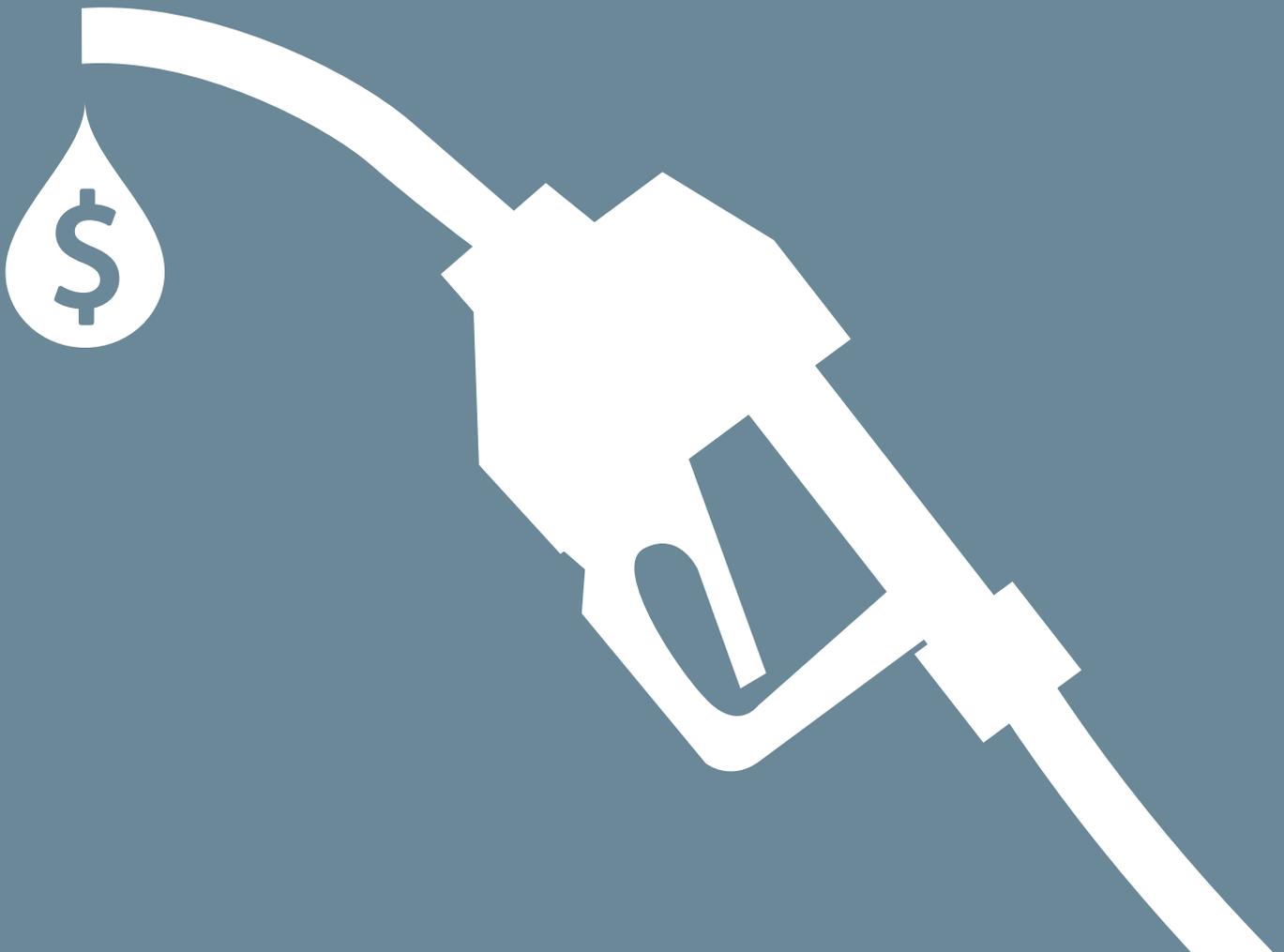




# Possible Alternatives to the Illinois Motor Fuel Tax

MAY 2015



# Possible Alternatives to the Illinois Motor Fuel Tax

There is growing consensus that continued reliance on the motor fuel tax (MFT) is not an appropriate long-term solution for transportation funding. Despite being one of the primary revenue sources for transportation in Illinois, the **state MFT** has not been increased since 1991. Generating revenues through a flat, per-gallon tax, the MFT has failed to keep pace with inflation. The cost to operate, maintain, and expand the state's transportation system increases over time; to keep up, the revenues to support the system must also grow. Fuel consumption has declined as vehicles become more efficient, and overall vehicle travel has stagnated in recent years, further reducing MFT revenues.

CMAP forecasts indicate that transportation revenues from existing sources expected to be available between 2015-40 will just minimally exceed the amount necessary to operate, maintain, and administer transportation infrastructure in our state and region. This will allow only modest investments that would not suffice for bringing the system in metropolitan Chicago toward a state of good repair while enabling strategic enhancements and expansions.

To provide adequate revenue for modernizing and expanding the transportation system, GO TO 2040 recommends implementing new and enhanced sources of reasonably expected transportation revenues, including a **long-term replacement for the MFT**.

In support of that GO TO 2040 recommendation, CMAP has initiated an analysis of alternatives to the state MFT. The following analysis explores MFT replacements implemented by other states and assesses several possible MFT replacement options for Illinois, including mileage-based user fees, motor fuel sales taxes, and motor vehicle registration fees. CMAP's analysis relies on criteria such as sufficiency, equity, stability, implementation, and administration, including whether users of the transportation system pay a fair share of its maintenance and expansion. Please note that, while this document evaluates each approach, it does not make specific recommendations for the State of Illinois.



