Working draft for discussion at TIC meeting 7/8/2026

**** BILL NO. ****

INTRODUCED BY ****

BY REQUEST OF THE ****

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING FUEL TAXES; INCREASING THE FUEL TAX ON GASOLINE SOLD WITHIN THE STATE; IMPLEMENTING A DECENNIAL REVIEW OF FUEL TAXES; ESTABLISHING REPORTING REQUIREMENTS; IMPLEMENTING A STANDARDIZED INFLATIONARY INCREASE; AMENDING SECTIONS 15-70-126, 15-70-402, 15-70-403, 15-70-416, 15-70-425, 15-70-443, 60-3-201, AND 75-11-314, MCA; AND PROVIDING AN EFFECTIVE DATE."

While WHEREAS clauses are not required, the TIC may want to include some context such as:

WHEREAS, the federal gas tax has not been raised since 1993;

WHEREAS, the Montana gasoline fuel tax was most recently raised in 2017;

WHEREAS, the proportion of Montana's highway funding going toward the required state match for federally-funded projects has increased consistently since 2002, leaving a lower proportion remaining for maintenance of the state's roads;

WHEREAS, an inability to meet the required state match for federally-funded projects not only affects the amount of redistribution funding that Montana qualifies for, but also puts Montana in a less-favorable position for future federal funding qualification;

WHEREAS, modern vehicles are produced with higher levels of fuel efficiency than ever before, meaning that fewer gallons of fuel (and therefore fewer gas tax revenue dollars) are generated per driving mile;

WHEREAS, Montana's highways state special revenue account (HSSRA) fund balance has declined in relation to the amount of state match required to receive federal funding and in relation to the increased fuel efficiency of modern vehicles;

WHEREAS, a declining fund balance jeopardizes Montana's ability to maintain and improve existing transportation infrastructure, such as snow removal and median mowing, and also threatens Montana's ability to build new infrastructure;

Please note the WHEREAS clauses are here as placeholders only, and the TIC has not requested any specific WHEREAS language as of 7/1/2026.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-70-126, MCA, is amended to read:

"**15-70-126. Highway restricted account.** (1) There is a highway restricted account in the state special revenue fund provided for in 17-2-102. All interest and income earned on the account must, in accordance with the provisions of 17-2-124, be deposited to the credit of the account and any unexpended balance in the account must remain in the account.

(2) Subject to subsection (4) and 15-70-403(2), all revenue sources provided for in Article VIII, section 6, of the Montana constitution must be deposited in the account, including but not limited to:

(a) all taxes collected under this chapter except as provided in 15-70-403(2)(b), (2)(c), (3)(b), and (3)(c);

(b) taxes collected for improperly imported fuel as provided in 15-70-419;

(c) fees collected for temporary special fuel permits as provided in 15-70-456;

(d) GVW license fees as provided in 61-10-225 and 61-10-226; and

(e) electric vehicle registration fees as provided in 61-3-572.

(3) Except as provided in subsection (5), the money in the account is restricted and may be used only for the purpose of providing funding:

(a) for statutory refunds and adjustments;

(b) for debt service on highway revenue bonds;

(c) to the department for distribution to local governments as provided in 15-70-101;

(d) to the department for railroad grade crossing protection as provided in 15-70-102;

(e) until June 30, 2018, to the department of justice for expenses of the motor vehicle division;

(f) for gasoline tax allocations as provided in 60-3-201;

(g) to the department for administration of the motor carrier services functions;

(h) to the department for the highways in this state selected and designated by the transportation commission provided for in 2-15-2502;

(i) to the department for the collection of fuel taxes;

(j) for driver education, which may not exceed ~~$10,000~~ $20,000; and

(k) for tourist promotion, which may not exceed ~~$10,000~~ $20,000.

While not specifically tied to fuel tax, these $ amounts in HSSRA might be adjusted by the TIC

(4) (a) The portion of money collected from all revenue sources provided for in Article VIII, section 6, of the Montana constitution on hand at any time that is needed to pay highway bonds and interest on highway bonds when due and to accumulate and maintain a reserve for payment of highway bonds and interest, as provided in laws and in resolutions of the state board of examiners authorizing the bonds, must be deposited in the highway bond account in the debt service fund established by 17-2-102.

(b) The department is authorized to maintain a suspense account for gasoline and special fuel tax refunds and adjustments.

(5) The money in the account may be appropriated for purposes other than those listed in subsection (3) by a three-fifths vote of the members of each house of the legislature."

Section 2. Section 15-70-402, MCA, is amended to read:

Scroll down to the (Effective July 1, 2026) section to see draft changes.

"**15-70-402. (Temporary) License and security of distributors -- denial or disciplinary action.** (1) (a) Prior to doing business, each gasoline or special fuel distributor, including an exporter and importer, as those terms are defined in 15-70-401, shall file:

(i) an application for a license with the department, on forms prescribed and furnished by the department, setting forth the information that may be requested by the department; and

(ii) security with the department in an amount to be determined by the department.

(b) (i) Except as provided in subsection (1)(b)(ii), the required amount of security may not exceed twice the estimated amount of gasoline or special fuel taxes the distributor will pay to this state each month.

