

# REPORT OF COMMITTEE ON HIGHWAY FINANCE

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## COLLECTION AND DISPOSITION OF MOTOR VEHICLE REVENUES<sup>1</sup>

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During the calendar year 1925 the gross receipts derived from motor vehicle license fees and gasoline taxes in the United States amounted to \$406,648,561. These figures refer only to the revenues collected and received by the several States and by the District of Columbia, they do not include any of the collections made by cities and municipalities on account of local license fees or gasoline taxes. The gross receipts resulting from motor vehicle registration fees, licenses, permits, fines, etc., amounted to \$260,619,621, the total tax earnings on gasoline and motor vehicle fuel, after deducting all refunds, amounted to \$146,028,940. The registration fees, according to these figures, constituted 64 per cent of the total motor vehicle revenues collected by the States, and the gasoline taxes were 36 per cent. The relationship of the license fees and the gasoline taxes to the total motor vehicle revenues for each of the years since 1920 is set forth in Table I.

<sup>1</sup>The figures used herein are all taken from the published reports of the U S Bureau of Public Roads and from the information and data in the Bureau's files.

**TABLE I**  
**TOTAL GROSS RECEIPTS FROM LICENSE FEES AND GASOLINE  
TAXES 1920 to 1925**

Year	License fees		Gasoline taxes		Total motor vehicle revenues
	Amount	Per cent	Amount	Per cent	
1920	\$102,546,212	99	\$1,475,136	1	\$104,021,348
1921	122,478,654	96	5,302,259	4	127,780,913
1922	152,047,823	93	11,923,442	7	163,971,265
1923	188,970,992	84	36,813,939	16	225,784,931
1924	225,492,252	74	79,734,490	26	305,226,742
1925	260,619,621	64	146,028,940	36	406,648,561

In 1925 the total motor vehicle revenues were practically four times greater than in 1920, over this same period of years the number of registered motor vehicles in the country was slightly more than doubled. In 1920 the total motor vehicle revenues, including license fees and gasoline taxes, averaged \$11.27 per vehicle, in 1925 the average had risen to \$20.27 per vehicle. This increase in total motor vehicle revenues was therefore due to two causes—an increase in the number of motor vehicles registered from which license fees were collected, and an increase in the average receipts per motor vehicle on account of the rapidly extended application of the gasoline tax and increases in the rates or fees charged for licenses. The license fees in 1920 averaged \$11.18 per vehicle, in 1925 the average was \$13.06. The gasoline taxes in 1925 amounted to more than the total license fees collected in 1921 and almost as much as the 1922 license fees. It is evident that the gasoline tax revenues have become a substantial part of the country's total motor vehicle revenues—in 1925 they constituted 36 per cent of the total receipts, whereas only a few years previously, in 1920, they amounted to but one per cent.

These motor vehicle revenues collected by the States when compared with the country's total annual expenditures on rural highways make a very substantial showing. Our annual rural highway expenditures, according to the best estimate that can be made, amount to about a billion dollars a year. It follows, therefore, that in 1925 the amount collected in the form of license fees and gasoline taxes was equivalent to about 40 per cent of the country's total rural highway expenditures. This ratio has been increasing from year to year. In this study no attempt is made to investigate and analyze the license fee schedules and the gasoline tax rates of the several States which through their application have produced these motor vehicle revenues. Such analyses have been presented in other reports in considerable detail. At the present time it is believed that those concerned with the subject of highway finance will be interested in a study of the disposition and distribution of the annual motor vehicle revenues by the several States and certain administrative policies and procedures relating to their collection. This study is limited more or less to those phases of the subject and is divided into two parts, part one relating to the motor vehicle license fees and part two to the gasoline tax revenues.

## PART I RECEIPTS FROM MOTOR VEHICLE REGISTRATION FEES, LICENSES, PERMITS, FINES, ETC

The figures presented herewith cover the total funds received by State and county officials in connection with the operation of the motor vehicle license laws. The total receipts are recorded by all of the States but there are still a considerable number of States which do not report the detailed sources of receipts. It is hoped that in the future reports more complete details can be presented.

### STATE OFFICERS SUPERVISING REGISTRATION AND LICENSE FEE COLLECTIONS

In each of the States a state officer or a state department is made responsible for the collection of the license fees and supervises the enforcement of the motor vehicle registration laws. In a majority of the States this officer is the Secretary of State. There are, however, a number of States where the legislatures have created and organized separate motor vehicle departments to register the cars and collect the annual license fees. In other States, on the other hand, that particular function is delegated to the respective State highway departments. At the present time there are 22 States in which the Secretary of State has supervision over the registration of motor vehicles and is responsible for the collection of the license fees. These are Arizona, Colorado, Delaware, Georgia, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Michigan, Minnesota, Missouri, Nevada, Ohio, Oregon, South Dakota, Utah, Vermont, Washington, Wisconsin, and Wyoming.

In nine States there are separate motor vehicle departments. The administrative heads of these departments are in some cases known as commissioners of motor vehicles or registrars. The States which have organized such motor vehicle departments are California, Connecticut, Maryland, Massachusetts, Montana, New Hampshire, New Jersey, North Dakota, and Virginia.

There are seven States in which the respective highway commissions supervise motor vehicle registrations and the collection of license fees in addition to their regular duties of constructing and maintaining the State highway systems. These are Arkansas, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Texas, and West Virginia.

In the States of Alabama, Kentucky, New York, and Tennessee, the State tax commissions have charge of the registering and licensing of motor vehicles. In Florida and in New Mexico this duty is performed by the State comptroller. In Idaho the Bureau of

Law Enforcement has charge of the work. In Mississippi it is the Auditor of Public Accounts, in Nebraska the Department of Public Works, and in North Carolina the Commissioner of Revenue who collects the license fees and supervises the registration of motor vehicles

Although there is a State officer or State department responsible for the collection of the motor vehicle license fees in each of the States, there are sixteen States where the laws provide that certain county officers make the collections and distribute the registration plates. In five States, Iowa, Kansas, Nebraska, South Dakota, and Washington, the county treasurers make the direct collections. In Arizona, Idaho, and Nevada, it is the county assessor who collects the license fees in the first place. The clerk of the county court is the collecting officer in Kentucky, South Carolina, and Tennessee. In Mississippi and in Texas the county tax collector collects the motor license fees together with the other local taxes. The probate judges are the local collecting officers in Alabama, and the county sheriffs in Arkansas. The State comptroller who has the supervision of the collection of motor vehicle license fees in Florida is authorized and directed by law to establish county agencies to collect the fees in each locality.

#### TOTAL GROSS RECEIPTS AND COLLECTION AND ADMINISTRATION EXPENSES

In Table II are set forth the total gross receipts from motor vehicle registration fees, licenses, permits, fines, etc., and the amounts reported by the several States as spent for collection and administration.

The total gross receipts from license fees in 1925 amounted to \$260,619,621. Thirty-four States and the District of Columbia reported that their collection and administrative expenses incurred on account of the registration and licensing laws amounted to \$8,636,195 for that year. The total gross receipts for these same States which reported their collection and administrative expenses were \$155,199,173. In these States the collection and administrative expenses constituted 5.6 per cent of the total receipts. Among the individual States there is a wide variation in this ratio, as is shown in the table. In Arkansas the reported collection and administrative expenses were only \$12,000, or 0.4 per cent of the receipts; in Rhode Island they average 16.5 per cent. These are the two extremes. In making such a comparison it must be borne in mind that certain outlays or items of expense are probably charged to this account in certain individual States whereas in other States similar expenditures are provided for through other funds or sources.

TABLE II  
RELATION OF COLLECTION AND ADMINISTRATION EXPENSES TO  
GROSS RECEIPTS FROM LICENSE FEES, ETC

State	Total gross receipts	Collection and administrative expenses	
		Amount	Per cent of gross receipts
Alabama	\$ 2,511,129		
Arizona	405,592	\$ 18,000	4 5
Arkansas	3,150,000	12,000	0 4
California	7,816,298	951,076	12 2
Colorado	1,430,299	71,515	5 0
Connecticut	5,644,247		
Delaware	680,700		
Florida	3,645,628	261,220	7 2
Georgia	3,010,415	98,297	3 3
Idaho	1,192,587		
Illinois	12,969,754		
Indiana	4,649,663	205,681	4 4
Iowa	9,741,103	713,036	7 4
Kansas	4,610,090	230,505	5 0
Kentucky	3,780,062	132,105	3 5
Louisiana	3,400,045	40,000	1 2
Maine	2,182,135		
Maryland	2,576,301	250,000	9 7
Massachusetts	9,843,901	921,000	9 4
Michigan	14,526,002	300,000	2 1
Minnesota	9,744,834		
Mississippi	1,530,000	45,900	3 0
Missouri	7,267,098	432,023	5 9
Montana	915,253	32,000	3 5
Nebraska	3,936,458	98,411	2 5
Nevada	209,197	10,584	4 8
New Hampshire	1,736,094	114,610	6 6
New Jersey	10,515,323	1,117,057	10 1
New Mexico	457,874	31,991	6 9
New York	25,506,245		
North Carolina	8,369,844	149,761	1 8
North Dakota	1,083,873	150,000	13 9
Ohio	13,147,231		
Oklahoma	4,576,572		
Oregon	5,370,202	200,000	3 7
Pennsylvania	21,926,972		
Rhode Island	1,863,955	306,492	16 5
South Carolina	2,366,076	187,729	7 9
South Dakota	2,445,112	21,511	1 7
Tennessee	3,060,948	54,243	1 8
Texas	13,477,931	476,146	3 5
Utah	554,235		
Vermont	1,497,146	82,037	5 5
Virginia	4,300,950		
Washington	4,980,026	240,059	4 8
West Virginia	3,354,247	264,386	7 8
Wisconsin	7,896,210	380,000	4 8
Wyoming	482,857		
District of Columbia	291,207	36,820	12 6
Total	..... \$260,619,621	\$8,636,195	