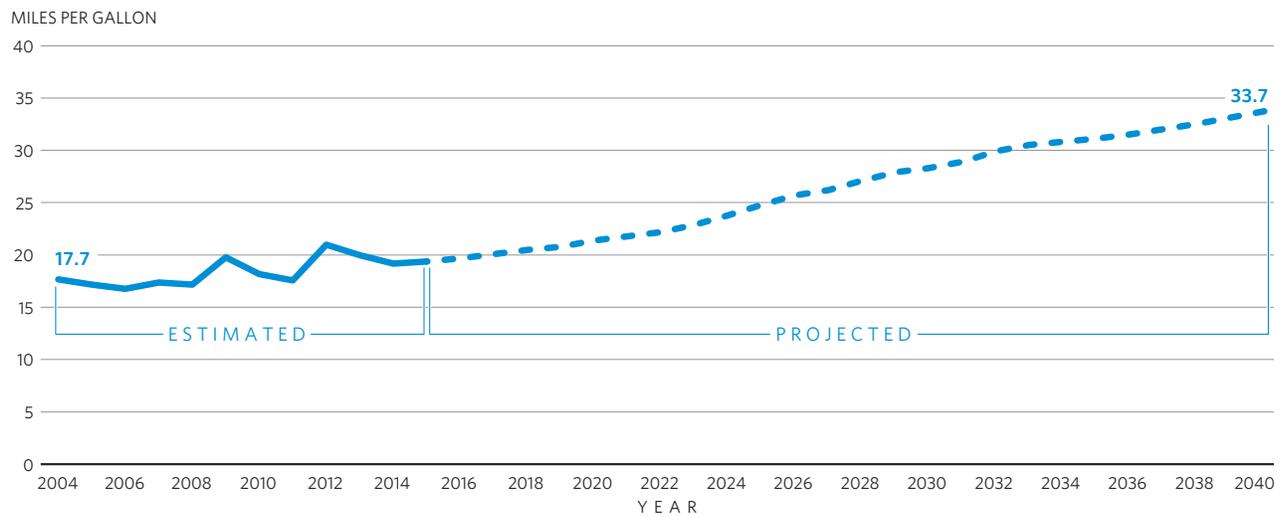
# The Illinois motor fuel tax

In the short term, GO TO 2040 recommends that the state MFT rate be increased by 8 cents and indexed to an inflationary measure. The current 19-cent-per-gallon state MFT buys 42 percent less than when it became effective in 1991. Furthermore, state MFT revenues have been trending downward since 2007. This is due in part to a decline in statewide vehicle travel that, after growing steadily throughout the 1990s and early 2000s, peaked in 2004 but has since held fairly steady with some periodic declines.

As vehicles have become increasingly fuel-efficient, however, motor fuel consumption has been declining more steadily and faster than total vehicle travel. The chart below shows estimated past and projected future average fuel economy for light duty vehicles statewide.

As the fuel economy of vehicles rises and fuel consumption continues to slow, an MFT rate increase and inflationary index will be insufficient to keep revenues growing with the cost of construction. This demonstrates clearly that, to provide adequate revenue in the long term, the MFT ultimately needs to be replaced.

**Average miles per gallon for light duty vehicles in Illinois, 2004-40**



Source: Chicago Metropolitan Agency for Planning analysis of data from National Highway Traffic Safety Administration (NHTSA) Corporate Average Fuel Economy (CAFE) Fuel Economy Fact Sheets, Illinois Department of Transportation, and 2009 National Household Travel Survey.

# Alternatives to the motor fuel tax

Respected sources such as the [National Surface Transportation Infrastructure Financing Commission](#) and the [American Association of State Highway and Transportation Officials](#) have evaluated a number of alternatives to the MFT, some of which have been implemented recently in other states. Each has strengths and challenges that must be carefully weighed. While the possible alternatives are numerous, this analysis focuses only on alternatives that have the strongest potential to raise sufficient revenue and that have the strongest connection between how the transportation system is used and how it is paid for. Alternatives include mileage-based user fees, a sales tax on motor fuel, and registration fees.

## Mileage-based user fees

Mileage-based user fees include methods that charge based on a vehicle's use of the roadways, such as vehicle miles traveled (VMT) fees and tolling. A VMT fee is based on miles driven, rather than on the amount of fuel consumed. Some states have also evaluated a zone-based VMT fee, where charges vary based on the areas in which miles are driven. Many major studies, including a national commission on [transportation finance](#) and a recent report from the [Government Accountability Office](#), have identified VMT fees as long-term and sustainable sources of transportation revenue.

Tolling is a familiar form of mileage-based user fees that applies to travel on specific transportation facilities. It can be applied in many ways, including charging fees for use of an entire expressway, for [express toll lanes](#) within a larger expressway, or for individual facilities such as bridges or tunnels. While tolling may not function as a complete replacement to the MFT, it has the potential to complement other strategies. It is important to keep in mind that Illinois imposes tolls only on expressways under the jurisdiction of the Illinois Tollway. Presently, federal law severely restricts tolling of existing interstates such as those operated by the Illinois Department of Transportation.

## Sales tax on motor fuel

Unlike the flat, per-gallon MFT, the motor fuel *sales* tax is a percentage tax on the sale of fuel, separate from general sales taxes. This option has become [increasingly popular](#) among states as a full or partial replacement for the MFT.

If implemented to replace the current state MFT, a motor fuel sales tax would be in addition to other taxes on motor fuel that are applied to motor fuel, such as general state and local sales taxes and federal and local MFTs. In Illinois, state sales tax revenues generated from the whole base (including motor fuel), are primarily used for general purposes. The revenue raised from such a tax would be dependent on the price of fuel, how the tax is collected (i.e., at the retail or wholesale level), and whether the tax has a floor or ceiling intended to guard against motor fuel price volatility.

## Registration fees

Currently, all states impose a fee to register vehicles. In most such states, the processes to administer and collect these fees were established decades ago. Some states raise a large portion of their transportation revenue from these fees. For example, in FY 2014, Illinois generated \$1.4 billion through motor vehicle registration via fees on passenger vehicles and a variable fee structure for commercial vehicles, with \$1.2 billion of the revenues being used for transportation purposes. Additionally, new registration fees can be imposed on alternative fuel vehicles when those fuels are not taxed like traditional motor fuel.