(ii) The minimum required security for a distributor who imports or exports fuel is $25,000.

(c) Upon approval of the application, the department shall issue to the distributor a nonassignable license that is in force until surrendered or revoked.

(2) The department may deny the issuance of a distributor license or take disciplinary action against the distributor if it determines that the applicant or distributor:

(a) has violated any provision of this chapter or any rule of the department relating to gasoline or special fuel, or both;

(b) fails to provide the security required by the department;

(c) has had a distributor license revoked or denied by the department or another jurisdiction within a 3-year period;

(d) is not in compliance with motor fuels laws in other jurisdictions; or

(e) fails to pay the gasoline or special fuel tax.

(3) Disciplinary action against a distributor may result in revocation of the license or issuance of a probationary license. At its discretion, the department may issue a probationary license to a distributor who repeatedly fails to report in the manner prescribed. The probationary license must be issued for a specified time period and may require the distributor to attend motor fuel tax training conducted by the department. If a distributor issued a probationary license fails to provide accurate reports by the end of the time period specified by the probationary license, the department may revoke the distributor license.

(4) If an application for a distributor license is denied or revoked or if the distributor is under disciplinary action, the applicant or distributor has the right to appeal the department's decision pursuant to Title 2, chapter 4, part 6.

(5) Only a licensed distributor may withdraw gasoline or special fuel from a refinery or terminal.

(6) Failure to obtain a distributor license as required in this section subjects the distributor to the provisions of 15-70-419 allowing for the seizure, confiscation, and possible forfeiture of the fuel.

(7) As used in this section, "security" means:

(a) a bond executed by a distributor as principal with a corporate surety qualified under the laws of Montana, payable to the state of Montana, and conditioned upon faithful performance of all requirements of this part, including the payment of all taxes and penalties;

(b) a deposit made by the distributor with the department, under the conditions that the department may prescribe; or

(c) certificates of deposit or irrevocable letters of credit issued by a bank and insured by the federal deposit insurance corporation.

(8) The owner of a commercial motor vehicle that is engaged in transporting gasoline or special fuel for a distributor is not subject to the provisions of this section.

(9) A distributor who blends biodiesel must be licensed with the department. If the distributor cannot be licensed, the distributor is required to buy biodiesel fuel on which the special fuel tax has been paid.

(10) A distributor who blends ethanol with gasoline must be licensed by the department. If the

distributor cannot be licensed, the distributor is required to buy ethanol-blended gasoline on which the gasoline tax has been paid.

15-70-402. (Effective July 1, 2026) License and security of distributors -- denial or disciplinary action. (1) (a) Prior to doing business, each gasoline or special fuel distributor, including an exporter and importer, as those terms are defined in 15-70-401, shall file:

(i) an application for a license with the department, on forms prescribed and furnished by the department, setting forth the information that may be requested by the department; and

(ii) security with the department in an amount to be determined by the department.

(b) (i) Except as provided in subsection (1)(b)(ii), the required amount of security may not exceed twice the estimated amount of gasoline or special fuel taxes the distributor will pay to this state each month.

(ii) The minimum required security for a distributor who imports or exports fuel is ~~$25,000~~ $50,000.

(c) On approval of the application, the department shall issue to the distributor a nonassignable license that is in force until surrendered, canceled, or revoked.

Again, not specifically tied to fuel tax, but closely related - TIC may want to review.

(2) The department may deny the issuance of a distributor license or take disciplinary action against the distributor if it determines that the applicant or distributor:

(a) has violated any provision of this chapter or any rule of the department relating to gasoline or special fuel, or both;

(b) fails to provide the security required by the department;

(c) has had a distributor license revoked or denied by the department or another jurisdiction within a 3-year period;

(d) is not in compliance with motor fuels laws in other jurisdictions; or

(e) fails to pay the gasoline or special fuel tax.

(3) Disciplinary action against a distributor may result in revocation of the license or issuance of a probationary license. At its discretion, the department may issue a probationary license to a distributor who repeatedly fails to report in the manner prescribed. The probationary license must be issued for a specified time period and may require the distributor to attend motor fuel tax training conducted by the department. If a distributor issued a probationary license fails to provide accurate reports by the end of the time period specified by the probationary license, the department may revoke the distributor license.

(4) If an application for a distributor license is denied or revoked or if the distributor is under disciplinary action, the applicant or distributor has the right to appeal the department's decision pursuant to Title 2, chapter 4, part 6.

(5) Only a licensed distributor may withdraw gasoline or special fuel from a refinery or terminal.

(6) Failure to obtain a distributor license as required in this section subjects the distributor to the provisions of 15-70-419 allowing for the seizure, confiscation, and possible forfeiture of the fuel.

(7) As used in this section, "security" means:

(a) a bond executed by a distributor as principal with a corporate surety qualified under the laws of Montana, payable to the state of Montana, and conditioned upon faithful performance of all requirements of this part, including the payment of all taxes and penalties;

(b) a deposit made by the distributor with the department, under the conditions that the department may prescribe; or

(c) certificates of deposit or irrevocable letters of credit issued by a bank and insured by the federal deposit insurance corporation.

(8) The owner of a commercial motor vehicle that is engaged in transporting gasoline or special fuel for a distributor is not subject to the provisions of this section.