of revenue. In a number of States, as has already been pointed out, the actual collection of the fees and the registration of the motor vehicle, is carried out by local county officers such as sheriffs, county clerks, treasurers, or assessors. In such cases it is likely that a large part of the expenses connected with the administration of motor vehicle licensing laws are borne by the local units of government, and that the reported expenses refer only to the administrative costs incurred by the State officials who furnish the license plates and have but general supervision over the processes of registering and licensing cars and the collection of the fees therefrom. In Tennessee, for instance, where the reported collection and administrative expenses amounted to only 1.8 per cent of the gross receipts, the county clerks collect the license fees from the car owners in their respective counties and charge each applicant in addition a fee of 50 cents which the law authorizes the county clerks to collect as their compensation in full.<sup>1</sup>

In other States where the ratio of collection and administrative expenses to gross receipts appears large and considerably above the average, services are rendered by State motor vehicle departments and costs incurred not found to the same extent in certain other States. In States like Maryland and Massachusetts, the function of enforcing all provisions of the motor vehicle laws relating to the use of the highways by the motorists rests with the State motor vehicle departments to a much greater degree than it does in many of the other States. Maryland's expense ratio is 9.7 per cent, and in Massachusetts it is 9.4 per cent. Somewhat similar conditions prevail in New Jersey where the ratio is 10.1 per cent. In certain States the State departments are required to examine all applicants for licenses as to their ability and fitness to drive. Where such provisions are in effect and where the costs of this additional service are borne by the motor vehicle departments and charged against the department's gross receipts derived from license fees the ratio of expenses to receipts is naturally higher than in States where such services and costs are not involved.

A number of States, although they permit the deduction of collection and administrative expenses from the gross receipts, place limits to expenses of this character. Arizona fixes the maximum at \$25,000, North Dakota at \$150,000. The California law provides that the motor vehicle department's administrative expense be kept within 20 per cent of the gross amount collected in license fees, Georgia limits it to 15 per cent, in New Mexico the limit is 5 per cent, and in North Carolina the administrative expenses may not

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<sup>1</sup> Motor Vehicle Laws of Tennessee, Art. 5, sec. c, passed April 16, 1919

exceed 10 per cent of the collections. The Rhode Island legislature limited the State Board of Public Roads, which registers the motor vehicle and collects the license fees, to an annual expenditure of \$30,000 for plates, \$89,000 for clerical salaries, and \$30,000 for other expenses.

If the expense ratio which has been found to exist in these States which have reported their respective collection and administrative expenses, is applied to the total gross license fee receipts of all of the States it amounts to \$14,594,698. The remaining \$246,024,923 is available for highway purposes and other uses. In most cases where no collection and administrative expenses are reported, the legislatures make definite appropriations to meet such costs and all of the total receipts are turned over to the State treasurer's department, usually to the credit of certain highway funds.

In discussing these variations in administrative expense ratios it must be observed that one of the reasons for them is the variation in the fees charged. No more labor or expense is necessary on the part of a State motor vehicle department in registering cars where the license fees average \$10 per car than where the average is but \$5. The expense ratio will differ, however, in direct proportion to the amount of fees charged.

#### COLLECTION AND ADMINISTRATIVE EXPENSES COMPARED WITH THE NUMBER OF CARS REGISTERED

The collection and administrative expenses of the States which reported this item amounts to an average of 70.4 cents per motor vehicle registered. These States in 1925 reported a total registration of 12,266,460 vehicles. When these expenses are averaged over the number of cars registered in each of the reporting States, wide variations are also noticed. In Arkansas these administrative expenses amount to 7 cents per registered vehicle, that is the lowest. The highest average is found in Rhode Island, \$3.03 per vehicle. It would appear on the face of it that both of these averages are not only extreme but abnormal. The registration of automobiles in Rhode Island is in the hands of the State's highway commission and it is quite possible that the figures which were reported as the expenses resulting from the administration of the motor vehicle registration law may contain other items of expense incurred by the commission which pertains to other functions and duties of the commission.

TABLE III  
RELATION OF COLLECTION AND ADMINISTRATIVE EXPENSES TO  
NUMBER OF CARS REGISTERED, ETC

State	Number of cars registered	Collection and administrative expenses	
		Amount	Per car registered
Alabama	194,580		
Arizona	68,029	\$18,000	\$0 26
Arkansas	183,589	12,000	07
California	1,440,551	951,076	66
Colorado	240,097	71,515	30
Connecticut	250,669		
Delaware	40,140		
Florida	286,388	261,220	91
Georgia	248,093	98,297	40
Idaho	81,506		
Illinois	1,263,177		
Indiana	725,410	205,681	28
Iowa	659,202	713,036	1 08
Kansas	457,033	230,505	50
Kentucky	261,647	132,105	51
Louisiana	207,000	40,000	19
Maine	140,499		
Maryland	234,247	250,000	1 07
Massachusetts	646,153	921,000	1 43
Michigan	989,010	300,000	30
Minnesota	569,694		
Mississippi	177,262	45,900	26
Missouri	604,166	432,023	72
Montana	94,656	32,000	34
Nebraska	338,719	98,411	29
Nevada	21,169	10,584	50
New Hampshire	81,498	114,610	1 40
New Jersey	580,554	1,117,057	1 93
New Mexico	49,111	31,991	65
New York	1,625,583		
North Carolina	340,287	149,761	44
North Dakota	144,972	150,000	1 04
Ohio	1,346,400		
Oklahoma	424,345		
Oregon	216,553	200,000	93
Pennsylvania	1,330,433		
Rhode Island	101,756	306,492	3 03
South Carolina	168,496	187,729	1 10
South Dakota	168,028	21,511	13
Tennessee	244,626	54,243	22
Texas	975,083	476,146	49
Utah	90,500		
Vermont	69,576	82,037	1 18
Virginia	282,650		
Washington	328,442	240,059	73
West Virginia	217,589	264,386	1 22
Wisconsin	594,386	380,000	64
Wyoming	47,711		
District of Columbia	103,092	36,820	36
Total	19,954,347	\$8,636,195	



## DISPOSITION OF TOTAL GROSS RECEIPTS

In the preceding tabulations a figure of \$8,636,195 is used as representing the collection and administration expenses incidental to the licensing of motor vehicles in 34 States and the District of Columbia. In these reports made by the several States it was indicated by a number not included in the above expense tabulations that certain expenditures were made by them for purposes of collecting license fees and also for other administrative purposes. No separation was made and in cases like this the reported figures have not been used in making the foregoing analyses. In determining what portion of the total gross receipts was used for highway and other related purposes in the following study, all these reported expense items have been deducted, thus leaving balances available for other purposes. Excluding the District of Columbia it is found that the total gross receipts amounted to \$260,328,414, and that the sum reported by the various States as the collection and administrative expense item was \$11,955,927. Ten of the States did not report any administrative expense items for the reason that the motor vehicle departments of these respective States are maintained through definite appropriations from the general funds, thus making it unnecessary to make deductions from the license receipts in order to carry on the affairs of the departments.

