Historical Tax Law Changes
Motor Vehicle Fuel Tax

Laws 1921, Chapter 116 first authorized the Arizona Motor Vehicle Fuel Tax. The tax was levied at a rate of 1¢ per gallon. Taxes were paid to the Secretary of State on or before the 15th day of each month and were deposited in the Gasoline Tax Fund. Collections in the Gasoline Tax Fund paid the expenses of the Secretary of State in administering the tax. The remaining deposits were transferred to the State Road Tax Fund. Under the provisions of Arizona Civil Code of 1913, Section 5123, 25% of collections in the State Road Tax Fund went to the state and 75% of the collections were apportioned to the counties for construction and maintenance of highways, roads and bridges. (E - June 9, 1921)

Laws 1922, Chapter 35 provided that monies formerly deposited in the State Road Tax Fund were deposited in two separate accounts within the General Fund. The share of State Road Tax Funds dedicated to the state was kept in the "25% apportionment account" and the share of road tax funds dedicated to the counties was kept in the "75% apportionment account." Under this law, all collections from the Gasoline Tax were deposited into one of these accounts within the General Fund and the Secretary of State's expenses in administering the tax were paid by an appropriation from the General Fund. (E - April 12, 1922)

Laws 1923, Chapter 76 increased the tax rate to 3¢ on each gallon of motor vehicle fuel sold. Under this law, 25% of fuel tax collections was deposited in the "25% apportionment account" in the General Fund and 25% of fuel tax collections was deposited in the "75% apportionment account" in the General Fund. The remaining 50% of fuel tax collections was distributed to several County Treasurers in proportion to the amount of fuel taxes received from each county. These provisions of the bill were vetoed by the Governor but the veto was ruled unconstitutional. [See Texas Co. vs. State (1927)]

Laws 1927, 4th Special Session, Chapter 2 established the State Highway Department and transferred the responsibility for administering the Motor Vehicle Fuel Tax to the new Department. The fuel tax rate was increased to 4¢ per gallon and taxpayers were allowed to claim a 1% reduction in tax liability for shrinkage of fuel. Under this law, 5/8 of the total fuel tax collections was dedicated to the newly created Highway Fund. The remaining 3/8 of collections was distributed to the County Treasurers in proportion to the fuel taxes received from each county. (E - August 11, 1927)

Laws 1931, Chapter 2 increased the tax rate to 5¢ per gallon until February 1, 1933. The distribution formula was amended to allocate 70% of net collections to the State Highway Fund and 30% to the counties until February 1, 1933. From and after February 1, 1933, the distribution was 3/8 to the counties and 5/8 to the State Highway Fund. (E - January 30, 1931)

Laws 1931-32, 1st Special Session, Chapter 16 extended the 5¢ per gallon fuel tax rate through June 30, 1933. The law also changed the distribution of fuel taxes. Under this law, 30% of the tax was distributed to the counties and 70% of the tax was distributed to the State Highway Fund till July 1, 1932. After July 1, 1932, the tax was distributed 40% to the counties and 60% to the State Highway Fund. (E - January 18, 1932)

Laws 1933, Chapter 27 permanently increased the tax rate to 5¢ per gallon. The law also changed the distribution of fuel tax collections beginning July 1, 1933. Under the new distribution, 60% of the fuel tax was dedicated to the State Highway Fund, 30% was dedicated to the counties and 10% was dedicated to the Reconstruction Finance Corporation. The share of taxes dedicated to the Reconstruction Finance Corporation was reallocated to the State Highway Fund after a period of two years. (E - March 2, 1933)

Laws 1943, Chapter 43 changed the due date for payment of fuel taxes to the 25th day of the month following the month in which the tax accrues. (E - March 12, 1943)

NOTE: (1) An initiative measure enacted in the election of November 5, 1946 provided that one-third of the amount distributed to the counties was redistributed by the counties to the incorporated cities and towns. (E - November 25, 1946)

(2) An amendment to the Arizona Constitution, enacted at the election of November 4, 1952, provided that the statutory formula allocating tax revenue to the counties and incorporated cities and towns could not be changed to reduce the percentage of net collections allocated to the counties or incorporated cities and towns. The amendment also provided that revenues derived from the fuel tax could only be used for highway-related purposes. (E - November 24, 1952)

Laws 1960, Chapter 130 provided that unclaimed and unrefunded taxes from sales of fuel used in watercraft were deposited in the State Lake Improvement Fund and unclaimed and unrefunded taxes from sales of fuel used in aircraft were deposited in the State Aviation Fund. (E - June 25, 1960)