(9) A distributor who blends biodiesel must be licensed with the department. If the distributor cannot be licensed, the distributor is required to buy biodiesel fuel on which the special fuel tax has been paid.

(10) A distributor who blends ethanol with gasoline must be licensed by the department. If the distributor cannot be licensed, the distributor is required to buy ethanol-blended gasoline on which the gasoline tax has been paid."

Scroll down past the (Effective July 1, 2026) section to see changes.
Changes would take place over multiple fiscal years, hence multiple "temporary" sections with unique effective dates.

Section 3. Section 15-70-403, MCA, is amended to read:

"**15-70-403. (Temporary) Gasoline, special fuel, and aviation fuel tax -- incidence -- rates.** (1) The incidence of the fuel tax is on the distributor for the privilege of engaging in and carrying on business in this state. Each distributor shall pay to the department of transportation a tax in an amount equal to:

(a) 33 cents for each gallon of gasoline distributed by the distributor within the state and on which the gasoline tax has not been paid by any other distributor;

(b) 29.75 cents for each gallon of special fuel distributed by the distributor within the state and on which the special fuel tax has not been paid by any other distributor; and

(c) 5 cents for each gallon of aviation fuel, other than fuel sold to the federal defense fuel supply center, which is allocated to the department as provided by 67-1-301.

(2) The gasoline tax provided for in subsection (1)(a) must be deposited as follows:

(a) the revenue from 22 cents of the tax less the allocations provided for in 60-3-201(1)(a) through (1)(d) to the highway restricted account provided for in 15-70-126;

(b) the revenue from 4 cents of the tax less the allocations provided for in 60-3-201(1)(a) through (1)(d) to the highway patrol administration state special revenue account established in 44-1-110; and

(c) the remaining revenue from the tax less the allocations provided for in 60-3-201(1)(a) through (1)(d) to the local government road construction and maintenance restricted account provided for in 15-70-128.

(3) The special fuel tax provided for in subsection (1)(b) must be deposited as follows:

(a) the revenue from 24.6 cents of the tax to the highway restricted account provided for in 15-70-126;

(b) the revenue from 4 cents of the tax to the highway patrol administration state special revenue account established in 44-1-110; and

(c) the remaining revenue from the tax to the local government road construction and maintenance restricted account provided for in 15-70-128.

(4) Gasoline or special fuel may not be included in the measure of the distributor's tax if it is sold for export unless the distributor is not licensed and is not paying the tax to the state where the fuel is destined.

(5) Special fuel may not be included in the measure of the distributor's tax if it is dyed by injector at a refinery or terminal for off-highway use.

(6) When no Montana fuel tax has been paid by a distributor or any other person, the department shall collect or cause to be collected from the owners or operators of motor vehicles operating on the public roads and highways of this state a tax equal to the tax rate provided for in subsection (1)(a) for gasoline and subsection (1)(b) for dyed or undyed special fuel. The tax must be paid for each gallon of gasoline or special fuel as defined in this part, or other volatile liquid, except liquid petroleum gas, of less than 46 degrees A.P.I. (American petroleum institute) gravity test sold or used to produce motor power to operate motor vehicles on

the public roads and highways of this state.

(7) The tax may not be imposed on dyed special fuel delivered into the fuel supply tank of a vehicle that is equipped with a feed delivery box if:

(a) the feed delivery box is permanently affixed to the vehicle;

(b) the vehicle is used exclusively for the feeding of livestock; and

(c) the gross vehicle weight of the vehicle, exclusive of any towed units, is greater than 12,000 pounds.

(8) All special fuel or other volatile liquid, except liquid petroleum gas, of less than 46 degrees A.P.I. (American petroleum institute) gravity test sold or used in motor vehicles, motorized equipment, and the internal combustion of any engines, including stationary engines, and used in connection with any work performed under any contracts pertaining to the construction, reconstruction, or improvement of a highway or street and its appurtenances awarded by any public agencies, including federal, state, county, municipal, or other political subdivisions, must be fuel on which Montana fuel tax has been paid.

(9) Material used for construction, reconstruction, or improvement in connection with work performed under a contract as provided in subsection (8) must be produced using fuel on which Montana fuel tax has been paid.

15-70-403. (Effective July 1, 2026) Gasoline, special fuel, and aviation fuel tax -- incidence -- rates. (1) The incidence of the fuel tax is on the distributor for the privilege of engaging in and carrying on business in this state. Each distributor shall pay to the department of transportation a tax in an amount equal to:

(a) 33 cents for each gallon of gasoline distributed by the distributor within the state and on which the gasoline tax has not been paid by any other distributor;

(b) 29.75 cents for each gallon of special fuel distributed by the distributor within the state and on which the special fuel tax has not been paid by any other distributor; and

(c) 5 cents for each gallon of aviation fuel, other than fuel sold to the federal defense fuel supply center, which is allocated to the department as provided by 67-1-301.