After deducting the collection and administrative expenses as reported, there is left a balance of \$248,372,487. The disposition of this total amount is the subject of our further study. The distribution for the country as a whole was as follows:

<i>Purpose</i>	<i>Amount</i>	<i>Per Cent of Total</i>
Construction and Maintenance of State Highway System	\$177,552,200	71.5
Construction and Maintenance of Local Roads	48,396,471	19.5
Principal and Interest Payments on State and Local Highway Bonds	19,124,014	7.7
Transfer to General Fund	478,183	0.2
Expenses of Highway Commissions	618,655	0.2
Traffic Control and Patrol	770,391	0.3
Other Purposes	1,532,573	0.6
Total . . . . .	\$248,372,487	100.0

In studying this distribution and disposition of the receipts of motor vehicle license, it is significant to note that after a deduction of the reported administrative expenses, 91 per cent of the balance is devoted directly to the construction and maintenance of highways, 71.5 per cent for State highway systems and 19.5 per cent for local roads. This 91 per cent of the available revenues for highway construction and maintenance amounts to \$225,948,671, 79 per cent of which is spent on State highway systems and 21 per cent on local

roads Out of these special revenues \$19,124,014, or 77 per cent of the total amount available, was devoted to principal and interest payments on State and local highway bonds The license fees devoted to other purposes constituted but 13 per cent of the total amount available

#### DISPOSITION OF TOTAL GROSS RECEIPTS BY STATES

In this section of the study is set forth the major legislative provisions relating to the distribution and disposition of the license fees derived from the registration and regulation of motor vehicles

*Alabama* The expenses incident to the collection of the fees are first deducted Of the balance, 80 per cent is credited to the State and 20 per cent is turned back to the incorporated city or town in which the owner of the registered vehicle resides If the owner resides outside of an incorporated city or town the 20 per cent share is remitted to the county in which he resides The statutes provide that the 80 per cent share credited to the State shall be used exclusively to create a sinking fund for the prompt payment of the principal and interest on the State road bonds outstanding, and for the construction, maintenance and improvement of public highways, roads and bridges The statutes are silent as to the manner in which the incorporated municipalities and counties may use their shares of license-fee revenues

*Arizona* All the license fees are credited by the State treasurer to the State road tax funds and out of this fund the legislature has appropriated a sum not to exceed \$25,000 for the purpose of meeting the administration and collection expenses

*Arkansas* A special fund is created in the State treasurer's office known as the "State Highway Fund" All the money which the State receives from the collection of license fees and gasoline and oil taxes is credited to this fund The State Highway Commission allots the sum of \$3,000,000, or as much thereof as is available in the treasury by July 1st of each year, to the counties apportioned on the basis of population For the purpose of determining the use of these county allotted funds the statutes classify the counties Class A includes 13 counties, named in the law, which are required to use their whole portion of the funds derived from the State for part payment of highway bonds and interest coupons Class B includes only 3 counties which are required to devote 90 per cent of their State allotment to bond and interest payments and to place the remaining 10 per cent in the County Highway Improvement Fund Class C includes 11 counties which are required to devote 75 per cent of their state allotment to bond and interest payments and to

credit the remaining 25 per cent to the County Highway Improvement Fund. In Class D there are 10 counties which are required to devote 50 per cent of their State allotment to bond and interest payments and the remaining 50 per cent to the County Highway Improvement Fund. Class E contains 13 counties, the allotment being divided 25 per cent for bond and interest payments and 75 per cent credited to the County Highway Improvement Fund. No counties are put in Class F where the stated percentages are 10 per cent for bond and interest payment and 90 per cent for the County Highway Improvement Fund. Class G contains 26 counties which are authorized to place all of their State allotments into their respective County Highway Improvement Funds. The county courts are authorized to expend the funds put into the County Highway Improvement Fund upon the public highways for construction and maintenance purposes.

*California* The motor vehicle license fees are kept by the State treasurer in a "Motor Vehicle Fund." From this fund are deducted the expenses of the motor vehicle department which may not exceed 20 per cent of the revenues. One-half of the balance in the motor vehicle fund is paid over to the counties in proportion to the number of motor vehicles registered. The amount paid by the State for State inspectors and traffic officers is deducted from this county allotment. All amounts paid to the counties are credited to the road funds of the counties and are to be expended exclusively in the construction and maintenance of public roads, bridges, and culverts within the respective counties. The board of supervisors has the power to devote a portion of such allotted funds to the construction, maintenance, and repair of streets and bridges within incorporated cities. Annual reports have to be made by the county supervisors to the State department of public works showing the amount of money received and the disposition thereof. The balance in the State "Motor Vehicle Fund" is expended under the direction of the State department of public works (highway commission) for the maintenance, repairs, widening, resurfacing, and reconstruction of State roads and highways. The funds allocated to the State department are not to be used for construction purposes though that use is permitted to the county highway officials.

*Colorado* The State treasurer deducts from the receipts derived from motor vehicle license fees the necessary administrative expenses. Fifty per cent of the balance is expended by the State Highway Commission for the construction, maintenance, and improvement of the State highways and for no other purpose. The remaining 50 per cent is paid over to the counties in proportion to the

money collected for the exclusive purpose of constructing, maintaining and improving county roads and bridges

*Connecticut* All license fee revenues are expended by the State Highway Commissioner for the construction, maintenance, or reconstruction of State highways. The law makes no mention of administrative expenses

*Delaware* The State treasurer is directed to pay out of motor vehicle revenues the interest on highway bonds and to put into a separate fund annually the necessary amount to meet the sinking fund requirements. The balance is to be expended by the State Highway Department on the construction and maintenance of State highways

*Florida* After deducting the collection and administrative expenses, 5 per cent of the receipts from motor vehicle license fees is set aside for the maintenance of the State road department, 25 per cent is allocated to the counties as a State Aid Fund for the purpose of construction and maintenance of county roads. This amount is apportioned among the counties on the basis of the amount of fees collected. The balance, or 70 per cent, is placed into a fund to be used by the State road department for the construction and maintenance of State and Federal aid roads

*Georgia* The Highway Commission allocates the net amount of license fees collected to the counties according to post-road mileage. Such funds are expended by the highway commission in the building, repairing, and maintaining of public roads in each of the counties

*Idaho* The county assessors who collect the license fees are directed to remit 10 per cent of their collections to the State treasurer, who places these payments into the State Highway Fund. Ninety per cent of the fees collected accrue to the counties. The county commissioners of each county apportion to the interest and sinking fund of the county such amounts as are necessary for the current year. The balance of the fees are divided by the county commissioners among the regularly organized highway districts in proportion to the collections made from such districts. If any balances remain they are apportioned to the county road and bridge funds

*Illinois* All license fees are deposited with the State treasurer and become a part of the State's road fund. This fund is used for the purpose of meeting the principal and interest requirements on highway bonded indebtedness. If there is any balance left it is to be used for the improvement of the highways of the State or for the construction and maintenance of durable, hard-surfaced roads along designated routes

*Indiana* After collection expenses are deducted, all the receipts derived from motor vehicle license fees are placed into a State Highway Fund which is available to the State Highway Commission for construction and maintenance purposes

*Iowa* The law provides that  $2\frac{1}{2}$  per cent of the license fee collections be credited to the maintenance fund for the State Highway Commission and that  $3\frac{1}{2}$  per cent be credited to a maintenance fund for the motor vehicle department. The balance, less 50 cents per license issued, which is retained by the county treasurer to cover his registration expenses, and one-half of one per cent which is credited to a reimbursement fund, is turned into the primary road fund. This primary road fund is apportioned among the counties in the same ratio that the area of each county bears to the total area of the State. The law defines primary roads as those main marked roads which connect all the county seat towns with the main market centers. A small fund known as the Federal Engineering Fund is also created out of the license fees

*Kansas* The county treasurers collect the license fees and remit to the Secretary of State 50 cents for each motor vehicle license issued. Of the balance, 25 per cent remains in the county where collected and is divided among the townships in proportion to the amount collected in each. The remaining 75 per cent of the fees is transmitted to the State treasurer and placed into the State highway fund. To this fund is also added the money derived from the gasoline tax. There is withdrawn annually from this State highway fund the sum of \$300,000 which is placed into another fund known as the State-aid road fund which is expended in the various counties upon the State highway system under the direction of the State highway commission acting in conjunction with the board of county commissioners. Forty per cent of this sum is distributed equally among all the counties of the State and 60 per cent is distributed in proportion to assessed valuation. The remainder of the State highway fund, after deducting the sum of \$300,000 and a sum not to exceed \$75,000 for the maintenance of the State highway commission, is distributed among the counties in the same proportion as noted above. The fund thus created in the various counties is known as the county and State road fund and is used for the construction, reconstruction and maintenance of State roads in the counties. Not more than 20 per cent of this fund can be expended on county or township roads.