# What other states are doing

Many states have recently taken steps to replace their MFT. While some of these alternatives still connect taxes or fees to actual use of the transportation system, others do not. Many states use a blended approach, using several mechanisms to raise new revenues. The chart below provides examples of recent state changes to transportation funding.

Among these, several states have taken major steps to move away from the MFT. The following are three case studies from Oregon, Virginia, and Pennsylvania.

## VMT fee in Oregon

Since 2001, Oregon has experimented with small [VMT fee pilot studies](#). In July 2015, Oregon will launch the third phase of its VMT program, called [OReGO](#). Through this program, 5,000 volunteer participants will be charged 1.5 cents per mile and will receive a rebate for their state gas tax receipts. To address privacy concerns and provide flexibility to participants, drivers are offered multiple options to report mileage data, including both GPS and non-GPS technologies. Drivers are also able to choose whether the program is administered by a selection of private firms or the state. While Oregon is currently the only state implementing a VMT fee, [Washington](#) and [California](#) both have plans to implement their own pilot programs.

## Sales taxes and wholesale motor fuel tax in Virginia

In 2013, Virginia passed [transportation funding legislation](#) that included new funding mechanisms for transportation. This legislation eliminated the state gas tax and replaced it with a number of other sources, notably wholesale taxes on motor fuel. The legislation included the following funding mechanisms:

- Directed a larger portion of the existing 4 percent general sales tax toward transportation.
- Raised the general sales tax to 4.3 percent and directed the increase to transportation.
- Imposed a new 3.5 percent sales tax on the wholesale cost of regular motor fuel and a 6 percent sales tax on the wholesale cost of diesel.
- Increased registration fees on hybrid vehicles by \$64.
- Raised the motor vehicle sales and use tax by 1.15 percentage points.

## Wholesale motor fuel tax in Pennsylvania

Pennsylvania eliminated its MFT in 2013, replacing it with additional revenues generated by eliminating the cap on their existing wholesale tax on fuel and adding a floor to ensure that drops in motor fuel prices did not result in reduction of tax revenues below a desired amount. The [Comprehensive Transportation Funding Plan](#) also increased vehicle registration and license fees while tying the fees to inflation.

Examples of state transportation funding, 2012-14

	INCREASED MFT	INITIATED VMT FEE	INCREASED GENERAL SALES TAX	INITIATED MOTOR FUEL SALES TAX	EXTENDED MFT TO ALTERNATIVE FUELS	INCREASED VEHICLE FEES
Arkansas			X			
Massachusetts	X					X
Maryland	X			X		
New Hampshire	X				X	
Oregon		X				
Pennsylvania				X		X
Rhode Island	X					X
Vermont				X		
Virginia			X	X		X

Source: Chicago Metropolitan Agency for Planning analysis of Transportation for America and OreGo data.

# Criteria for analyzing revenue mechanisms

Finding a suitable replacement for the MFT requires careful examination across a number of criteria — both objective and subjective — including revenue-based metrics, economic factors, and implementation and administration issues, as shown in the following graphic. Previous studies used varying sets of criteria such as the [National Surface Transportation Policy and Revenue Study Commission \(2007\)](#), the [American Association of State Highway and Transportation Officials \(2014\)](#), the [National Surface Transportation Infrastructure Financing Commission \(2009\)](#), and the [National Cooperative Highway Research Program \(2006\)](#).



**Revenue-based criteria determine whether the revenue source is able to sustain the transportation system.**

**Sufficiency:** whether the revenue produced from the source will initially provide enough funding to replace the MFT.

**Stability:** whether revenues will be stable year to year, which is important for funding multi-year transportation programs as well as for bonding purposes.

**Growth potential:** whether the revenue source will grow at the same pace as construction costs.



**Economic factors should be balanced in terms of the distribution and proportionality of the tax burden.**

**Benefit principle:** whether the tax is a user fee imposed proportionately to the benefit received.

**Equity:** whether those better able to pay the tax experience more of the burden.



**Feasibility examines how the tax would be implemented and operated.**

**Implementation:** whether the tax could be easily executed.

**Administration:** whether the tax could be easily managed.



# Analysis of revenue mechanisms

Using the criteria described, CMAP analyzed the performance of mileage-based user fees (primarily a VMT fee), a motor fuel sales tax, vehicle registration fees, and the current MFT.

## Sufficiency

Any alternative to the MFT should generate sufficient funding to replace the current MFT with an additional 8-cent rate increase. A rate was calculated for each alternative that would generate enough revenue to initially replace the MFT, based on forecasted 2016 statewide MFT revenues, including revenues from CMAP's proposal to increase the MFT rate by 8 cents in 2016. MFT revenue forecasts are based on the methodology used in the GO TO 2040 [Financial Plan for Transportation update](#) adopted in October 2014, but utilize updated data. Revenue sufficiency is assessed based on the reasonability of that rate relative to national practices or existing rates. The table above provides an overview of how each revenue mechanism performs in terms of its ability to sustain the transportation system.

Under rates similar to those used elsewhere in the U.S., the VMT fee and the motor fuel sales tax are the most likely to provide sufficient revenues in Illinois. To replace the MFT, a flat-rate VMT fee here would only need to be 2 cents per mile in the first year, which is close to the 1.5 cents per mile being used in Oregon. However, variable rates could be implemented for different types of vehicles (such as trucks) or for certain types of facilities (such as state or local roads). In addition, a flat rate would need to be indexed to inflation to keep up with the cost of operating and maintaining the system.