Laws 1962, Chapter 21 provided that all taxes collected on gasoline sold for use in watercraft were retained by the state. Under this law, a fixed percentage of fuel tax collections was designated to be collections from sales of fuel used in watercraft. This percentage was to be established every three years through a survey conducted by the Highway Department or a public or private agency. Of the total amount of taxes collected from fuel used in watercraft, 90% was distributed to the State Lake Improvement Fund and 10% was used to pay the expense of conducting the survey and other expenses related to boating administrative duties. This distribution began in the month following the conclusion of the survey. (E - June 21, 1962)

Laws 1963, Chapter 84 increased the Motor Vehicle Fuel Tax rate to 6¢ on each gallon. The additional penny tax was distributed to the counties in proportion to their vehicle fuel sales. Under this law, 80% of the amount distributed to each county from the additional tax was redistributed to the incorporated cities and towns within the county in proportion to their populations. (E - April 4, 1963)

Laws 1964, Chapter 75 established the Arizona Highway Patrol Fund and authorized the Legislature to appropriate monies from the State Highway Fund to the new Highway Patrol Fund. The Highway Patrol Fund received 1/8 of any amount appropriated from the Highway Fund in each of the first eight months of the fiscal year. (E - July 1, 1964)

Laws 1965, Chapter 99 increased the Motor Vehicle Fuel Tax rate to 7¢ on each gallon. Of the 7¢, 2¢ was distributed as follows: Twenty percent to the counties in proportion to fuel sales within the county, 40% to incorporated cities and towns in proportion to population, and 40% to the State Highway Fund. The remaining 5¢ was distributed as before (70% to the State Highway Fund, 20% to the counties and 10% to the counties for redistribution to the incorporated cities and towns). (E - July 20, 1965)

Laws 1969, Chapter 10 provided that 1¢ of the Motor Vehicle Fuel Tax collected on each gallon of motor vehicle fuel sold for use in aircraft should be deposited in the State Aviation Fund. (EFA - June 30, 1969)

NOTE: A constitutional amendment enacted at the election of November 3, 1970, provided that the 14 Arizona counties should not receive fewer highway user revenue dollars than they received in fiscal 1969-70, as long as total highway user revenues equal or exceed the total for fiscal year 1969-70. (E - November 27, 1970)

Laws 1970, Chapter 76 modified the distribution of tax collections from fuel sold for use in watercraft. Under this law, 1% of the tax was dedicated to the State Highway Department to defray administrative expenses. The law also set aside an amount sufficient to cover the cost of the survey conducted to determine the portion of fuel used in watercraft. The remaining collections were transferred to the State Lake Improvement Fund. (E - August 11, 1970)

Laws 1973, Chapter 146 established the state Department of Transportation and transferred the responsibility for administering the fuel tax to the new Department. (E - July 1, 1974)

Laws 1974, Chapter 139 provided for the repeal of the 2¢ per gallon gasoline tax which had been imposed by A.R.S.. 28-1501.01, and increased from 5 to 8¢ per gallon, the rate imposed by A.R.S.. 28-1501. The net effect raised the tax from 7 to 8¢. The law also established the Arizona Highway User Revenue Fund. All fuel taxes other than fuel taxes received from Watercraft or Aircraft and Fuel Taxes refunded to taxpayers were deposited in this fund. Collections in the Highway User Revenue Fund were distributed as follows: Eleven percent to the Arizona Highway Patrol Fund, 57% to the State Highway Fund, 15% to the counties and 17% to the incorporated cities and

towns. The Highway Patrol Fund received seven-eighths of an estimate of its share of Highway User Revenue Funds during the first eight months of each fiscal year. (E - September 1, 1974)

Laws 1979, Chapter 123 provided that the entire amount received from the tax on fuel used in aircraft was deposited in the State Aviation Fund. Refunds of 7¢ per gallon were paid from this fund when claimed by taxpayers. (E - October 1, 1979)

Laws 1980, Chapter 128 repealed the provision that permitted distributors of motor vehicle fuel to deduct 1% from their tax liability to allow for shrinkage. Taxpayers who suffered losses of fuel due to fire, theft or other accident were authorized to apply for a refund of taxes on the basis of the loss. (E - July 31, 1980)

Laws 1981, Chapter 269 changed the timing of the survey taken to determine the percent of fuel that is sold for use in watercraft. Under this law, a survey was to be completed by the fiscal year ending in 1982 and in every three years thereafter. (E - April 27, 1981)

Laws 1981, 2nd Special Session, Chapter 2 changed the distribution of the Highway User Revenue Fund. Under this law, a fixed amount was distributed each year from the Highway User Revenue Fund to the Highway Patrol Fund. The balance of collections after making this distribution was allocated as follows: Fifty percent to the State Highway Fund, 20% to the counties and 30% to the incorporated cities and towns. Seven percent of the amount distributed to the State Highway Fund was to be apportioned among cities with a population greater than 300,000. This provision of the law was effective November 1, 1981. In addition to this provision, the law also increased the Motor Vehicle Fuel Tax rate. The tax rate was 9.6¢ per gallon for the period beginning January 1, 1982 and ending December 31, 1982. After December 31, 1982, the rate was set each January 1 and July 1 at 8% of the average retail selling price of fuel. Due to a referendum filed by the voters, the rate increase never became effective. The rate provisions of this law were repealed by Laws 1982, Chapter 5.