*Kentucky* All motor vehicles license fee receipts are deposited in the State road fund out of which are paid the expenses of the State tax commission incident to the enforcement of the registration law. The balance of the fund is used only for the purpose of

construction, reconstruction, maintenance and repair of roads and highways

*Louisiana* All license fees are deposited with the State treasurer and credited to the account of the "general highway fund" which is used by the State highway commission for the construction and maintenance of State highways

*Maine* All the fees collected are turned over to the State treasurer and are used for the administration of the office and duties of the highway commission, including the expenses of administering the motor vehicle department. The balance is used for the repair and maintenance of State aid highways under the direction of the commission and to meet the interest and principal payments of the bond issues for highway construction purposes

*Maryland* The commissioner of motor vehicles is directed to remit to the State treasurer all license fee revenues received by him, to be placed into a special fund. Out of this fund the legislature's appropriations for the department's administrative expenses are met. The balance is distributed in quarterly installments, 20 per cent to the city of Baltimore for use on its roads, 80 per cent to the State roads commission, to be used for the oiling, maintenance, and repair of the State roads and the State aided roads

*Massachusetts* All the motor vehicle revenues received and collected by the registrar of motor vehicles are credited to a fund known as the highway fund. Out of it the department's administrative expenses are paid. The balance is used under the direction of the highway division of the department of public works for maintaining, repairing, improving and constructing town and county roads, for maintaining, repairing and improving State highways and bridges, for construction of State highways partially financed through federal aid funds, for engineering services, purchase and maintenance of road building machinery, snow removal, erection and maintenance of warning and direction signs and care of shrubs and trees on State highways, to meet the interest and sinking fund payments on State highway bonds, to meet the State's share of the interest and sinking fund payments on metropolitan park loans, and to meet the State's share of the cost of maintenance of boulevards in the metropolitan parks district and the cost of construction of such boulevards. The distribution of funds for all of these purposes is left to the State commission except for those fixed or contractual payments which have to be met

*Michigan* All license fees are deposited in the State treasury to the credit of the State highway fund. Six million dollars are returned to the counties in proportion to the amounts received as

license fees from the owners of motor vehicles within the several counties. These funds are to be used for highway purposes under the jurisdiction of county authorities. Further appropriations from this State highway fund for 1925 were (a) a sum not less than \$1,200,000 to meet the interest and sinking fund payments of State highway bonds, (b) \$2,000,000 for the maintenance of State trunk line, federal aid and non-trunk line highways, (c) \$1,000,000 for building trunk line bridges, including grade separations, (d) \$500,000 for non-trunk line highway maintenance and for non-trunk line bridges, (e) the balance not otherwise appropriated for opening, widening and improving State trunk line and Federal aid highways. There is also appropriated out of the State highway fund the sum of \$300,000, to cover the operating expenses of the State highway department.

*Minnesota* The proceeds of the license fees and motor vehicle taxes are deposited in the State treasury and constitute a fund known as the "trunk highway sinking fund." The law provides that out of this fund be taken and deducted annually the amount required during the year as interest and principal payments on State highway bonds. After these payments are made or determined upon the balance is transferred from the "trunk highway sinking fund" to the "trunk highway fund," which is used by the State department of highways for administration, maintenance and construction purposes. Up to the present time the State has not issued any highway bonds, so it is not necessary to set aside any funds for interest and principal payments upon such bonds. The law also provides that the State shall reimburse the counties for certain work done by the counties on roads that are now a part of the State highway system. In fulfilling this requirement the State has made itself responsible for the interest and principal payments of such county bonds and there is set aside out of the trunk highway sinking fund a sum amounting to \$2,000,000 a year for these specific purposes.

*Mississippi* The county tax collector who collects the motor vehicle license fees deducts 3 per cent as his commission, the balance of his collections is turned into the "County Road Fund." These funds are used to maintain, repair, reconstruct, or extend the highways in the county, preference being given to designated State highways.

*Missouri* All moneys arising from motor vehicle license fees after deducting the administration and collection costs are deposited in the State treasury and credited to a "State road fund." The revenues derived from the sale of option stamps are also turned into this fund. Out of this fund are paid (a) the administrative cost and expense of the State highway department, (b) \$400,000 biennially.

for the purpose of providing the sum of not more than \$25 per mile per annum for dragging and otherwise improving inter-county seat highways, (c) the amount needed to match federal aid allotments, (d) the remainder to be used in the construction of State roads

*Montana* After deducting from the receipts all administrative and collection expenses, 50 per cent of the balance is transmitted back to the counties from which the fees came and is deposited to the credit of the general road fund of the county, the remaining 50 per cent is deposited to the credit of the State highway fund which is used for construction and maintenance purposes

*Nebraska* The county treasurer of each county collects the motor vehicle license fees Thirty per cent of the fees are transmitted by the county treasurers to the State treasurer to be credited to the State highway fund and used for the maintenance of the State highway system The remainder of the revenues is kept by the counties, 75 per cent of it is used for the maintenance of that part of the State highway system within each of the respective counties, 25 per cent of the county's share is credited to the county's road-dragging fund

*Nevada* All motor vehicle revenues are placed by the State treasurer into a "Motor Vehicle License Fund" Disbursements from this fund are made as follows (a) to meet the interest and principal payment requirements of the State highway bonds, (b) to meet the expenses of administering the registration law, 50 cents for every vehicle registered is withdrawn from this fund, placed into a "Motor Vehicle Expense Fund," out of which are paid the current expenses of the registration and licensing office, (c) after these requirements are met, the State controller is directed to transfer the balance at the end of each three-months period to the State Highway Fund This fund is used by the State commission for the purpose of constructing, equipping and maintaining the highways designated as the State highway system

*New Hampshire* After all expenses of the Commissioner of Motor Vehicles Department have been met out of motor vehicle revenues, the balance is placed into a fund to be used by the State highway commissioner for the construction of State and State-aided roads and for their maintenance

*New Jersey* The license fee receipts, after making a deduction for the expenses of the motor vehicle department, are deposited with the State treasurer to be used for construction and maintenance purposes by the State highway commission The legislature at its last session appropriated \$840,000 from the motor vehicle funds and distributed this amount equally among the 21 counties A further



appropriation of \$60,000 was made as an aid in the maintenance of interstate bridges which had been freed by the Delaware River Free Bridge Commission

*New Mexico* The law authorizes a collection fee of not more than 5 per cent, the balance of the motor vehicle revenues is deposited with the State treasurer. Two-thirds of this amount is credited to the State road fund to be used by the State highway commission for the maintenance of State highways in the several counties as nearly as practicable in proportion to the fees paid by the motor vehicle owners residing in each county. The remaining one-third is transmitted to the county treasurers in proportion to the amount of fees paid and credited to the county road fund of each county for the use of maintaining county roads.

*New York* Every month the collecting agency deposits 75 per cent of the funds on hand with the State treasurer and 25 per cent of the registration fees collected in each county with the treasurer of each county. The funds received by the State treasurer are used in the maintenance and repair of the improved roads of the State under the direction of the State commission of highways. All the funds received by the county treasurers are used for the permanent construction and maintenance of town highways and county roads. The funds accruing to the city of New York are credited to the city's general fund.

*North Carolina* After the collection and registration expenses are deducted, which may not exceed 10 per cent of the total amount collected, the motor vehicle license fees are credited to a fund for meeting interest, sinking fund and principal payment requirements of the bonds issued by the State for highway improvements. What amount is left not needed for these specific purposes, is used by the State highway commission for the maintenance of highways in the State system and for construction and reconstruction purposes.

*North Dakota* The registration and administrative expenses, which may not exceed \$150,000, are deducted from the license fee receipts and the balance is divided between the counties and the State, 50 per cent is turned over to the counties in proportion to the amount collected from each county for the construction and maintenance of county roads, the remaining 50 per cent is at the disposal of the State commission for the construction and maintenance of State roads.

*Ohio* Fifty per cent of the license fees collected is turned back for the use of the municipal corporation or county in which the fees are originally collected. Such moneys constitute a fund which is used for the maintenance and repair of public roads, highways and

streets and for no other purpose. The remaining 50 per cent of the receipts is deposited in the State treasury and credited to a "State Maintenance and Repair Fund." The expenses incident to the administration of the registration law are paid out of this fund and the remainder is for the use of the director of highways and public works.

*Oklahoma* An amount equal to 40 per cent of the revenues derived from license fees is credited to the State highway construction and maintenance fund, 60 per cent is transmitted to the counties in proportion to the amount collected. This fund is used for construction and maintenance. The county treasurers are directed to turn over to treasurers of incorporated cities and towns 15 per cent of the fees collected from motor vehicle owners residing within such incorporated places, which amount is credited to the local street and alley fund. The balance of the county's share is credited to the county highway construction and maintenance fund.

*Oregon* After deducting the collection and administrative expenses the revenues derived from registration fees are divided between the State and the counties. 75 per cent of this balance is transferred to the State highway fund, 25 per cent is transmitted to the county treasurers of the various counties in proportion to the receipts from each county. In each county there is created a "Motor License Fund" arising from the money received from the State. This county fund is used and disbursed in the following order: (a) payment of interest and principal of county highway bonds, (b) where no bonds have been issued or where other provision has been made for the interest payment and retirement of such bonds, the funds are used to prepare the roadway and bridges for the construction of State highways, (c) if provision has been made for meeting bond requirements and for the payment of expenses of preparing the roadbed then the money may be used in the discretion of the county court for general road improvements.

*Pennsylvania* The receipts derived from the licensing and registering of motor vehicles are placed in a fund known as the "Motor License Fund." Out of it are paid all the administrative expenses of the State highway department which is responsible along with its other duties for the collection of the license fees. A prior lien on this fund to the amount of money necessary for the payment of interest and sinking fund charges on highway bond issued by the State. The rest of the fund is at the disposal of the highway department for the purpose of assisting in the maintenance, construction, reconstruction and improvement of State highways and of State-aid highways, and also for the maintenance of interstate bridges.

*Rhode Island* All the motor vehicle revenues are deposited in the State treasury out of which are paid the costs of license plates not to exceed \$30,000, the annual salaries of clerks employed by the state board of public roads not to exceed \$89,000, other expenses not to exceed \$30,000. The balance is used for the construction, repair and maintenance of, and the removal of snow from State roads and highways under the direction of the State authorities.