## Sufficiency of MFT replacement options

	RATE NECESSARY TO MATCH FORECASTED 2016 MFT REVENUES
VMT fee	<b>\$0.02 per mile</b>
Motor fuel sales tax	<b>7.4% - 10.7%</b>
Motor vehicle registration fees	<b>117.0% increase to current rates</b> (varies by vehicle type)

Source: Chicago Metropolitan Agency for Planning analysis of Illinois Department of Transportation, Illinois Office of the Comptroller, and U.S. Energy Information Administration data.

Motor fuel sales tax rates in other states have ranged from 2 percent to 9 percent. However, the extent to which the motor fuel sales tax is sufficient would depend on the rate, which would likely need to be between 7.4 percent and 10.7 percent, depending on the price of motor fuel. Like the current Illinois MFT, this would be in addition to other existing taxes applied to motor fuel, such as federal and local MFTs as well as state and local general sales taxes. Shifting the current state sales tax revenues generated by motor fuel sales away from the Illinois general funds and into transportation purposes would not be a sufficient replacement overall, because the lost general funds revenue would need to be replaced.

Replacing the MFT with motor vehicle registration fees would require the rate to more than double, or else registration fee revenues would not be sufficient. Illinois' current \$101 registration fee per passenger car is already the highest among the 24 states with flat fees. Non-passenger vehicle fees in Illinois — which vary based on vehicle class — would also have to be increased if the MFT were replaced this way.

### Sufficiency Criterion Summary:

A VMT fee or a motor fuel sales tax would likely provide sufficient revenue to replace the MFT alone, while a motor vehicle registration fee would not likely be sufficient under typical fee structures.

## Stability

Transportation requires a stable source of revenue that can be used to maintain the system annually, plan for multiyear projects, and repay bonds to fund transportation projects. The chart below illustrates relative stability in the tax base for each revenue alternative since 2005.

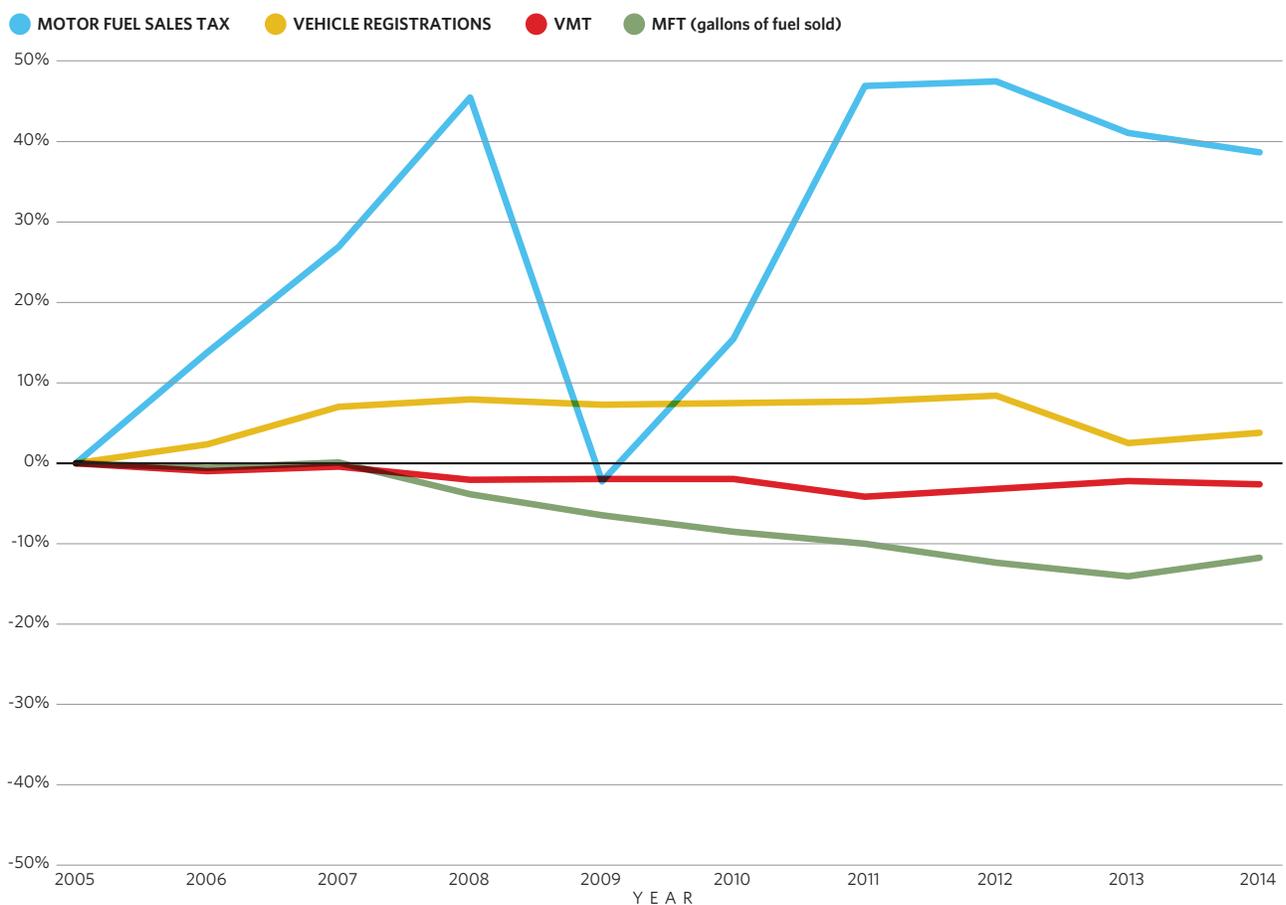
Like the MFT base, the base for a potential VMT fee or a vehicle registration fee has been stable over the past eight years. On the other hand, the motor fuel sales base has been relatively volatile between 2007 and 2014, with increases and decreases driven by changes in fuel prices and consumption. The price of gasoline

is unstable, and this **volatility** has been especially pronounced over the past decade due to political instability in oil-producing regions, large natural disasters, and major shifts in larger economic activity. However, a per-gallon floor could be implemented to ensure that revenues are maintained above a certain level even if motor fuel prices drop.