(2) The gasoline tax provided for in subsection (1)(a) must be deposited as follows:

(a) the revenue from 22 cents of the tax less the allocations provided for in 60-3-201(1)(a) through (1)(d) to the highway restricted account provided for in 15-70-126;

(b) the revenue from 4 cents of the tax less the allocations provided for in 60-3-201(1)(a) through (1)(d) to the highway patrol administration state special revenue account established in 44-1-110; and

(c) the remaining revenue from the tax less the allocations provided for in 60-3-201(1)(a) through (1)(d) to the local government road construction and maintenance restricted account provided for in 15-70-128.

(3) The special fuel tax provided for in subsection (1)(b) must be deposited as follows:

(a) the revenue from 24.6 cents of the tax to the highway restricted account provided for in 15-70-126;

(b) the revenue from 4 cents of the tax to the highway patrol administration state special revenue account established in 44-1-110; and

(c) the remaining revenue from the tax to the local government road construction and maintenance restricted account provided for in 15-70-128.

(4) (a) Except as provided in subsection (4)(b), when gasoline, special fuel, or aviation fuel is withdrawn from a refinery or pipeline terminal in this state, the gasoline, special fuel, or aviation fuel is considered to be distributed by the distributor who is the owner of the gasoline, special fuel, or aviation fuel prior to the time of withdrawal.

(b) If gasoline, special fuel, or aviation fuel is withdrawn for shipment or delivery to a licensed distributor, it is considered to be distributed by the first licensed distributor to take possession of the gasoline, special fuel, or aviation fuel as shown by the bill of lading issued by the terminal or refinery.

(5) Imported gasoline, special fuel, or aviation fuel, except for gasoline, special fuel, or aviation fuel placed in storage at a refinery or pipeline terminal, is considered to be distributed after it arrives and is brought to rest in this state by the person who is the owner of the gasoline, special fuel, or aviation fuel at the time the gasoline, special fuel, or aviation fuel is unloaded from its shipping vessel. If the owner is not licensed as a Montana distributor and if the gasoline, special fuel, or aviation fuel is shipped or delivered in this state by a person who is licensed as a distributor, then the gasoline, special fuel, or aviation fuel is considered to be distributed by the licensed distributor.

(6) For the purposes of the tax provided for in this section, gasoline, special fuel, and aviation fuel may not be exchanged tax-free between licensed distributors more than one time.

(7) Gasoline or special fuel may not be included in the measure of the distributor's tax if it is sold

for export unless the distributor is not licensed and is not paying the tax to the state where the fuel is destined.

(8) Special fuel may not be included in the measure of the distributor's tax if it is dyed by injector at a refinery or terminal for off-highway use.

(9) When no Montana fuel tax has been paid by a distributor or any other person, the department shall collect or cause to be collected from the owners or operators of motor vehicles operating on the public roads and highways of this state a tax equal to the tax rate provided for in subsection (1)(a) for gasoline and subsection (1)(b) for dyed or undyed special fuel. The tax must be paid for each gallon of gasoline or special fuel as defined in this part, or other volatile liquid, except liquid petroleum gas, of less than 46 degrees A.P.I. (American petroleum institute) gravity test sold or used to produce motor power to operate motor vehicles on the public roads and highways of this state.

(10) The tax may not be imposed on dyed special fuel delivered into the fuel supply tank of a vehicle that is equipped with a feed delivery box if:

(a) the feed delivery box is permanently affixed to the vehicle;

(b) the vehicle is used exclusively for the feeding of livestock; and

(c) the gross vehicle weight of the vehicle, exclusive of any towed units, is greater than 12,000 pounds.

(11) All special fuel or other volatile liquid, except liquid petroleum gas, of less than 46 degrees A.P.I. (American petroleum institute) gravity test sold or used in motor vehicles, motorized equipment, and the internal combustion of any engines, including stationary engines, and used in connection with any work performed under any contracts pertaining to the construction, reconstruction, or improvement of a highway or street and its appurtenances awarded by any public agencies, including federal, state, county, municipal, or other political subdivisions, must be fuel on which Montana fuel tax has been paid.

(12) Material used for construction, reconstruction, or improvement in connection with work performed under a contract as provided in subsection (11) must be produced using fuel on which Montana fuel tax has been paid.

15-70-403. (Effective July 1, 2027) Gasoline, special fuel, and aviation fuel tax -- incidence -- rates. (1) The incidence of the fuel tax is on the distributor for the privilege of engaging in and carrying on business in this state. Each distributor shall pay to the department of transportation a tax in an amount equal to:

Increase of 5 cents/gallon for state fiscal year 2028

(a) 38 cents for each gallon of gasoline distributed by the distributor within the state and on which the gasoline tax has not been paid by any other distributor;

(b) 29.75 cents for each gallon of special fuel distributed by the distributor within the state and on which the special fuel tax has not been paid by any other distributor; and

(c) 5 cents for each gallon of aviation fuel, other than fuel sold to the federal defense fuel supply center, which is allocated to the department as provided by 67-1-301.

(2) The gasoline tax provided for in subsection (1)(a) must be deposited as follows:

Increase of 4.5 cents/gallon for SFY 2028

(a) the revenue from 26.5 cents of the tax less the allocations provided for in 60-3-201(1)(a) through (1)(d) to the highway restricted account provided for in 15-70-126;

(b) the revenue from 4 cents of the tax less the allocations provided for in 60-3-201(1)(a) through (1)(d) to the highway patrol administration state special revenue account established in 44-1-110; and

Increase of 0.5 cent/gallon for SFY 2028

(c) the remaining revenue from the tax less the allocations provided for in 60-3-201(1)(a) through (1)(d) to the local government road construction and maintenance restricted account provided for in 15-70-128.