Laws 1982, Chapter 5 repealed the tax rate provisions that were enacted by Laws 1981, 2nd Special Session, Chapter 2. In place of these provisions, the fuel tax rate was increased by 5¢ per gallon over a 3-year period. The tax was imposed at a rate of 10¢ per gallon from July 1, 1982 through June 30, 1983, 12¢ per gallon from July 1, 1983 through June 30, 1984 and 13¢ per gallon thereafter.

Laws 1983, Chapter 6 provided that $8,000,000 of the amount distributed from the Highway User Revenue Fund to the State Highway Fund was reallocated to the Arizona Highway Patrol Fund in fiscal year 1982-83. (E - February 11, 1983)

Laws 1985, Chapter 308 replaced the final phase of the 3-year 5¢ per gallon increase enacted in 1982. Until January 1, 1986 the Motor Vehicle Fuel Tax stands at 13¢. From January 1, 1986 through June 30, 1990 the rate is legislated to be 16¢ per gallon and beginning July 1, 1990 17¢. The additional 1¢ increase per gallon beginning July 1990 is a result of the federal government continuing its 8¢ per pack cigarette tax. The proceeds are earmarked for the State Highway Fund. If at any time through FY 1990-91, the Federal Government abolishes the 8¢ tax the 1¢ increase will be dropped. Under this scenario the state would pick up the 8¢ cigarette tax and direct the monies to the State Highway Fund.

Laws 1986, Chapter 66 required an interstate carrier transporting motor vehicle fuel into the state to file reports to the Director of the Department of Transportation. Failure to file such reports in a timely manner will result in a $25 fine. An unlicensed distributor failing to pay the Motor Vehicle Fuel Tax is subject to a penalty equal to the fuel tax and 12% interest. (E - April 1, 1986)

Laws 1986, Chapter 209 continued the Motor Vehicle Fuel Tax rate of 16¢ per gallon by eliminating the termination date of June 30, 1990, provided the federal cigarette tax is reduced from $8 per thousand to $4 per thousand by this same date. This conditional enactment was repealed by Laws 1988, Chapter 271. This bill allowed the use of state Highway Funds to acquire, construct, or improve entry roads to state prisons. (E - August 13, 1986)

Laws 1986, Chapter 375 required the State Treasurer to adjust the monthly distribution of HURF revenues due to overages and shortages in the prior 24 months as determined by the Department of Transportation. (E - May 21, 1986)

Laws 1987, Chapter 43 required non-licensed distributors who import motor vehicle fuel from outside the state to pay a license tax before importing the fuel. The bill further required the importer to pay a $25 processing fee and limited a non-licensed importer to no more than 76,000 gallons of motor vehicle fuel per calendar year. (E- August 18, 1987)

Laws 1987, Chapter 294 provided a refund for tax paid on aviation fuel used for seeding, fertilizing, or applying pesticides and made conforming changes in the motor vehicle fuel, transaction privilege and use tax statutes. (E - August 18, 1987)

Laws 1988, Chapter 271 accelerated the scheduled 1¢ increase in the Motor Vehicle Fuel Tax rate from July 1, 1990 to September 1, 1988 at which time the rate would be 17¢ per gallon. The 1¢ increase was distributed to the State Highway Fund. Concurrently, the termination date of the transfer from the state General Fund's Vehicle License Tax revenues to the State Highway Fund became effective July 1, 1988 instead of July 1, 1990. The conditional enactments by Laws 1986, Chapter 209 and Chapter 67 were repealed. (E - July 1, 1988)

Laws 1989, Chapter 193 established an Off-Highway Vehicle Recreation Fund (OHV) consisting of revenue from legislative appropriations, federal or private grants, and a percentage of the Motor Vehicle Fuel Tax. A survey will be conducted every 3 years to determine the percentage of fuel tax paid by off-highway vehicles and this will be used to determine the amount of taxes to allocate to the OHV Fund. (E - September 15, 1989)

Laws 1990, Chapter 371 allocated from the Highway User Revenue Fund to the Department of Transportation a distribution of $235,000 for FY 1990-1991 to establish the Motor Vehicle Liability Insurance Enforcement Fund. (E - September 27, 1990)

Laws 1990, 3rd Special Session, Chapter 2 raised the Motor Vehicle Fuel Tax from 17¢ per gallon to 18¢ per gallon. Revenues from the 1¢ increase are allocated to the State Highway Fund to cover the costs of the Highway Patrol. This bill is connected with the General Appropriations Act, Laws 1990, Chapter 1, 3rd Special Session, where funding for the Highway Patrol was partially transferred from the state General Fund to the State Highway Fund by $15.6 million which is the projected amount generated by the 1¢ increase in the Motor Vehicle Fuel Tax. (E - October 1, 1990)