### Stability Criterion Summary:

Generally, vehicle miles traveled and vehicle registrations have provided stable bases for generating revenue, but due to fluctuations in fuel prices, motor fuel sales have been volatile.

**Historical stability of MFT replacement options: percent change in Illinois tax base since 2005**



Source: Chicago Metropolitan Agency for Planning analysis of data from Illinois Department of Transportation, Illinois Office of the Comptroller, and U.S. Energy Information Administration.



## Growth potential

The weak growth potential for the current MFT is largely responsible for driving the discussion of long-term replacements. Even if a revenue mechanism is sufficient to replace the MFT, it will need to grow with the cost of operating, maintaining, and constructing the transportation system over time. The chart below illustrates forecasted revenue growth for each revenue source from 2016 to 2040.

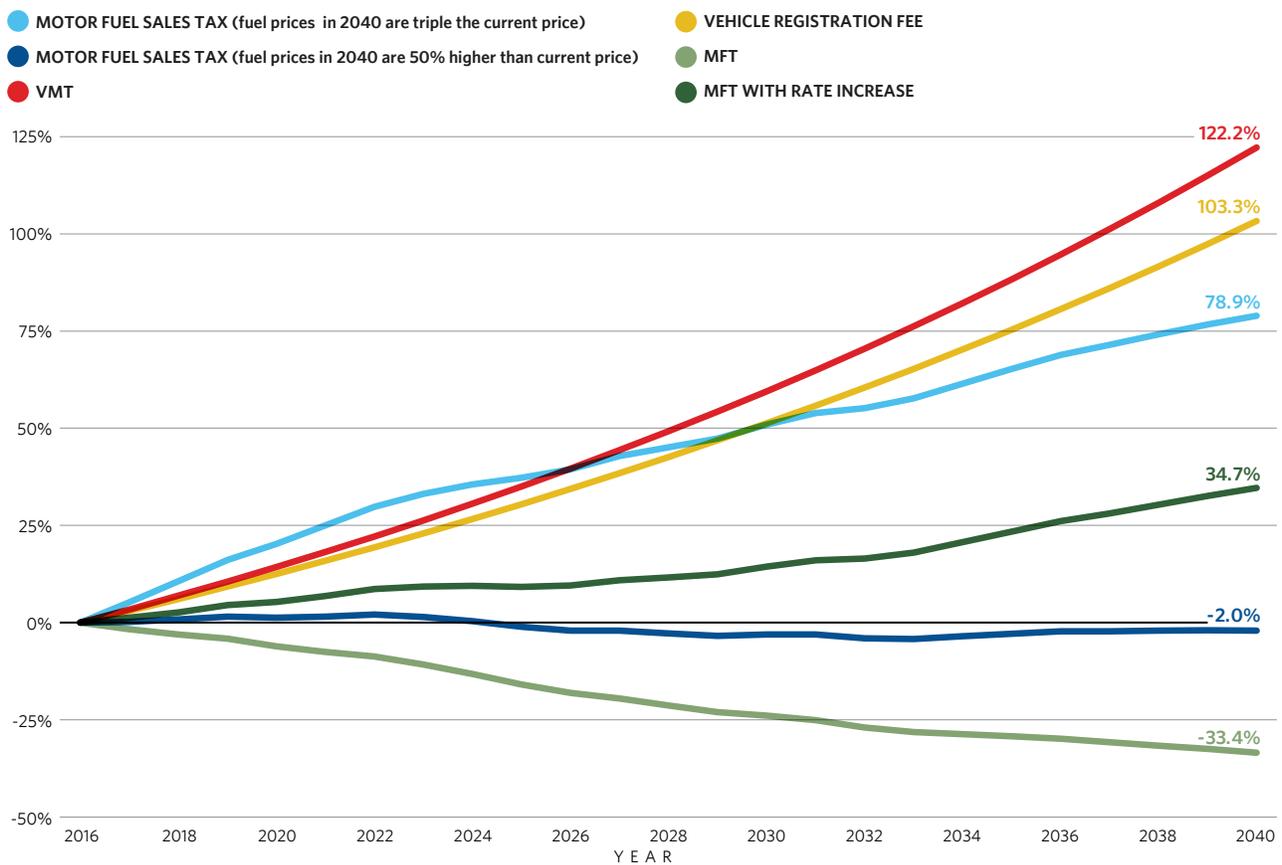
CMAP forecasts that statewide VMT and motor vehicle registrations will grow moderately until 2040. As CMAP proposes for the current MFT, it is assumed that the rates for these revenue sources would be indexed to an inflationary measure. Inflationary increases in the rate combined with modest growth in the base will ensure that revenues grow with the cost of operating, maintaining, and expanding the transportation system.

Growth in forecasted motor fuel sales tax revenue would vary depending on growth in fuel prices. Between 1995 and 2014, fuel prices tripled. If fuel prices triple between 2014 and 2040, CMAP estimates that the motor fuel sales tax revenue would grow nearly 80 percent relative to 2016 forecasts. However, if fuel prices increase just 50 percent by 2040, the motor fuel sales tax revenue would be 2 percent lower than in 2016, as decreases in gallons sold would completely offset the increases in fuel prices.

### Growth Potential Criterion Summary:

All three replacement options have strong potential for revenue growth, but variable fuel prices could lead to poor growth under a motor fuel sales tax.

### Growth potential of MFT replacement options: forecasted change in revenue, 2016-40



Source: Chicago Metropolitan Agency for Planning analysis of data from Illinois Department of Transportation, Illinois Office of the Comptroller, and U.S. Energy Information Administration.

Note: Motor fuel sales tax forecasts assume 2014 Midwest prices for the current price of motor fuel. The vehicle miles traveled fee forecast assumes growth in vehicle travel as well as indexing the rate to an inflationary measure. Vehicle registration fees are assumed to grow 3 percent annually through a combination of growth in registrations and fee increases.

