



Rhode Island Department of Revenue

Division of Taxation

ADV 2018-48
MOTOR FUEL TAX

ADVISORY FOR TAX PROFESSIONALS
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Application of consumer price index to Rhode Island gasoline tax *Statutory formula takes inflation into account to determine future tax rate*

PROVIDENCE, R.I. – The Rhode Island Division of Taxation has applied a statutory formula to determine the Rhode Island gasoline tax rate that will be in effect as of July 1, 2019.

The process works as follows: Late in a given calendar year, the Division of Taxation must take the measure of inflation and use the number to adjust the gasoline tax for the following July.

Accordingly, the Division this year has recorded the percentage of increase in inflation as of September 30, 2018, and has determined what the gasoline tax shall be effective July 1, 2019.

The tax, commonly known as the gasoline tax or “gas tax”, is currently 33 cents a gallon.

Based on the Division’s calculation, as required by statute, the tax will increase by one cent per gallon, to 34 cents per gallon, effective July 1, 2019.

SERIES OF ADVISORIES

This is one in a series of Advisories posted by the Rhode Island Division of Taxation to inform stakeholders about inflation and interest-rate adjustments for the coming year. The series includes the following:

- Interest rates, October 30 (ADV 2018-43)
- Estate tax, November 19 (ADV 2018-44)
- Income tax, November 21 (ADV 2018-45)
- Gasoline tax, December 27, 2018 (ADV 2018-48)

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<http://www.tax.ri.gov/Advisory/index.php>

Formula is applied once every two years

The tax is set forth in Rhode Island General Laws § 31-36-7. Legislation enacted on June 19, 2014, amended that statute by requiring that the tax be adjusted every two years based on inflation.

Specifically, the statute as amended requires that, beginning July 1, 2015, and every other year thereafter, the gasoline tax must be adjusted by the percentage of increase, if any, in the consumer price index for all urban consumers (CPI-U), as published by the U.S. Bureau of Labor Statistics, determined as of September 30 of the prior calendar year. The adjustment must be rounded to the nearest one-cent increment.

- By statute, there is a time lag between when the measure of inflation is taken and when the adjusted gas tax rate takes effect. In this instance, inflation was measured by the Division in the fall of 2018. The one-cent increase in the gas tax will not take effect until several months later, on July 1, 2019.

Rhode Island gasoline tax – inflation adjustment		
EFFECTIVE DATE	CHANGE	TAX PER GALLON
July 1, 2019	1-cent increase	34 cents
July 1, 2017	no change	33 cents
July 1, 2015	1-cent increase	33 cents

By law, inflation formula is applied once every two years. First application of formula, for July 1, 2015, resulted in 1-cent-per-gallon increase, to 33 cents per gallon. Second application, for July 1, 2017, resulted in no change. Third application, for July 1, 2019, will result in 1-cent-per-gallon increase, to 34 cents, based on current statute.

The Division of Taxation has determined that, based on a 2.3 percent increase in inflation as measured by the CPI-U for the applicable period ended September 30, 2018, the tax before the application of rounding will be 33.76 cents a gallon, and the tax after the application of rounding will be 34 cents a gallon, effective July 1, 2019. (The rounding procedure is prescribed by statute.)

The biennial inflation adjustment for gasoline will apply only to the 33-cent Rhode Island excise tax; it will not apply to the 1-cent Rhode Island environmental protection regulatory fee, or to the 18.4-cent federal excise tax.

Current overall gas tax in Rhode Island (in cents)	
State excise tax	33.00
State environmental fee	1.00
Federal excise tax	18.40
Total federal and Rhode Island gas tax	52.40

Source: American Petroleum Institute, as of November 2018

The one-cent increase will apply to diesel and other taxable motor fuels that meet the definition of “fuels” under Rhode Island General Laws § 31-36-1(4).

The biennial inflation adjustment was enacted through Rhode Island Public Law 2014, chapter 145, article 21, § 4, and is codified at Rhode Island General Laws § 31-36-7(b). The next measure of inflation for Rhode Island gas tax purposes is scheduled to be taken by the Division of Taxation in the fall of 2020 and will apply for purposes of the gas tax beginning July 1, 2021.

For questions about motor fuel taxes, contact the Division of Taxation’s Excise & Estate Tax section, at (401) 574-8955, which is open to the public from 8:30 a.m. to 3:30 p.m. business days.

The Rhode Island Division of Taxation office is located at One Capitol Hill in Providence, R.I., diagonally across from the Smith Street entrance to the State House, and is open to the public from 8:30 a.m. to 3:30 p.m. business days. For more information, contact the Division of Taxation at (401) 574-8829 or see <http://www.tax.ri.gov/contact/>.