*South Carolina* The receipts from motor vehicle license fees are expended by and under the direction of the State highway department for the construction and maintenance of the State highway system.

*South Dakota* The collections are made by the county treasurers, one-half of these receipts is forwarded to the State treasurer to be placed in the State highway fund for construction and maintenance purposes, 2 per cent is transmitted to the secretary of state to be placed in the State motor vehicle fund for the purpose of meeting his expenses incurred in connection with the registration law, 48 per cent is credited to the motor vehicle fund of the county in which the money is collected. The law further provides that 75 per cent of the funds in the State highway fund be apportioned for expenditure among the counties on the basis of assessed valuation, the remaining 25 per cent of this fund after the commission's expenses are deducted is used by the State highway commission for highway purposes.

*Tennessee* Fifty per cent of the net receipts is distributed equally among the counties of the State and the remaining 50 per cent is expended upon such State highways as may be designated by the highway commission. The State highway commission also has the right to designate the roads in the several counties upon which the counties are to spend their respective shares of these funds and the character of construction and maintenance.

*Texas* The motor vehicle license fees are based upon two separate computations,  $17\frac{1}{2}$  cents per horsepower is one part of the license fee, the other part of the fee is the result of applying a certain rate to the weight of the vehicle. The county collector of taxes who collects the license fees is directed to deposit to the credit of the county road and bridge fund an amount equal to  $17\frac{1}{2}$  cents per horsepower of every vehicle registered. The balance of the fees derived from the weight factor is transmitted and credited to the State highway department. Approximately three-fourths of the total collections is turned over to the State department and one-fourth is retained by the counties.

*Utah* All the fees are deposited with the State treasurer and credited to a fund known as the "Motor Vehicle Registration Fund" Out of the fund are paid the registration expenses The balance is applied to interest and principal payments on State road bonds

*Vermont.* The net fees are turned over to the State treasurer and are made available for road maintenance by the State highway department

*Virginia* After the deduction of registration and collection expenses the motor vehicle revenues are deposited in the State treasury and are expended by the highway commission for the construction and maintenance of State highways and bridges

*Washington* The license fee receipts are deposited with the state treasurer in the "Motor Vehicle Fund" This fund is used in the following manner (a) to each city of the first and second class in which there are streets forming a part of the route of any primary State highway there is paid annually a sum of \$500 per mile for each mile of primary State highway in such city, to be expended for the maintenance and improvement of streets in such city, (b) to each city of the third and fourth class there is likewise given \$300 per mile of primary State highway in such city, (c) the balance of the fund, after deducting administrative expenses, is applied to the construction, paving and maintenance of State primary highway and the construction of secondary State highways

*West Virginia* The collection of license fees and registration of motor vehicles is under the jurisdiction of the State road commission The receipts are placed in the State road fund Out of it are paid the commission's expenses and the balance is devoted to (a) principal and interest payments on State highway bonds, (b) the maintenance and construction of State roads

*Wisconsin* After deducting collection and administrative expenses the net motor vehicle license fees and the net gasoline tax receipts and the Federal aid allotments are appropriated for the use of the State highway commission under the following restrictions and directions of the legislature (1) \$100,000 allocated annually to meet the expenses of the highway commission, (2) after the Commission's expenses are set aside, 10 per cent of the remainder of the appropriation is devoted to the improvement of the State trunk highway system to be expended on such projects as the commission shall from time to time determine, (3) \$100,000 is set aside annually for the marking and signing of the State trunk highway system, (4) the counties receive from \$300 to \$500 per mile for the maintenance of the State trunk highway system, the cities receive similar payments per mile of streets forming State trunk highway connections, special

sums are provided for to be paid counties, cities and villages which provide and maintain free swing or lift bridges on the State trunk highway system, (5) \$250,000 is appropriated annually to pay the State's portion of the cost of bridges, (5a) \$25,000 for improving highways forming connections between State charitable institutions and the State trunk highway system, (6) \$50,000 for the construction and maintenance of roads in State parks, (7) \$15,000 for the purpose of making surveys of local road materials, (8) for the improvement of roads and streets not part of the State trunk highway systems in towns, villages and cities each town and village receives \$25 per year for each mile of such streets, cities with a population of not more than 10,000 receive \$50 per mile, cities with a population from 10,000 to 39,000 receive \$100 per mile, cities with a population from 40,000 to 150,000 receive \$150 per mile, cities with a population in excess of 150,000 receive \$200 per mile, (9) the balance remaining after the amounts appropriated for the above-named purposes is used for the improvement of the State trunk highway system and the county trunk highway systems

*Wyoming* The revenues derived from motor vehicle license fees are devoted to the interest and sinking fund payments on State highway bonds

## PART II RECEIPTS FROM GASOLINE TAXES

As has already been indicated the gasoline tax continues to furnish a more and more important source of funds derived from motor vehicle owners and operators used for highway purposes. In 1925 there were only four States, Illinois, Massachusetts, New Jersey and New York, which did not resort to the gasoline tax as a revenue producing measure for the construction and maintenance of highways. The tax rate ranges all the way from 1 cent to 5 cents per gallon. In 1925 a total tax of \$146,028,940 was collected from the sale of 6,457,783,284 gallons of gasoline used in motor vehicles, this amounts to an average tax rate of 2.2 cents per gallon. In the four States mentioned above which did not collect this type of a tax, and in other States in which a gasoline tax was not in effect during the whole twelve months period, there was consumed by motor vehicles, according to the best estimates that can be made, 2,131,056,365 gallons of gasoline which was not taxed.

The gasoline tax is a comparatively new method of raising funds for highways. Although a form of a sales tax it is generally conceded that the gasoline tax is in essence a type of road toll and that its yield and earnings reflect more or less directly the use made of the

highways by motor vehicles and measure to a certain degree the benefits resulting therefrom

#### POINT OF COLLECTION

There are only three States, Colorado, North Carolina, and Pennsylvania, which do not collect the tax at the source. These States gather the tax from the dealer who sells to the consumer. In all of the other States the tax is collected at the source. This usually means the collection from the person or corporation which makes the original sales in the States. They are in most of the laws termed the "manufacturers," "importers," "distributors" or "wholesalers."

#### COLLECTION PERIOD

In all of the States which have in effect a gasoline tax the collections are made monthly. In California, Georgia, Pennsylvania, and Tennessee the gasoline taxes are paid to the respective States quarterly. In most cases where the tax is collected at the sources, the tax is remitted by the wholesale distributors accompanied by sworn statements showing in detail the receipts and sales.

#### REFUNDS

The laws of 28 States which collect the gasoline tax provide for a refunding of the tax paid on gasoline sold for other purposes than for automobile use. The Indiana law, for example, has this provision "the tax does not apply to gasoline purchased for use in operating stationary gas engines, tractors used for agricultural purposes, motor boats, aeroplanes or air-craft, or for use in cleaning or dyeing, or for any other commercial use." Whether the tax is paid by the wholesaler or by the dealer, gasoline used for these purposes has in most cases been taxed when sold to the consumer and the consumer in the first instance pays the tax which is included in the price which he pays for the gasoline. Where gasoline is sold under such circumstances, there is usually a provision made in the law whereby the consumer can secure a refund of the amount of taxes he paid upon gasoline not used in motor vehicles by presenting a sworn statement of his purchases, accompanied by invoices or purchase memoranda. There are still 16 out of the 44 States which collect the tax which have not made any provision for refunds and which tax all the gasoline sold, irrespective of its use. These 28 States which grant refunds, collected during 1925 \$100,604,852 and refunded \$4,109,513, or 4.1 per cent. It is no doubt true that a great many persons buying and using but small quantities of gasoline for purposes other than highway use never take the trouble to secure any refunds. How

great that number is cannot be determined definitely There may also be a few who through false statements or otherwise secure for themselves refunds to which they are not entitled The gross amounts collected in these 28 States and also refunds are set forth in Table IV

The ratio of the refunds to the total collections varied a good deal in the several States The lowest amount refunded relative to the