## Benefit principle

The MFT acts as an indirect user fee that charges users of the transportation system based on the amount of fuel consumed. While the MFT served as a reasonable proxy of use of the transportation system for many years, it increasingly falls short of meeting the benefit principle as variation in fuel efficiency across vehicles increases. Furthermore, the MFT does not vary based on time of day or the use of certain parts of the system, like interstates.

### IMPORTANCE OF USER FEES

**A good user fee sends a strong price signal to users of the transportation system because those using the system more pay more into its maintenance, operation, and expansion. This encourages efficient use of the system.**

## Mileage-based user fees

A fee that charges users of the transportation system for each mile driven presents the strongest user fee of any alternative analyzed. A VMT fee is a direct user fee that is solely based on the use of the system. This alternative could more effectively ensure that those who benefit from the transportation system pay a fair share for its maintenance and expansion and could avoid disparities across vehicles with varying fuel efficiencies. Furthermore, this alternative provides flexibility in that users could be charged various rates based on the facility used, time of day, and type of vehicle. Options for facility-level tolling provide an even greater connection between the fee and the benefits accrued to the users of the system, and reinvestment can be targeted based on the revenues raised along each facility or corridor.

## Motor fuel sales tax

A percentage tax based on the wholesale cost of motor fuel presents an even more indirect user fee than the current MFT. A tax based on the price of motor fuel presents a weaker price signal to users of the system than the current MFT because it is further removed from the cost of using the system.

## Motor vehicle registration fee

An increase in motor vehicle registration fees is less directly related to use of the system than the MFT. Ownership of a vehicle does not indicate how much or how little the vehicle is actually used on the transportation system. However, this source can be used to charge higher fees to vehicles that tend to result in higher roadway maintenance costs, like trucks and other heavy-weight vehicles. Some states even charge passenger vehicles different amounts based on the weight of the vehicle. In addition, registration fees require owners of alternative fuel vehicles to pay some share of their use of the system.

## Benefit Principle Criterion Summary:

**Because mileage-based user fees have the strongest overall connection to use of the system, they are the most direct user fees. A motor fuel sales tax is tangentially related to the consumption of fuel, while motor vehicle registration fees are not at all related to the use of the system.**



## Equity

The per-gallon MFT is already considered somewhat regressive because low-income households typically spend a larger percentage of their income on it relative to higher-income households. That dynamic remains the same regardless of gas prices because the current MFT is imposed on a per-gallon basis. Generally, a similar dynamic exists with other user fees as well as sales taxes on motor fuel.

### Mileage-based user fees

While a mileage-based user fee such as the VMT fee would likely be as regressive as the current MFT, it has the potential to be the most equitable of all MFT alternatives. If a VMT fee were implemented, some users would likely pay more (and others less) than they currently do under the MFT, depending on how much they drive and the fuel efficiency of their vehicles. For example, [lower-income individuals have been shown to drive less](#) than higher-income individuals do. But taxpayers could choose to mitigate these effects by reducing travel, which makes the VMT fee more equitable.

A straight VMT fee would charge users per miles driven. But if integrated with facility-level tolling, this alternative could enhance equity by giving users additional options — for example, to pay lower fees by driving at non-peak periods. While lower-income drivers would still pay a larger percentage of their income in tolls than higher-income drivers, the extent of this regressivity could be reduced if transit were available along the corridor.

### EQUITY AND THE MFT

Assuming the same amount of motor fuel is consumed across households of varying incomes, a household with income of \$40,000 pays 0.23 percent of their annual income toward the current state MFT, while a household with income of \$148,000 only pays 0.06 percent annually.

### Motor fuel sales tax

Like the current MFT, sales taxes are typically regressive, and the regressivity of a motor fuel sales tax would be further exacerbated by upward fluctuations in fuel prices. While users would continue to have the ability to reduce travel or use a more fuel efficient vehicle, the fact that this revenue source is driven by the price of motor fuel makes it more difficult for lower-income users to reduce their tax burden. The chart below compares the tax burden for different household income levels under a 7.4 percent motor fuel sales tax at example price points of \$2.75 and \$4.00 per gallon.

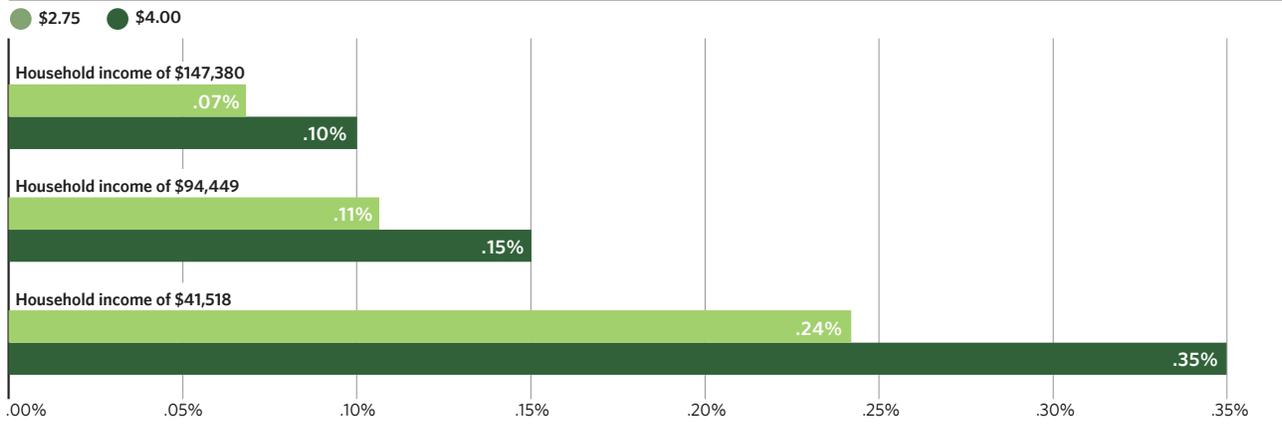
### Motor vehicle registration fee

Because these fees are simply charged by the vehicle, registration fees are somewhat regressive. The extent of regressivity can be mitigated by implementing different rates depending on the value or age of the vehicle. However, unlike revenue sources based on fuel usage or mileage, a taxpayer can do little to mitigate the tax burden, short of not owning a vehicle.