Laws 1991, Chapter 3 required that any adjusted monthly HURF allocation by the Department of Transportation to a city or county due to an overage be at least 85% of the amount otherwise allocated. This minimum 85% provision is effective until June 30, 1993, after which the minimum requirement will revert to the previous 50% minimum. (E - March 25, 1991)

Laws 1991, Chapter 180 increased from $500,000 to $1 million the annual allocation from the Highway User Revenue Fund (HURF) to the Economic Strength Project Fund. (E - September 21, 1991)

Laws 1991, Chapter 265 was 1 of 2 "Omnibus Reconciliation Bills" (ORBs) related to the General Appropriations Act for FY 1992. One provision allowed monies in the Highway User Revenue Fund (HURF) to be appropriated by the Legislature to the Department of Public Safety to fund Highway Patrol costs. (E - June 30, 1991)

Laws 1991, Chapter 267 established the monthly transfer of 0.55% of total Motor Vehicle Fuel Tax collections to the Off-Highway Vehicle Recreation Fund. Also, repealed the previous statutes requiring a triennial survey of off-highway vehicle fuel usage that contributed to the Motor Vehicle Fuel Tax. (ER -January 1, 1991)

Laws 1991, Chapter 304 permitted the Department of Transportation to enter into written agreements with private entities for the construction or lease of transportation facility pilot projects. Any person who pays a toll for the use of such a facility can apply for a refund or credit for Motor Vehicle Fuel Taxes, Use Fuel Taxes, or Motor Carrier Taxes paid while operating a motor vehicle on such a transportation facility. (E - September 21, 1991)

Laws 1992, Chapter 61 allowed a city or town to conduct and certify an alternative special census prior to July 1, 1993 by contract with the U.S. Census Bureau for purposes of state shared revenues in the Transaction Privilege,

Income, Highway User, and Vehicle License Taxes. The State Treasurer is not to accept another special census until after the year 2000. (E - September 30, 1992)

Laws 1992, Chapter 289 was 1 of 7 "Omnibus Reconciliation Bills" for FY 1993. This bill clarified that the Highway User Revenue Fund (HURF) is the funding source for the Motor Vehicle Liability Insurance Enforcement Fund in FY 1992 and FY 1993. Also, for FY 1993, the transfers to HURF from the state General Fund of Vehicle License Tax collections in excess of 7% growth, commonly known as the "Usdane Shift," was suspended. (E - September 30, 1992)

Laws 1993, Chapter 4 revised the population definition used to distribute highway user revenues to include revisions to the decennial or special census certified by the United States Bureau of the Census. (E - July 17, 1993)

Laws 1993, Chapter 249 limited the amount of monies that can be used by the Department of Public Safety (DPS) for funding of highway patrol costs. The distribution to DPS from either the Highway User Revenue Fund or the State Highway Fund shall not exceed:

(1) For FY 1995 - $20 million
(2) For FY 1996 - $17.5 million
(3) For FY 1997 - $15 million
(4) For FY 1998 - $12.5 million
(5) For FY 1999 and thereafter - $10 million

The bill also provided $500,000, for FY 1994, from the State Highway Fund for transportation projects on Arizona's southern border. (E -July 19, 1993)

Laws 1995, 1st Special Session, Chapter 3 deferred the phase-down of the Arizona Highway User Revenue Fund and the State Highway Fund distributions to the Department of Public Safety by one year. The distribution for FY 1996 will remain at the FY 1995 level of $20 million. (E - June 15, 1995)

Laws 1995, Chapter 20 allowed the Director of the Department of Transportation to enter into agreements, for the purpose of accepting fees and taxes imposed, by alternative methods, including credit cards, debit cards and electronic fund transfers. Excluded transmix for the definition of motor vehicle fuel. (EFA - December 31, 1995)

Laws 1995, Chapter 132 made technical changes to Title 28 (Transportation) and reorganizes the title to allow for the addition of new statutes. Repealed Arizona Revised Statutes Title 2 (Aeronautics), Title 18 (County Highways) and the current Title 28 and reenacts these provisions in a new Title 28. Moved some provisions to more appropriate titles including Title 20 (Insurance), Title 38 (Public Officers and Employees), Title 41 (State Government) and Title 48 (Special Taxing Districts). Instructed Legislative Council to prepare conforming legislation for next session. (EFA - December 31, 1996)

Laws 1995, Chapter 147 provided for changes to Title 28 (Transportation) in conjunction with, and conditional to the enactment of, the Title 28 technical rewrite (Laws 1995, Chapter 132). (EFA - December 31, 1996)