(3) The special fuel tax provided for in subsection (1)(b) must be deposited as follows:

(a) the revenue from 24.6 cents of the tax to the highway restricted account provided for in 15-70-126;

(b) the revenue from 4 cents of the tax to the highway patrol administration state special revenue account established in 44-1-110; and

(c) the remaining revenue from the tax to the local government road construction and maintenance restricted account provided for in 15-70-128.

(4) (a) Except as provided in subsection (4)(b), when gasoline, special fuel, or aviation fuel is withdrawn from a refinery or pipeline terminal in this state, the gasoline, special fuel, or aviation fuel is considered to be distributed by the distributor who is the owner of the gasoline, special fuel, or aviation fuel prior to the time of withdrawal.

(b) If gasoline, special fuel, or aviation fuel is withdrawn for shipment or delivery to a licensed distributor, it is considered to be distributed by the first licensed distributor to take possession of the gasoline, special fuel, or aviation fuel as shown by the bill of lading issued by the terminal or refinery.

(5) Imported gasoline, special fuel, or aviation fuel, except for gasoline, special fuel, or aviation fuel

placed in storage at a refinery or pipeline terminal, is considered to be distributed after it arrives and is brought to rest in this state by the person who is the owner of the gasoline, special fuel, or aviation fuel at the time the gasoline, special fuel, or aviation fuel is unloaded from its shipping vessel. If the owner is not licensed as a Montana distributor and if the gasoline, special fuel, or aviation fuel is shipped or delivered in this state by a person who is licensed as a distributor, then the gasoline, special fuel, or aviation fuel is considered to be distributed by the licensed distributor.

(6) For the purposes of the tax provided for in this section, gasoline, special fuel, and aviation fuel may not be exchanged tax-free between licensed distributors more than one time.

(7) Gasoline or special fuel may not be included in the measure of the distributor's tax if it is sold for export unless the distributor is not licensed and is not paying the tax to the state where the fuel is destined.

(8) Special fuel may not be included in the measure of the distributor's tax if it is dyed by injector at a refinery or terminal for off-highway use.

(9) When no Montana fuel tax has been paid by a distributor or any other person, the department shall collect or cause to be collected from the owners or operators of motor vehicles operating on the public roads and highways of this state a tax equal to the tax rate provided for in subsection (1)(a) for gasoline and subsection (1)(b) for dyed or undyed special fuel. The tax must be paid for each gallon of gasoline or special fuel as defined in this part, or other volatile liquid, except liquid petroleum gas, of less than 46 degrees A.P.I. (American petroleum institute) gravity test sold or used to produce motor power to operate motor vehicles on the public roads and highways of this state.

(10) The tax may not be imposed on dyed special fuel delivered into the fuel supply tank of a vehicle that is equipped with a feed delivery box if:

(a) the feed delivery box is permanently affixed to the vehicle;

(b) the vehicle is used exclusively for the feeding of livestock; and

(c) the gross vehicle weight of the vehicle, exclusive of any towed units, is greater than 12,000 pounds.

(11) All special fuel or other volatile liquid, except liquid petroleum gas, of less than 46 degrees A.P.I. (American petroleum institute) gravity test sold or used in motor vehicles, motorized equipment, and the internal combustion of any engines, including stationary engines, and used in connection with any work

performed under any contracts pertaining to the construction, reconstruction, or improvement of a highway or street and its appurtenances awarded by any public agencies, including federal, state, county, municipal, or other political subdivisions, must be fuel on which Montana fuel tax has been paid.

(12) Material used for construction, reconstruction, or improvement in connection with work performed under a contract as provided in subsection (11) must be produced using fuel on which Montana fuel tax has been paid.

Second effective date - second round of gasoline fuel tax increase

15-70-403. (Effective July 1, 2028) Gasoline, special fuel, and aviation fuel tax -- incidence -- rates -- review and reporting requirements. (1) The incidence of the fuel tax is on the distributor for the privilege of engaging in and carrying on business in this state. Each distributor shall pay to the department of transportation a tax in an amount equal to:

Increase of 5 cents/gallon for state fiscal year 2029

(a) 43 cents for each gallon of gasoline distributed by the distributor within the state and on which the gasoline tax has not been paid by any other distributor;

(b) 29.75 cents for each gallon of special fuel distributed by the distributor within the state and on which the special fuel tax has not been paid by any other distributor; and

(c) 5 cents for each gallon of aviation fuel, other than fuel sold to the federal defense fuel supply center, which is allocated to the department as provided by 67-1-301.

(2) The gasoline tax provided for in subsection (1)(a) must be deposited as follows:

Increase of 4.5 cents/gallon for SFY 2029

(a) the revenue from 31 cents of the tax less the allocations provided for in 60-3-201(1)(a) through (1)(d) to the highway restricted account provided for in 15-70-126;

(b) the revenue from 4 cents of the tax less the allocations provided for in 60-3-201(1)(a) through (1)(d) to the highway patrol administration state special revenue account established in 44-1-110; and

Increase of 0.5 cent/gallon for SFY 2029

(c) the remaining revenue from the tax less the allocations provided for in 60-3-201(1)(a) through (1)(d) to the local government road construction and maintenance restricted account provided for in 15-70-128.