TABLE IV  
GASOLINE TAX RECEIPTS AND REFUNDS 1925 BY THE 28 STATES  
PROVIDING FOR REFUNDS

State	Total gasoline tax receipts	Amount of refunds	Per cent refunds to total receipts	Total net gasoline tax receipts
Arizona	\$1,035,551	\$179,600	17.3	\$855,951
Arkansas	3,230,559	280,199	8.7	2,950,360
California	16,150,387	1,193,598	7.3	14,956,789
Colorado	1,991,531	30,585	1.5	1,960,946
Delaware	350,580	8,499	2.4	342,081
Idaho	932,064	36,621	3.9	895,443
Indiana	7,832,462	179,413	2.3	7,653,049
Iowa	3,568,184	63,069	1.8	3,505,115
Kansas	3,000,253	95,059	3.2	2,905,194
Maine	1,283,874	15,526	1.2	1,268,348
Maryland	2,022,986	45,950	2.3	1,977,036
Michigan	8,742,392	506,314	5.8	8,236,078
Minnesota	3,989,282	125,342	3.1	3,863,940
Missouri	4,234,070	74,955	1.8	4,159,115
Nebraska	2,202,236	8,434	0.4	2,193,802
Nevada	335,446	16,741	5.0	318,705
New Hampshire	716,140	9,068	1.3	707,072
North Carolina	6,238,508	156,130	2.5	6,082,378
North Dakota	649,416	15,000	2.3	634,416
Ohio	9,133,785	123,835	1.4	9,009,950
Oregon	3,065,151	156,056	5.1	2,909,095
South Carolina	3,870,588	5,185	0.1	3,865,403
South Dakota	2,122,406	274,808	12.9	1,847,598
Virginia	3,863,117	161,166	4.2	3,701,951
Washington	3,205,114	184,302	5.8	3,020,812
West Virginia	2,222,329	35,590	1.6	2,186,739
Wisconsin	4,155,469	123,793	3.0	4,031,676
Wyoming	460,972	4,675	1.0	456,297
Total	\$100,604,852	\$4,109,513	4.1 Average	\$96,495,339

total gasoline tax receipts is found in South Carolina, where the ratio is 0.1 per cent, the highest ratio is found in Arizona, 17.3 per cent. In South Dakota the refunds were 12.9 per cent of the collections. In both of these States unusual conditions are found with respect to these refunds. It has been intimated by some one that the refunds in Arizona were relatively high because taxes were paid on certain amounts of gasoline which were afterwards shipped outside of the State which resulted in claims having been put in for refunds. The reasonableness and justice of exempting from taxation gasoline not used by motor vehicles can be readily admitted, inasmuch as the prime purpose of the tax is to secure funds from users of the highways in proportion to the use.

#### COLLECTION COSTS

Only twenty-one States reported separately the cost of collecting gasoline taxes. In these States the gross amount collected in 1925 was \$82,456,346 and collection costs as reported were \$217,393. This collection cost, therefore, amounted to an average cost for these States of \$2.64 per thousand dollars, or 0.264 per cent. The details are set forth in Table V.

It is noted that the collection costs vary very materially in this group of States which represent approximately half of the number of States which are charging a gasoline tax. In California the reports show that it costs the State only 46 cents to collect a thousand dollars of gasoline taxes, in New Mexico, which is at the other extreme, the collection costs amount to \$50 per \$1,000 collected. These differences in collection costs can be explained in several ways. It is quite probable that some of the States in arriving at these cost figures include only such extra expenditures incurred by those State officers whose duty it is to collect the gasoline tax which are over and above the office expenses prior to the assumption of this new duty. In New Mexico, on the other hand, the law provides that the collection expenses shall not exceed 5 per cent of the collections, and according to the reports the collection costs come right up to this maximum limit fixed by statute. There is another consideration which should have an effect on this ratio—it should not involve any greater costs to collect a tax of 2 or 3 cents per gallon than a tax of 1 cent per gallon. It would, therefore, appear that if the States followed a uniform system of cost accounting the collection costs per \$1,000 would be correspondingly lower in the States charging the higher gasoline tax rates.

In Table V the collection costs are also computed on a per million gallon basis. In making that comparison of costs the element of



the tax rate is completely eliminated. The costs range from \$9.86 per million gallons in California to \$1,310 in New Mexico, the average for this group of States being \$65 per million gallons.

TABLE V  
COST OF GASOLINE TAX COLLECTION

State	Gross amount collected	Total number gallons taxed	Reported collection costs	Collection costs per \$1,000 collected	Collection cost per million gallons taxed
Alabama	\$2,140,802	107,040,092	\$9,461	\$4.41	\$94.00
California	16,150,387	747,839,462	7,393	46	9.86
Florida	7,657,507	210,323,517	6,000	78	28.60
Georgia	4,418,824	138,802,152	4,200	95	30.40
Idaho	932,064	30,809,320	9,466	10.16	307.00
Indiana	7,832,462	272,980,870	12,436	1.58	45.60
Iowa	3,568,184	175,255,740	5,520	1.55	31.60
Maine	1,283,874	56,513,741	5,596	4.36	97.50
Maryland	2,022,986	98,851,813	2,500	1.23	25.60
Michigan	8,742,392	411,803,894	41,358	4.73	100.00
Mississippi	2,494,274	83,142,469	1,800	72	21.60
Missouri	4,234,070	207,955,474	23,429	5.54	115.00
Nebraska	2,202,236	109,690,122	4,963	2.26	25.20
New Mexico	537,356	20,490,892	26,868	50.00	1,310.00
Oregon	3,065,151	96,969,835	6,553	2.14	67.50
Tennessee	3,407,886	122,000,680	22,768	6.68	186.00
Utah	1,064,004	32,217,216	3,750	3.53	116.00
Virginia	3,863,117	123,398,365	5,604	1.45	45.60
West Virginia	2,222,329	76,331,660	7,500	3.38	98.50
Wisconsin	4,155,469	201,583,789	10,000	2.41	48.60
Wyoming	460,972	20,746,056	228	49	11.00
Total	\$82,456,346	3,344,747,159	\$217,393	\$2.64 average	\$65.00 average

Aside from New Mexico the costs of collecting this amount of revenue is low when compared with the collection costs of other forms of revenue. In 1924 the collection of the custom revenues cost the Federal Government \$22.50 per \$1,000, the internal revenue collection costs were \$12.10 per \$1,000. These figures are compared with the collection cost of \$2.64 per \$1,000 of gasoline taxes received. The collection cost of these Federal taxes per thousand dollars amounts to over five times the collection cost of the gasoline tax.

DISPOSITION OF THE GASOLINE TAX REVENUES

The gasoline tax revenues in 1925 amounted to \$144,921,949 after deducting \$217,393, which twenty-one States reported as their total collection costs. In addition to this amount \$889,598 was collected in the District of Columbia. In the analysis which follows these District of Columbia revenues are not included. The disposition of the gasoline tax revenues was made for the following purposes in the amounts indicated:

Purpose	Amount	Per Cent
Construction and maintenance of the State Highway System	\$97,084,753	67.0
Construction and maintenance of local roads	31,848,464	22.0
Principal and interest payments on State and local bonds	5,853,703	4.0
Transfers to general fund	3,722,796	2.6
Use on city streets	3,097,892	2.1
Other purposes	3,314,341	2.3
<b>Total</b>	<b>\$144,921,949</b>	<b>100.0</b>

According to this classification 89 per cent of the net gasoline tax receipts is used directly for the construction and maintenance of rural highways, 67 per cent being devoted to State highway systems, and 22 per cent to the construction and maintenance of local roads. The remaining 11 per cent is also used for the most part for road and street purposes.

DISPOSITION OF GASOLINE TAX REVENUES BY STATES

The statutes of the several States make definite provision for the disposition of the gasoline tax revenues just as is done in the case of the receipts from license and registration fees analyzed in Part I. The laws of some of the States provide that the money derived from the gasoline tax be distributed and applied in the same manner as the license fees, in other States a totally different policy is followed. In the analysis of the statutory provisions made by the different States with respect to the disposition of gasoline tax revenues which follows these similarities and dissimilarities of policy are set forth.

*Alabama* The tax is collected by the State tax commission, placed in the State treasury, and all receipts are distributed equally every month among the sixty-seven counties, to be used only for maintenance and repair of roads and bridges.

*Arizona* The Secretary of State collects the tax, and after deducting collection expenses deposits the money with the State treasurer to the credit of the gasoline tax fund. One-half of this fund is turned over to the State road tax fund and the other half is turned

back to the counties in proportion to the amount collected to be used for the maintenance of county roads

*Arkansas* All gasoline and oil tax revenues are deposited in the State highway fund. Its distribution is set forth in detail in the section devoted to the disposition of motor vehicle revenues

*California* The gasoline tax revenues are deposited in the motor vehicle fund together with the license fees. The disposition of this fund is set forth in the section devoted to the disposition of motor vehicle revenues

*Colorado* Fifty per cent of the receipts from the gasoline tax is deposited to the credit of the State highway fund to be used for the construction, maintenance, and improvement of the State highways. The remaining 50 per cent is apportioned among the several counties according to the mileage of State routes and State highways

*Connecticut* The gasoline tax revenues are expended in the same manner as the license fees by the State highway commissioner for the construction, maintenance, or reconstruction of State highways

*Delaware* The State uses the gasoline tax revenues in the same manner as the motor vehicle license fees

*Florida* Three-fourths of the gasoline tax receipts is placed in the State road fund for the construction and maintenance of State and Federal Aid roads, the remaining one-fourth is divided equally among the counties to be used for construction and maintenance purposes

*Georgia* Of the 3½ cent tax collected for each gallon of gasoline sold, the law provides that 1½ cents be allocated to the State highway department to be used for matching Federal aid, one cent is turned back to the county treasurers on the basis of the county mileage of the State Aid road system to be used for construction and maintenance, and 1 cent is set aside to meet the deficiency in the State treasury arising out of the deficiency of the rental of the Western Atlantic Railroad

*Idaho* The balance after administrative expenses have been paid is placed into the State highway fund. The distribution of this fund is set forth in the section devoted to the distribution and division of the motor vehicle license fees

