since Jan. 1, 2006. The OCFT is used to fund the bulk of Pennsylvania’s highway and bridge construction and maintenance program. See the additional Fact Sheet entitled, “Calculating the Oil Company Franchise Tax” for a detailed explanation of how the tax is calculated.