(3) The special fuel tax provided for in subsection (1)(b) must be deposited as follows:

(a) the revenue from 24.6 cents of the tax to the highway restricted account provided for in 15-70-126;

(b) the revenue from 4 cents of the tax to the highway patrol administration state special revenue account established in 44-1-110; and

(c) the remaining revenue from the tax to the local government road construction and maintenance restricted account provided for in 15-70-128.

(4) (a) Except as provided in subsection (4)(b), when gasoline, special fuel, or aviation fuel is withdrawn from a refinery or pipeline terminal in this state, the gasoline, special fuel, or aviation fuel is considered to be distributed by the distributor who is the owner of the gasoline, special fuel, or aviation fuel prior to the time of withdrawal.

(b) If gasoline, special fuel, or aviation fuel is withdrawn for shipment or delivery to a licensed distributor, it is considered to be distributed by the first licensed distributor to take possession of the gasoline, special fuel, or aviation fuel as shown by the bill of lading issued by the terminal or refinery.

(5) Imported gasoline, special fuel, or aviation fuel, except for gasoline, special fuel, or aviation fuel placed in storage at a refinery or pipeline terminal, is considered to be distributed after it arrives and is brought to rest in this state by the person who is the owner of the gasoline, special fuel, or aviation fuel at the time the gasoline, special fuel, or aviation fuel is unloaded from its shipping vessel. If the owner is not licensed as a Montana distributor and if the gasoline, special fuel, or aviation fuel is shipped or delivered in this state by a person who is licensed as a distributor, then the gasoline, special fuel, or aviation fuel is considered to be distributed by the licensed distributor.

(6) For the purposes of the tax provided for in this section, gasoline, special fuel, and aviation fuel may not be exchanged tax-free between licensed distributors more than one time.

(7) Gasoline or special fuel may not be included in the measure of the distributor's tax if it is sold for export unless the distributor is not licensed and is not paying the tax to the state where the fuel is destined.

(8) Special fuel may not be included in the measure of the distributor's tax if it is dyed by injector at a refinery or terminal for off-highway use.

(9) When no Montana fuel tax has been paid by a distributor or any other person, the department shall collect or cause to be collected from the owners or operators of motor vehicles operating on the public roads and highways of this state a tax equal to the tax rate provided for in subsection (1)(a) for gasoline and subsection (1)(b) for dyed or undyed special fuel. The tax must be paid for each gallon of gasoline or special fuel as defined in this part, or other volatile liquid, except liquid petroleum gas, of less than 46 degrees A.P.I. (American petroleum institute) gravity test sold or used to produce motor power to operate motor vehicles on

the public roads and highways of this state.

(10) The tax may not be imposed on dyed special fuel delivered into the fuel supply tank of a vehicle that is equipped with a feed delivery box if:

(a) the feed delivery box is permanently affixed to the vehicle;

(b) the vehicle is used exclusively for the feeding of livestock; and

(c) the gross vehicle weight of the vehicle, exclusive of any towed units, is greater than 12,000 pounds.

(11) All special fuel or other volatile liquid, except liquid petroleum gas, of less than 46 degrees A.P.I. (American petroleum institute) gravity test sold or used in motor vehicles, motorized equipment, and the internal combustion of any engines, including stationary engines, and used in connection with any work performed under any contracts pertaining to the construction, reconstruction, or improvement of a highway or street and its appurtenances awarded by any public agencies, including federal, state, county, municipal, or other political subdivisions, must be fuel on which Montana fuel tax has been paid.

(12) Material used for construction, reconstruction, or improvement in connection with work performed under a contract as provided in subsection (11) must be produced using fuel on which Montana fuel tax has been paid.

Subsection (13) = New language implementing a ten-year review cycle

(13) During the 2029-30 interim and each successive fifth interim, the department of transportation shall provide a ten-year historical fuel tax analysis to the IBC-C and TIC [by no later than September 1 following the session]. The ten-year historical fuel tax analysis must include:

(a) revenue generated, per fiscal year, by each fuel tax provided for in subsection (1);

(b) state expenditures on transportation, per fiscal year; and

(c) changes in federal fuel taxes.

Subsection (14) = Inflationary increase tied to CPI

(14) (a) Unless otherwise recommended by the IBC-C or TIC pursuant to subsection (13), each fuel tax provided for in subsection (1) must be increased by the average rate of inflation over the prior ten years.

(b) The rate of inflation referenced in subsection (14)(a) must be calculated using the consumer price index, U.S. city average, all urban consumers, using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor."

Section 4. Section 15-70-416, MCA, is amended to read:

"**15-70-416. Information reports -- penalty -- confidentiality.** (1) A person receiving gasoline or special fuel, including an importer, exporter, common carrier, private carrier, and contract carrier of property who hauls, receives, transports, or ships gasoline or special fuel from any other state or foreign country into this state or from this state to any other state or foreign country or from any refinery or pipeline terminal in this state to another point within this state shall submit to the department of transportation, upon its request and within the time specified, a statement showing the number of gallons of gasoline or special fuel contained in each shipment in interstate commerce and the movement of the products from any refinery or pipeline terminal located within this state to another point within this state during the preceding calendar month, the names and addresses of the consignor and the consignee, and the date of delivery to the consignee.

