



Rhode Island Department of Revenue

Division of Taxation

ADV 2020-43
GASOLINE TAX

ADVISORY FOR TAX PROFESSIONALS
OCTOBER 20, 2020

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, 2021.

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, 2020, and has determined what the gasoline tax shall be effective July 1, 2021.

The tax, commonly known as the gasoline tax or “gas tax”, is currently 34 cents a gallon.

Based on the Division’s calculation, as required by statute, the tax will remain unchanged, at 34 cents per gallon, effective July 1, 2021.

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 8 (ADV 2020-41)

To view all Advisories:

<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 October 2020. The Division’s calculation will not apply until several months later, on July 1, 2021.

Rhode Island gasoline tax – inflation adjustment		
EFFECTIVE DATE	CHANGE	TAX PER GALLON
July 1, 2021	no change	34 cents
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, resulted in a 1-cent-per-gallon increase, to 34 cents. Fourth application, for July 1, 2021, resulted in no change.

The Division of Taxation has determined that, based on a 1.4% increase in inflation as measured by the CPI-U for the applicable period ended September 30, 2020, the tax before the application of rounding will be 34.4760 cents a gallon, and the tax after the application of rounding will remain at 34 cents a gallon, effective July 1, 2021. (The rounding procedure is prescribed by statute.)

The biennial inflation adjustment for gasoline will apply only to the 34-cent Rhode Island excise tax; it will not apply to the Rhode Island environmental protection regulatory fee, or to the federal excise tax (see table nearby).

Current overall gas tax in Rhode Island (in cents)	
State excise tax	34.00
State environmental fee	1.00
Federal excise tax	18.40
Total federal and Rhode Island gas tax	53.40

Source: American Petroleum Institute, as of October 2020.

The gas tax applies 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 2022 and will apply for purposes of the gas tax beginning July 1, 2023.

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

The Rhode Island Division of Taxation office 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/>.