#### Equity Criterion Summary:

While most options for replacing the MFT raise equity concerns, with the right configuration, mileage-based user fees have the greatest potential to be an equitable source of transportation revenue. Both the motor fuel sales tax and vehicle registration fees can be structured to avoid placing a higher burden on lower-income taxpayers.

#### Example of motor fuel sales tax burden for two different motor fuel prices



Source: Chicago Metropolitan Agency for Planning analysis.

Note: Hypothetical household income levels were determined using 2009-13 American Community Survey median household income (MHI) data by township for northeastern Illinois. The highest MHI was \$147,380, while the lowest MHI was \$41,518. The middle income level on the chart, \$94,449, is the midpoint between these two income levels.



## Implementation

One primary reason the MFT has been used for so long as the main source of transportation revenue is its ease of implementation. The mechanism for collecting the MFT is established and straightforward — a flat per-gallon tax passed along to consumers at the gas station. This is why, in the short-term, transportation revenues should be raised by increasing the MFT rate and indexing it to inflation. However, this does not solve the larger, long-term funding crisis in transportation.

### Mileage-based user fees

Implementing this alternative may entail substantial investments in technology required to track mileage. For example, drivers would likely need to install a device to track and report VMT so an additional party could collect data and revenue — raising privacy concerns that are perhaps the biggest obstacle to implementing a VMT fee. However, as Oregon has shown with their VMT fee program, these privacy concerns could be overcome by offering drivers multiple options to report mileage data, including both GPS and non-GPS technologies, with the ability to choose whether the administration is by a private firm or the state.

To toll the existing interstate system, the federal government would need to lift current restrictions on tolling interstate facilities that are untolled at present. Currently, these federal restrictions severely limit the usefulness of tolling to raise sufficient revenue for the entire system. Tolling could allow these facilities to be self-supporting, which could be an advantage for heavily used roads, such as expressways, that require large capital expenditures. Additionally, tolling is a transportation-demand strategy that promotes efficient management of the transportation system. While the mechanism for physically collecting the tolls would be simple, there would be costs in establishing toll facilities.

### Motor fuel sales tax

This alternative could be implemented and administered easily under existing systems, as sales taxes are already imposed on motor fuel as part of the general Illinois sales tax. It would require establishing the rate of the sales tax and deciding on the structure of the sales tax. For example, policymakers would need to determine whether there should be a floor or a limit to the amount of change in revenues each year due to fluctuations in motor fuel prices, and whether the tax should be collected at the wholesale or retail level.

### Motor vehicle registration fee

This fee could simply be implemented and administered under the existing system for collecting registration fees. However, the fee would be more complicated to implement if a different structure were decided upon, such as implementing differential fee levels for vehicles of various weights for passenger vehicles.

### Implementation Criterion Summary:

**Both the motor fuel sales tax and the vehicle registration fees would be straightforward to administer and implement as a replacement for the MFT. Mileage-based user fees have several hurdles to implementation, including privacy concerns and startup costs.**

# Summary of Analysis

Relying on the MFT as a sustainable source for funding the transportation system is not a long-term option. Illinois must work toward balancing different alternatives to ensure that the transportation system is adequately funded. The chart at right provides a summary of CMAP’s findings for how potential MFT replacements compare across different policy considerations.

## VMT fee

While mileage-based user fees appear relatively positive under most considerations, implementation and administration remain significant hurdles. This revenue source may benefit from a national solution that allows for tolling of existing non-tolled interstates and a nationwide VMT fee mechanism allowing states like Illinois to ensure that VMT fee revenues are collected from out-of-state drivers. A national approach also has the potential to streamline implementation and reduce the state’s cost of executing a collection system.

Combining a VMT fee with facility-level tolling serves as a targeted pricing mechanism because it can raise significant revenues that more fully account for the costs of using the transportation system. For example, facility-level tolling could be used concurrently with a comprehensive VMT fee to charge variable rates on certain types of roads at particular times of the day.

## Motor fuel sales tax

Because a sales tax on motor fuels can be implemented under existing systems, many states, including [Illinois](#), have examined them. However, some states have recently learned that reductions in motor fuel prices can reduce revenues significantly. States have begun to respond to the challenge of unstable fuel prices with legislative changes. North

## Summary of considerations for replacements to the state motor fuel tax

● GOOD ● FAIR ● POOR

	MILEAGE-BASED USER FEES	MOTOR FUEL SALES TAX	MOTOR VEHICLE REGISTRATION FEES
Sufficiency	GOOD	GOOD	FAIR
Stability	GOOD	POOR	GOOD
Growth potential	GOOD	FAIR	GOOD
Benefit principle	GOOD	FAIR	POOR
Equity	FAIR	POOR	POOR
Implementation and administration	POOR	GOOD	GOOD

Source: Chicago Metropolitan Agency for Planning analysis.

Carolina recently adopted [legislation](#) that removed the wholesale component of their MFT and replaced it with a flat rate that rises annually with inflation and population change. However, Utah mitigated the volatility challenge by [replacing](#) its flat, per-gallon MFT with a wholesale MFT by instituting a floor for per-gallon revenue collections. However, the growth potential of motor fuel sales taxes is still hampered by greater utilization of fuel efficient vehicles, and its connection to use of the transportation system is even more distant than the MFT’s is.