(2) A person, except a licensed distributor, importer, or exporter, who refuses or fails to file a statement as required in this section is subject to a penalty of ~~$100~~ $200 for each failure or refusal.

Again, not specifically tied to fuel tax, but closely related - TIC may want to review.

(3) The department or a deputy, assistant, agent, clerk, or other employee of the department may not publish or otherwise disseminate information contained in a statement required under this section in a form that allows identification of a distributor or a purchaser of gasoline or special fuel. This section may not be construed to prohibit:

(a) the delivery to a person or the person's authorized representative of a certified copy of any report filed under subsection (1);

(b) the inspection by the attorney general or other legal representative of the state of the report or statement of a person if a person or distributor brings an action to set aside or review the tax based on the report or statement or if an action or proceeding has been instituted in accordance with the provisions of Title 15 against that person or distributor;

(c) the publication of statistics classified to prevent the identification of particular reports or statements and the items in the reports or statements;

(d) the inspection by the commissioner of internal revenue of the United States or by the proper officer of any state imposing a tax on gasoline or special fuel or by the authorized representative of either officer of the report or statement of any person or the furnishing to the officer or authorized representative of an abstract of the report or statement, but permission may be granted or information may be furnished to the officer or the officer's representative only if the statutes of the United States or the other state grant substantially similar privileges to the proper officer of this state charged with the administration of this chapter or in compliance with 15-70-121 and 15-70-122; or

(e) the compliance of the department with any order of a court of competent jurisdiction."

Section 5. Section 15-70-425, MCA, is amended to read:

"**15-70-425. Refund or credit authorized.** (1) A person who purchases and uses any gasoline or special fuel on which the Montana gasoline or special fuel tax has been paid for denaturing ethanol to be used in ethanol-blended gasoline, operating stationary gasoline or special fuel engines used off the public roads and highways of this state, or for any commercial use other than operating vehicles on any of the public roads and highways of this state is allowed a refund of the amount of tax paid directly or indirectly on the gasoline or special fuel used if the person has records, as provided in 15-70-426, to prove nontaxable use. The refund may not exceed the tax paid or to be paid to the state. A refund is not allowed for the tax per gallon on aviation fuel allocated to the department of transportation as provided in 67-1-301.

(2) (a) The United States government, the state of Montana, any other state, or any county, incorporated city, town, or school district of this state is entitled to a refund of the taxes paid on special fuel regardless of the use of the special fuel.

(b) (i) A nonpublic school may use dyed special fuel in buses that are owned by the nonpublic school if the buses are used for the transportation of pupils solely for nonsectarian school-related purposes.

(ii) For the purposes of this subsection (2)(b), nonpublic schools are those schools that have been accredited pursuant to 20-7-102.

(3) A distributor who pays the gasoline or special fuel tax to this state erroneously is allowed a credit or refund of the amount of tax paid.

Again, related to fuel tax, TIC may want to review.

(4) (a) A distributor is entitled to a credit for the tax paid to the department on those sales of gasoline or special fuel with a tax liability of ~~$200~~ $400 or greater for which the distributor has not received consideration from or on behalf of the purchaser and for which the distributor has not forgiven any liability. The distributor shall have declared the accounts of the purchaser worthless not more than once during a 3-year period and claimed those accounts as bad debts for federal or state income tax purposes.

(b) If a credit has been granted under subsection (4)(a), any amount collected on the accounts declared worthless must be reported to the department and the tax due must be prorated on the collected amount and must be paid to the department.

(c) The department may require a distributor to submit periodic reports listing accounts that are delinquent for 90 days or more.

(5) A person who purchases and exports for sale, use, or consumption outside Montana any gasoline or special fuel on which the Montana gasoline or special fuel tax has been paid is entitled to a credit or refund of the amount of tax paid unless the person is not licensed and is not paying the tax to the state where fuel is destined. Upon completion of the reports required under 15-70-416, the department shall authorize the credit or refund."

Section 6. Section 15-70-443, MCA, is amended to read:

"**15-70-443. Penalties.** A distributor or other person who fails, neglects, or refuses to make and file the statements required by this part in the manner or within the time provided, who is delinquent in the payment of any gasoline or special fuel tax imposed by this part, who makes any false statement with reference to the distributor's business, who makes any false statement on any claim for refund, or who violates any provision of this part shall, in addition to any other penalties imposed, be guilty of a misdemeanor and upon conviction shall be fined an amount not to exceed ~~$1,000~~ $2,000 or be imprisoned in the county jail for not to exceed 6 months, or both."

Again, related to fuel tax, TIC may want to review.

Please note, the language or legislative findings in this section of the MCA may be outdated. The TIC may want to change the %s of distributions, change the legislative findings, or remove some language altogether.

