



North Dakota Legislative Council

Prepared by the Legislative Council Staff
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STATE-BY-STATE FUEL TAX RATE INDEXING

This memorandum provides the fuel tax rate indexing policies adopted by various states, focusing on both diesel and gasoline tax rates.

TAX RATE INDEXING - GASOLINE

In 2023, several states implemented indexing policies for gasoline fuel tax rates, adjusting these rates periodically to respond to economic conditions and infrastructure needs¹. In California, the gasoline tax rate is indexed with a rate of 53.9 cents per gallon. Florida indexes its gasoline tax rate annually at 40.68 cents per gallon, along with a county-variable State Comprehensive Enhanced Transportation System (SCETS) tax². Michigan uses a flat excise tax of 26.3 cents per gallon, which is indexed to the Consumer Price Index (CPI), with annual increases capped at 5 percent³. New York adjusts its gasoline tax rate annually, incorporating the Petroleum Business Tax of 17 cents per gallon, bringing the total gasoline tax to 26.15 cents per gallon⁴. North Carolina adjusts the gasoline tax rate semiannually, with a rate of 40.75 cents per gallon⁵.

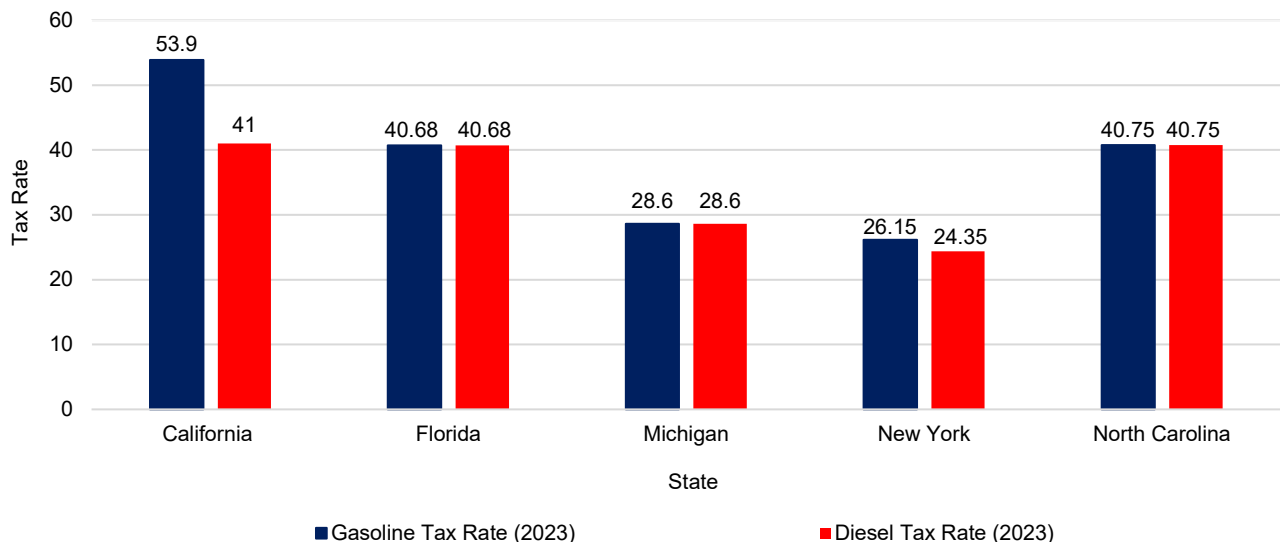
TAX RATE INDEXING - DIESEL

For diesel fuel, several states have adopted indexing mechanisms that adjust rates based on economic factors and the need for infrastructure funding⁶. California has an annual indexing system for diesel fuel, with a tax rate of 41 cents per gallon⁷. Florida applies an annual indexing system for diesel fuel, maintaining a rate of 40.68 cents per gallon⁸. Michigan adjusts the diesel fuel tax rate to 28.6 cents per gallon⁹. North Carolina employs a semiannual indexing system for diesel fuel, with a rate of 40.75 cents per gallon¹⁰. Similarly, New York adjusts its diesel fuel tax rate annually, with a base rate of 24.35 cents per gallon, which includes the Petroleum Business Tax (PBT) of 17 cents per gallon¹¹.

STATE-BY-STATE COMPARISON OF INDEXED RATES

The following chart shows a comparison of the 2023 indexed gasoline and diesel tax rates by state:

State-by-State Comparison of Indexed Gasoline and Diesel Tax Rates (2023)



ANALYSIS OF FUEL TAX INDEXING MECHANISMS

The indexing policies employed by states are designed to ensure that fuel tax rates remain responsive to economic conditions, inflation, and the financial needs of infrastructure projects¹². Many states, such as California, Florida, and New York, adjust their fuel tax rates annually¹³. This annual adjustment ensures the tax rates reflect economic changes, inflation, and evolving public infrastructure needs. A few states and districts, such as Indiana, Vermont, the District of Columbia, and Nebraska, implement more frequent adjustments by adjusting rates either monthly, quarterly, or semiannually¹⁴. Some states, such as New York, base their adjustments on broader economic indices¹⁵. The fuel tax rates in New York include PBT and are adjusted annually to keep up with economic changes¹⁶. Florida incorporates additional taxes into its indexing mechanisms, including the SCETS tax, which varies by county¹⁷.