*Illinois* No gasoline tax in effect

*Indiana* The law provides that the gasoline tax revenues after the collection expenses have been deducted be deposited in the State highway fund, two-thirds of the net receipts is used by the State highway commission for construction and maintenance, and one-third is transferred to the general fund and credited to a special fund known as "County, Cities and Town Gasoline Fund" Three-

fourths of this special fund is distributed as follows Fifty per cent is divided equally among the counties and 50 per cent is divided among the counties in proportion to the mileage of free gravel, macadam and county unit roads The counties are required to use the funds they receive for the construction and maintenance of roads The remaining one-fourth of this special fund is distributed among the cities and incorporated towns of the State in proportion to population and is to be used for the maintenance and repair of streets, preference being given to those streets connecting State highways

*Iowa* The collection expenses are paid out of the gross receipts The balance is divided as follows One-third is credited to the primary road fund, the distribution of which is described in the license fee section, three-fourths is apportioned among the counties on the basis of area One-half of this fund apportioned among the counties is placed in a county road fund and one-half is placed by each county in a township road fund on the basis of township road mileage

*Kansas* The gasoline tax receipts are placed in the State highway fund The manner in which this fund is apportioned and used is set forth in the motor vehicle license fee section

*Kentucky* Gasoline tax revenues are used only for the purpose of construction, reconstruction, maintenance and repair of roads and highways, and for interest and sinking fund payments of State bonds issued for highway purposes

*Louisiana* The gasoline tax revenues are credited to the general highway fund and are allotted for the exclusive purpose of the unkeep, repair and maintenance of the State highways and bridges

*Maine* The gasoline tax receipts are placed in the State highway fund and are used in the following manner Sixteen-and-two-thirds per cent for the maintenance of State highways and bridges and State aid highways,  $16\frac{2}{3}$  per cent for the construction of third-class highways,  $33\frac{1}{3}$  per cent for the construction of State highways, and  $33\frac{1}{3}$  per cent for the construction of State Aid highways

*Maryland* The gasoline tax receipts are used for the maintenance and reconstruction of the roads of the State highway system

*Massachusetts* No gasoline tax in effect

*Michigan* The revenues derived from the gasoline tax are used for the following purposes (a) To meet deficiencies in appropriations owned to several counties on State award highways, (b) For the payment of interest on State highway bonds, (c) The balance is used for the general construction, improvement and betterment of the public highways within the State

*Minnesota* The gasoline tax revenues are credited to the trunk highway fund The manner in which this fund is expended is de-

scribed in the preceding section relating to the disposition of motor vehicle license fees

*Mississippi* The gasoline tax revenues are placed in the State highway fund Fifty per cent of the revenues is used for the maintenance of the highway department and for the construction and maintenance of State highways and bridges, the remaining 50 per cent is returned to the counties in proportion to the number of motor vehicles registered and is used for the construction and maintenance of county roads, bridges and culverts

*Missouri* All the money derived from the gasoline tax is expended by the State highway commission for the construction and maintenance of State highways

*Montana* The gasoline tax receipts are apportioned in the following manner (a) 15 per cent is credited to the State highway fund, (b) 55 per cent is divided equally among the counties, (c) and 30 per cent is turned into the general fund of the State

*Nebraska* The revenues derived from the gasoline tax are placed into the gasoline highway fund which is used for the construction and maintenance of State and Federal Aid highways

*Nevada* All the gasoline tax receipts are deposited in a gasoline license tax fund Fifty per cent of this fund is transferred to the State highway fund to be used for construction and maintenance purposes, 50 per cent is transferred to the State highway fund of the various counties in proportion to the number of registered motor vehicles

*New Hampshire* The gasoline tax revenues are used in the same manner and for the same purposes as the motor vehicle license fees.

*New Jersey* No gasoline tax in effect

*New Mexico* The gasoline tax revenues are placed in the State road fund and are used for the maintenance of State highways

*New York* No gasoline tax in effect

*North Carolina* The gasoline tax revenues are credited to the State highway fund and are disposed of by the State highway commission in the following manner (a) \$250,000 is set aside to meet the expenses of the State highway commission, (b) A sum is appropriated sufficient to meet the annual interest charges on the \$65,000,000 bond issue for highway purposes, (c) A sum is appropriated sufficient to create \$500,000 sinking fund annual payments upon the \$65,000,000 bond issue, (d) The balance is used by the State highway commission for the construction and maintenance of roads

*North Dakota* All the revenues derived from the gasoline tax, with the exception of \$200,000, are deposited in the State highway

fund for the construction, reconstruction and maintenance of the Federal-aid and State-aid highways

*Ohio* The law provides that the gasoline tax receipts shall be distributed and disposed of by the State treasurer in the following manner (a) The first \$50,000 collected are placed by the State treasurer into a gasoline rotary tax fund to which sums are regularly added to keep this fund floating at \$50,000, (b) 30 per cent of the balance is paid out to State municipal corporations in proportion to the number of motor vehicles within such municipalities during preceding calendar year, for street maintenance purposes, (c) 25 per cent is divided equally among the counties for maintaining and repairing county road systems, (d) 45 per cent is apportioned to and expended by the State highway department for the purpose of maintaining, repairing and keeping in passable condition the roads and highways of the State

*Oklahoma* One-third of the gasoline tax revenues is credited to the highway fund of each county and is apportioned to each county in that percentage which the population and area of the county bear to the population and area of the State, to be used for the construction and maintenance of county or township roads, two-thirds of the receipts is deposited to the credit of the State highway construction and maintenance fund

*Oregon* The gasoline tax revenues are all placed in the State highway fund to be used for construction and maintenance purposes on the State highway system

*Pennsylvania* The money derived from the gasoline tax is distributed in the following manner One-fourth is credited to the counties in proportion to the amount of taxes collected and is used for the construction and maintenance of highways and for the payment of interest on county road bonds, three-fourths is deposited in the State motor license fund and used to meet interest and sinking fund payments on State highway bonds, and the balance is used for construction and maintenance purposes

*Rhode Island* The gasoline tax revenues are placed in the State highway fund and are used for the construction and maintenance of secondary roads

*South Carolina* Three-fourths of the gasoline tax revenues is credited to the State highway department and two-fifths is distributed among the counties, on the basis of the amount of license fees collected, for the construction and maintenance of roads not in the State highway system

*South Dakota* The receipts derived from the gasoline tax are placed in the State highway fund and are expended by the State

highway commission for the construction, reconstruction and maintenance of highways and roads under the Commission's jurisdiction

*Tennessee* The gasoline tax revenues are all used for the construction and maintenance of highways of the State

*Texas* The receipts derived from the gasoline tax are apportioned as follows (a) one-fourth of the "Free School Fund", (b) three-fourths to the State highway fund for construction and maintenance purposes.

*Utah* The gasoline tax receipts are placed to the credit of a fund for the payment of interest and sinking fund charges on State road bonds

*Vermont* The gasoline tax revenues are available the same as the motor vehicle license fees for road maintenance by the State highway department

*Virginia* The receipts derived from the gasoline tax are disposed of in the following manner (a) 2 cents of the rate is appropriated for the construction of roads and projects on the State highway system, (b) 1 cent is devoted to the construction of roads and bridges on county highway systems distributed among the counties on the basis of the total State taxes paid by counties into the State treasury, (c) the extra 1½ cents added to the former rate in 1926 is turned over to the counties if they match the amount by an appropriation of their own

*Washington* All the gasoline tax receipts are placed in the motor vehicle fund, the disposal of which is set forth in the section devoted to the disposition of motor vehicle license fees

*West Virginia* The revenues derived from the gasoline tax are disposed of in the same manner as the revenues derived from motor vehicle license fees

*Wisconsin* The gasoline tax revenues, together with the motor vehicle license fees, are all placed in a fund from which the annual appropriations for State highway purposes are made. These have been set forth in detail in a preceding section.

*Wyoming* The receipts derived from the gasoline tax are apportioned among the counties in proportion to the number of miles of State highway therein and used for maintenance purposes

In 14 out of the 44 States which have in effect a gasoline tax there is no distinction made between the revenues derived from this kind of a tax and the revenues produced by the license fees so far as the distribution and use of these funds are concerned. The following States distribute and use the gasoline tax money in the same manner as the funds derived from license and registration fees: Arkansas, California, Connecticut, Delaware, Idaho, Kansas, Kentucky, Louisi-

ana, Minnesota, Rhode Island, Vermont, Washington, West Virginia and Wisconsin. The remaining 30 States provide for a disposition of the gasoline tax receipts different from that of the motor vehicle license fees.

According to the reported figures a somewhat larger proportion of the gasoline tax revenues is used for the construction and maintenance of local roads than is found in the case of motor vehicle license fee receipts. In 1925, 22 per cent of net gasoline tax revenues was devoted to local highway purposes, the proportion of the motor vehicle license fees for that purpose amounted to only 19.5 per cent. The sum of money taken out of license fees for local highway purposes, however, was greater—\$48,396,471, derived from motor vehicle license fees, was used for local highway purposes, and \$31,848,464 derived from gasoline taxes.

