

Fuel Taxes in Pennsylvania

Background

Prior to January 1, 2014, Pennsylvania had 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. The flat tax portion was repealed via Act 89 of 2013 and the entire taxing structure was shifted to the OCFT.

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 2017)*

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	58.2 cents	74.7 cents
Underground Storage Tank Indemnification Fund	1.1 cents	1.1 cents
TOTAL—PA only:	59.3 cents	75.8 cents
GRAND TOTAL:	77.7 cents	\$1.02

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 Since 1983, however, the tax remained at 12 cents per gallon until recently repealed by Act 89 of 2013.

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, 1997 and 2013. The rate remained unchanged since 1997 until the recent enactment of Act 89 of 2013, which eliminated the built-in tax cap and phased in increases over a five-year period. 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.