TAX RATE INDEXING POLICY IN 2023

The following table provides tax rate indexing policies implemented in various states:

State	Effective Date	Description	Gasoline Tax Rate (2023) ¹⁸	Diesel Tax Rate (2023) ¹⁹	Related Laws and Regulations
California	7/1/2010	The tax rates are indexed to inflation and adjusted annually based on the rate of inflation ²⁰ .	53.9	41	Cal. Revenue & Taxation Code § 7360
Florida	1/1/2023	Tax rates are variable and are adjusted annually. The tax on gasoline and gasohol includes a SCETS tax that varies by county.	40.68	40.68	Florida Statutes Annotated §206.41
Michigan	7/1/2013	The flat excise tax of 26.3 cents per gallon is indexed to the CPI, with annual increases capped at 5 percent ²¹ .	28.6	28.6	Michigan Compiled Laws § 205.75
New York	1/1/2023	Rates are variable and are adjusted annually. Rates include PBT of 17 cents per gallon. The gasoline rate includes 0.5 mill (5 cents) per gallon Petroleum Testing Fee ²² .	26.15	24.35	New York Tax Law § 523 § 301-j
North Carolina	1/1/2023	Rates are variable and are adjusted semiannually. Gas tax is calculated based on changes in the national CPI (25 percent of the new tax) and state population (75 percent of the new tax) ²³ .	40.75	40.75	North Carolina General Statutes §105-449.80 §105-449.81

¹ Federation of Tax Administration (FTA). *Motor Fuel Tax, Section Uniformity Guide*. September 2023.

² U.S. Department of Transportation, Federal Highway Administration. *Monthly Motor Fuel Report*. U.S. Department of Transportation, Federal Highway Administration. July 19, 2024.

https://www.fhwa.dot.gov/policyinformation/motorfuelhwy_trustfund.cfm

³ American Road & Transportation Builders Association (ARTBA), *Variable-Rate State Gas Taxes: A Resource Guide of Current Laws*, August 2017.

⁴ U.S. Department of Transportation, Federal Highway Administration. *Monthly Motor Fuel Report*. U.S. Department of Transportation, Federal Highway Administration. July 19, 2024.

https://www.fhwa.dot.gov/policyinformation/motorfuelhwy_trustfund.cfm.

⁵ Id.

⁶ Dumortier, Jerome, Fengxiu Zhang, and John Marron. "State and Federal Fuel Taxes: The Road Ahead for U.S. Infrastructure Funding." *Transport Policy*, vol. 53, Jan. 2017, pp. 39-49. <https://doi.org/10.1016/j.tranpol.2016.08.013>

⁷ U.S. Bureau of Transportation Statistics. *Motor Fuel Tax Rates*. U.S. Bureau of Transportation Statistics.

<https://www.bts.gov/explore-topics-and-geography/topics/transportation-and-economy/motor-fuel-tax-rates>

⁸ Id.

⁹ Id.

¹⁰ Id.

¹¹ Id.

¹² Kagan, Julia. "Tax Indexing: What It Is, How It Works, and Example." *Investopedia*, updated Oct. 31, 2024.

<https://www.investopedia.com/terms/t/tax-indexing.asp>

¹³ U.S. Bureau of Transportation Statistics. *Motor Fuel Tax Rates*. U.S. Bureau of Transportation Statistics.

<https://www.bts.gov/explore-topics-and-geography/topics/transportation-and-economy/motor-fuel-tax-rates>

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- ¹⁴ American Road & Transportation Builders Association (ARTBA), *Variable-Rate State Gas Taxes: A Resource Guide of Current Laws*, August 2017.
- ¹⁵ New York City Economic Development Corporation (NYCEDC), *State of the New York City Economy 2024*.
<https://edc.nyc/sites/default/files/2025-01/NYCEDC-State-of-the-NYC-Economy-2024-v3.pdf>
- ¹⁶ New York State Department of Taxation and Finance, *Petroleum Business Tax*, February 3, 2023.
<https://www.tax.ny.gov/bus/petrol/ptidx.htm>
- ¹⁷ Florida Department of Revenue, *Tax Information Publication TIP No. 23B05-03R*, issued November 14, 2023, revised February 29, 2024.
- ¹⁸ U.S. Bureau of Transportation Statistics. *Motor Fuel Tax Rates*. U.S. Bureau of Transportation Statistics.
<https://www.bts.gov/explore-topics-and-geography/topics/transportation-and-economy/motor-fuel-tax-rates>
- ¹⁹ Id.
- ²⁰ American Road & Transportation Builders Association (ARTBA), *Variable-Rate State Gas Taxes: A Resource Guide of Current Laws*, August 2017.
- ²¹ Id.
- ²² Id.
- ²³ Id.