In only four States is there any direct provision in the law which calls for an apportionment of any of these motor vehicle revenues among cities or municipalities. These States are Indiana, Maryland, Ohio and Wisconsin. The law in these respective States provides that certain portions of the funds which the State receives be allocated to municipalities and be used by them for street improvements. These provisions have already been covered in the digest of the laws of the various States pertaining to the distribution of the license fees and gasoline taxes. It is believed, however, that special attention should be called to this particular phase of the disposition of motor vehicle revenues at this point because of the rather wide interest given to this phase of the subject at this time.

The Maryland law makes direct provision that 20 per cent of all the license fees collected in the State be paid over to the City of Baltimore for use on its streets. The number of motor vehicles registered in the City of Baltimore in 1925 was 44 per cent of the total number of vehicles registered in the whole State of Maryland. It would appear, therefore, that the City of Baltimore had returned to it approximately half of the registration fees collected within its limits. This conclusion is obviously based on the assumption that the average license fee per vehicle collected in Baltimore does not differ materially from the average license fee collected throughout the State. No part of the gasoline tax revenues is apportioned to Baltimore nor do any of the other cities and municipalities in the State share in either the license fee or gasoline tax receipts.

The Wisconsin law provides that a portion of both the license fee receipts and the gasoline tax revenues be paid over to towns, villages and cities for the improvement of roads and streets not part of the State and county trunk highway systems. The payments



are based upon the amount of mileage in the municipalities and the amount paid per mile varies according to the size and population of the municipality. The details are fully set forth in the motor vehicle license fee section. For the fiscal year ended June 30, 1926, according to the report of the Wisconsin highway commission, the net amount of license fees and gasoline taxes collected by the State was \$13,279,529. Of this amount \$1,865,218, or 14 per cent was turned over to towns, villages and cities. The mileage upon which these payments were based amounted to 62,743 miles. The towns received \$1,422,854, or 76 per cent of the total amount of money distributed in this manner, and they contained 90 per cent of the total mileage. Villages received \$37,540, or 2 per cent of the amount distributed. There were 161 cities in the State, of various sizes, which received \$404,824 or 21.6 per cent of this amount, based upon 4,330 miles of streets which was but 6.9 per cent of the total mileage upon which these payments to localities were based. For the 161 cities which participated in these revenues the average received per city was \$2,514. For Milwaukee, the largest city in the State, it amounted to \$109,700, based on 548.5 miles of streets not included in the State highway system. Eight of the cities received over \$10,000 each. Forty-seven cities received between \$1,000 and \$10,000, and 86 received less than \$1,000 each. The sum of this amount of \$404,824, which was distributed among the cities and the \$37,540 given to villages for municipal street improvements, or a total of \$442,364, constituted but 3.4 per cent of net revenues derived from motor vehicle fees and the gasoline tax.

The gasoline tax law of Indiana provides that a certain portion of the net revenues derived from the gasoline tax be distributed among the cities and incorporated towns of the State. The details relating to the apportionment of the gasoline tax receipts are set forth in that part of the gasoline tax section devoted to Indiana. The net result is that  $8\frac{1}{3}$  per cent of the net gasoline tax collections is distributed among the cities and incorporated towns of the State for the maintenance and repair of their streets. In using this money preference is to be given to those streets connecting State highways. In 1925 the cities and incorporated towns of the State were entitled to receive, according to these provisions, \$636,684.

Ohio is the fourth State where cities or municipal corporations share in the motor vehicle revenues collected by the State. Cities receive a part of the license fees and also of the gasoline tax receipts. Fifty per cent of the license fees is turned back to the municipalities in which the tax was collected. Thirty per cent of the gasoline tax receipts is also returned to the municipalities. The gasoline tax ap-

portionment is made on the basis of the number of vehicles registered. In 1925, although the gasoline tax was in effect only after April 18, the apportionments of revenues from this source amounted to \$2 702,985. That year the total license fee revenues were \$13,147,231, and one-half of this amount was transferred to counties and municipalities—just what portion of this transfer of funds went to municipalities is not disclosed by the reported figures. The funds derived from the license fees and the gasoline tax are to be used by cities for street maintenance purposes only.

In New York the law provides that 25 per cent of the license fees collected in each county shall be retained by the county for road maintenance purposes to be expended under the direction of the State commissioner of highways. Inasmuch as the City of New York comprises several counties its share of the license fee revenues is credited to the city's general fund, the law being silent as to how the city is to use these funds.

The analysis of the statutory provisions relating to the disposition of the motor vehicle fees and gasoline taxes by the States, shows that where the States are directed to transfer a portion of these funds to counties or municipalities a number of different bases are used in making the apportionments. In twenty-two States there is such a transfer of funds. In sixteen States the amount of fees collected from local governmental units, such as county or city, is named as the basis of apportionment, in two States it is the number of registered motor vehicles. One State uses population as a basis, one State uses area, one State uses road or street mileage, and one State makes an equal distribution among the counties.

There are 21 States which distribute a portion of the gasoline tax receipts. Five States distribute these receipts in proportion to the amounts collected, four States distribute according to mileage, three States use the number of motor vehicles registered as a basis, and three States divide the portion to be distributed equally among the counties. One State uses population as a basis of distribution, one uses the amount of State taxes paid as a basis. Area and mileage, population and area, mileage and equal distribution among counties, registration and equal distribution among counties, furnish the bases in four other States, respectively.

The total disbursements in 1925 for rural highway purposes are reported to have been \$1,288,939,707. This amount includes the outlays for highway improvements made by the State highway commissions and by the local authorities. In arriving at this total there are included as expenditures the transfers of funds from State commissions to local authorities and also the transfers from local to State

authorities After making a deduction of these transfers of funds the net total disbursements are found to be \$1,241,048,094 The total collections from motor vehicles, including license fees and gasoline taxes, amounted to \$406,648,561, an amount equivalent to 32.8 per cent of the net disbursements Not all of these motor-vehicle revenues which the States collected were used or were available for highway purposes

The net disbursements made by the State highway commissions were \$623,549,605 in 1925 To meet these expenditures the States received \$199,845,163, or 32 per cent of the disbursements, from motor vehicle license fees, and \$89,328,340, or 14 per cent, from gasoline taxes It may, therefore, be said that \$289,173,503, or 46 per cent of the net highway disbursements made on behalf of State highway commissions was derived from motor-vehicle revenues

The net disbursements for local highways were \$617,499,489 To meet these expenditures the local highway authorities received \$71,379,424, or 11.5 per cent of the total disbursements as their share of the motor-vehicle revenues, \$46,545,445, or 7.5 per cent, was derived from motor vehicle license fees, and \$24,833,979, or 4.0 per cent, came from gasoline taxes

These funds for highway purposes derived from motor vehicle license fees and gasoline taxes and their relation to the total net disbursements, State and local, for highway improvements may be summarized as follows

Total net highway disbursements, State. ....	\$623,549,605
Total net highway disbursements, local . . . . .	617,499,489
<b>Total . . . . .</b>	<b>\$1,241,049,094</b>
Sources of highway funds, State.	
License fees . . . . .	\$199,845,163
Gasoline tax . . . . .	89,328,340
<b>Total . . . . .</b>	<b>\$289,173,503</b>
Ratio of these sources to State highway disbursements, 46 per cent	
Sources of highway funds, local	
License fees . . . . .	\$46,545,445
Gasoline tax . . . . .	24,833,979
<b>Total . . . . .</b>	<b>\$71,379,424</b>
Ratio of these sources to local highway disbursements, 11.5 per cent	
Total funds derived from motor vehicle license fees and gasoline tax, State and local . . . . .	\$360,552,927

The disbursements covered the items of construction on roads and bridges, maintenance, administration and engineering, retirement and payment on bonds, interest payments, equipment, machinery and repairs, etc. The funds to meet these expenditures in addition to those derived from motor-vehicle revenue were obtained from bond issues, taxation, and Federal aid. The Federal aid funds may also be regarded as having been derived from the excise taxes on automobiles collected by the Federal Government, inasmuch as the Federal aid payments for highway work have been up to this time very much less than the total amount collected through this tax since the tax has been in effect. The Federal aid payments in 1925 amounted to \$92,180,406, which is equivalent to about 7.5 per cent of the country's total rural highway disbursements. If these figures are added to the funds derived from motor-vehicle revenues used for highway purposes, we arrive at an amount equivalent to 36.5 per cent of the total disbursements. Although a larger sum was collected in the form of license fees and gasoline taxes, the funds derived from these sources actually used for highway purposes were considerably less. Before any further attempts are made to withdraw a still larger part of the motor-vehicle receipts and use them for purposes other than for rural highways, a careful study should be made as to the extent to which highway expenditures in the various States are met through motor-vehicle contributions. A part of these motor-vehicle revenues is also used for administrative expenses. It behooves each State in that connection to see to it that such costs be kept at a minimum so that as large a share of the license fees and gasoline taxes as possible be devoted to the purpose for which they are intended.