Section 7. Section 60-3-201, MCA, is amended to read:

"**60-3-201. Distribution and use of proceeds of gasoline tax.** (1) Money received in payment of the gasoline tax under 15-70-403, except those amounts paid out of the department's suspense account for gasoline tax refund, must be deposited as provided in 15-70-403(2) and (3) and used and expended as provided in 15-70-126 and 15-70-128 and this section. After deductions for amounts paid out of the suspense account for gasoline tax refunds, the remainder of the gasoline tax collected under 15-70-403 is allocated as follows:

(a) ~~9/10 of~~ 1% to the state park account;

(b) ~~15/28 of~~ 1% to a snowmobile account in the state special revenue fund;

(c) ~~1/8 of~~ 1% to an off-highway vehicle account in the state special revenue fund to be used pursuant to 23-2-825;

(d) ~~1/25 of~~ 1% to the aeronautics revenue fund of the department under the provisions of 67-1-301; and

(e) the remaining amount as provided for in 15-70-126 and 15-70-128.

(2) The department shall, in expending this money, carry forward construction from year to year, using the money expended in accordance with this title. Nothing in this title conflicts with Title 23 of the United States Code and the rules by which it is administered.

(3) The department may enter into cooperative agreements with the national park service and the federal highway administration for the purpose of maintaining national park approach roads in Montana.

(4) Money credited to the state park account in the state special revenue fund may be used only for the creation, improvement, and maintenance of state parks where motorboating is allowed. ~~The legislature finds that of all the fuel sold in the state for consumption in internal combustion engines, except fuel for which refunds have been made, not less than 9/10 of 1% is used for propelling boats on waterways of this state.~~

(5) (a) Money credited to the snowmobile account may be used only to develop and maintain facilities open to the general public at no admission cost, to promote snowmobile safety, for enforcement purposes, and for the control of noxious weeds.

(b) Of the amounts deposited in the snowmobile account:

(i) 13% of the amount deposited must be used by the department of fish, wildlife, and parks to promote snowmobile safety and education and to enforce snowmobile laws. Two-thirds of the 13% deposited must be used to promote snowmobile safety and education and one-third of the 13% deposited must be used for the enforcement of snowmobile laws.

(ii) 1% of the amount deposited must be credited to the noxious weed management special revenue fund provided for in 80-7-816.

~~(c) The legislature finds that of all fuels sold in this state for consumption in internal combustion engines, except fuel for which refunds have been made, not less than 15/28 of 1% is used for propelling registered snowmobiles in this state.~~

~~(6) The legislature finds that of all fuel sold in this state for consumption in internal combustion engines, except fuel for which refunds have been made, not less than 1/8 of 1% is used for propelling off-highway vehicles in this state.~~

(7) Money credited to the aeronautics operations account provided for in 67-1-308 may be used only to develop, improve, and maintain facilities open to the public at no admission cost and to promote aviation safety. ~~The legislature finds that of all the fuel sold in this state for consumption in internal combustion engines not less than 1/25 of 1% is used for propelling aircraft in this state.~~"

Section 8. Section 75-11-314, MCA, is amended to read:

"**75-11-314. Petroleum storage tank cleanup fee -- collection -- penalties -- warrant for distraint -- statute of limitations.** (1) Except as provided in subsection (4), each distributor shall pay to the department of transportation a petroleum storage tank cleanup fee for each gallon of gasoline, aviation gasoline, special fuel, or heating oil distributed by the distributor within the state and upon which the fee has not been paid by any other distributor. The fee must equal:

(a) ~~0.75~~ 1.5 cent for each gallon of gasoline; Again, related to fuel tax, TIC may want to review.

(b) 0.75 cent for each gallon of aviation gasoline;

(c) 0.75 cent for each gallon of special fuel; or

(d) 0.75 cent for each gallon of heating oil.

(2) Gasoline, aviation gasoline, special fuel, and heating oil exported or sold for export out of the state must be included in the measure of a distributor's fee.

(3) Ethanol that is blended with gasoline to be sold as ethanol-blended gasoline is subject to the fee provided in subsection (1).

(4) A fee may not be imposed or collected beginning on the first day of the first month in the first calendar quarter after the unobligated balance in the fund equals or exceeds $10 million. Whenever the unobligated fund balance, less claims anticipated for board approval within the next 90 days, is less than $6 million, the department of transportation shall, within 30 days, notify distributors by mail that the fee is reinstated beginning on the first day of the first month that begins no less than 30 days after the date of the notice. Once reinstated, the fee must be imposed and collected until the unobligated fund balance again equals or exceeds

$10 million.

(5) The department of transportation shall collect the fee in the same manner as the gasoline tax and special fuel tax under Title 15, chapter 70, part 4. The provisions of 15-70-103, 15-70-111, 15-70-402, 15-70-410, 15-70-411, 15-70-416 through 15-70-418, 15-70-420, 15-70-421, 15-70-425(3), and 15-70-443 apply to the fee. The provisions of 15-70-403, 15-70-412, 15-70-425(1), and 15-70-426 do not apply to the fee."

NEW SECTION. **Section 9. Effective date.** [This act] is effective January 1, 2028.

\- END -

Effective date would be either:

January 1 following passage and approval (standard for statutes providing for the taxation of or the imposition of a fee on motor vehicles)

July 1 following passage and approval (start of a new fiscal year, standard for bills with fiscal impacts)