## Registration fees

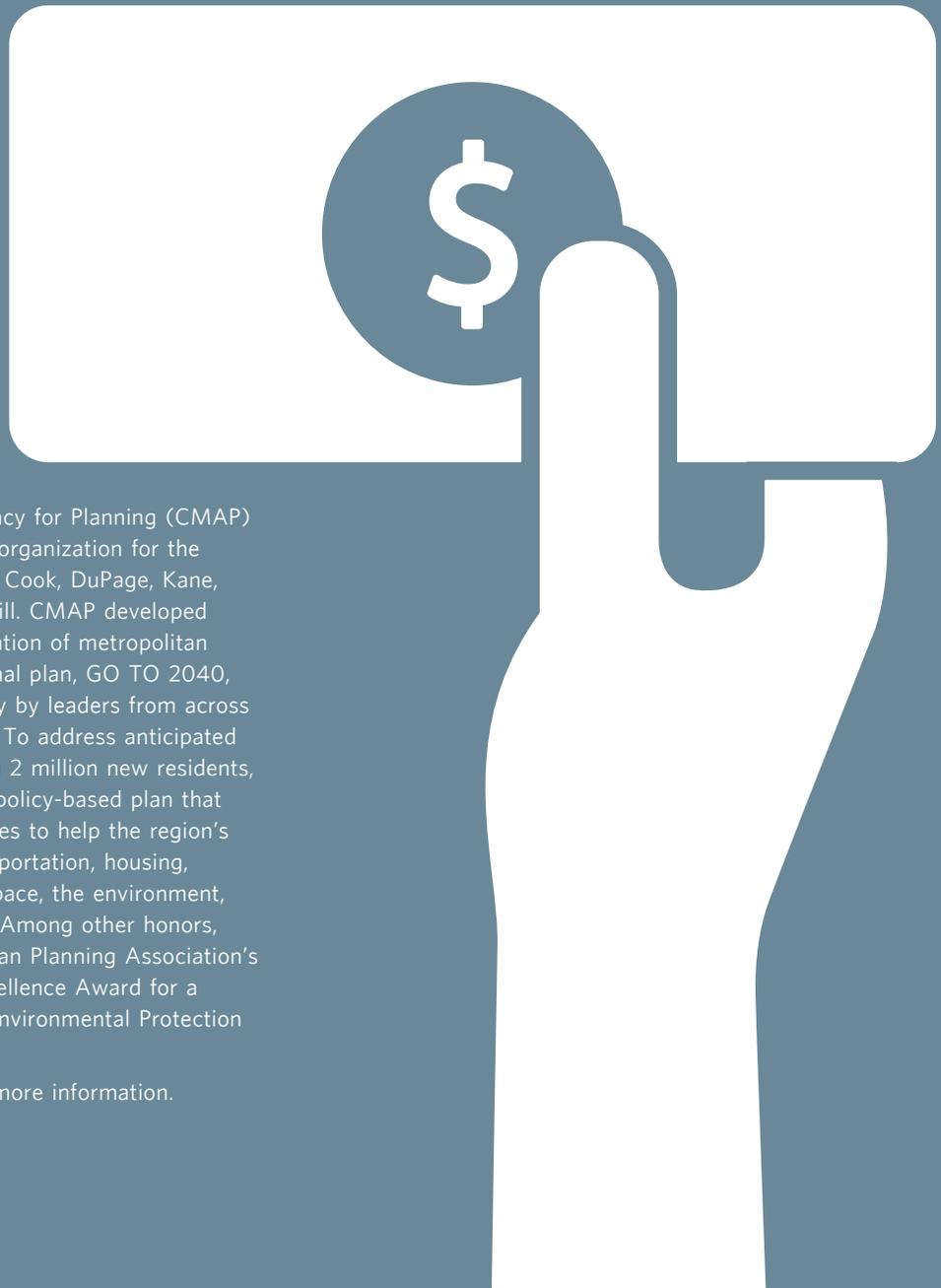
Motor vehicle registration fees are significantly problematic as a wholesale replacement for the current Illinois MFT, as they are unlikely to be implemented at a level that would be sufficient to replace the MFT. In addition, on their own they do not function as a user fee, as the tax burden does not reflect use of the system. However, as many states have found — including Illinois for previous capital program funding — this source can be utilized as part of a funding package to supplement other alternatives.



## Conclusion

Ultimately, to provide adequate revenue to enhance and expand the transportation system, new revenue sources must be implemented. Despite being one of the state's primary revenue sources for transportation funding, the MFT rate has not been increased since 1991, and revenues have been further undercut by declines in motor fuel purchases from rising vehicle fuel economy. GO TO 2040 recommends that the MFT rate be increased by 8 cents and indexed to an inflationary measure in the short term, while stating the MFT must be replaced in the long term to ensure adequate transportation revenues accrue to the region during the 2015-40 planning period and beyond.

In addition to advocating for this reform, CMAP is committed to implementing other policy changes to bring additional revenues to our state and region, such as congestion pricing and performance-based funding. [CMAP has also explored](#) potential sources for new revenues dedicated to freight improvements. As part of the planning process for the region's next long-range comprehensive plan, CMAP will continue to analyze and assess potential replacements for the MFT.



The Chicago Metropolitan Agency for Planning (CMAP) is the official regional planning organization for the northeastern Illinois counties of Cook, DuPage, Kane, Kendall, Lake, McHenry, and Will. CMAP developed and now guides the implementation of metropolitan Chicago's comprehensive regional plan, GO TO 2040, which was adopted unanimously by leaders from across the seven counties in fall 2010. To address anticipated population growth of more than 2 million new residents, GO TO 2040 is an innovative, policy-based plan that establishes coordinated strategies to help the region's 284 communities address transportation, housing, economic development, open space, the environment, and other quality-of-life issues. Among other honors, CMAP has received the American Planning Association's first-ever National Planning Excellence Award for a Planning Agency and the U.S. Environmental Protection Agency's Smart Growth Award.

See [www.cmap.illinois.gov](http://www.cmap.illinois.gov) for more information.