Motor Vehicle Purchase and Use Tax

House Committee on Ways and Means
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Outline

1. Purchase and Use Overview
2. History of the Purchase and Use Tax
3. T-Funds and Ed Fund Allocations under Current Law
4. Allocations under Gov Rec Proposal

Purchase and Use Tax Overview

6% tax on the value of a motor vehicle.

- There is a maximum of $2,486 that can be levied on trucks weighing over 10,099 pounds and certain other motor vehicles.
- Tax is collected by the DMV and levied at the time purchase or registration for use within the state.

9% tax on rental charges for short-term vehicle rentals

There are several exemptions to the purchase and use tax such as;

- State and Federally owned vehicles
- Religious or charitable vehicles
- Vehicles transferred to a close relative
- and more

23 V.S.A. § 4(21):“Motor vehicle” includes all vehicles propelled or drawn by power other than muscular power…”

Purchase and Use History

Motor Vehicle Purchase and Use Tax History* 1960-2004	
1960	Motor vehicle purchase and use tax is created rate is set at 2%, maximum of $150
1961	Rate raised to 3%, maximum of $225
1968	Rate raised to 4%, maximum of $300
1980	Maximum raised to $400
1981	Maximum raised to $500
1982	Maximum raised to $600
1986	Maximum cap is eliminated for pleasure car
1991	Rate raised from 4% to 5%. Rate to revert to 4% on July 1, 1993
1993	5% rate extended one year
1995	5% rate extended one year
1996	5% rate extended one year
1997	As part of Act 60, rate is increased to 6%. Additonally, as apart of Act 60 the gas tax is raised 4 cents to 19 cents per gallon
1998	All revenue from the P&U and gas tax increase is directed to education funding. The education fund is created effective July 1, 1998 and defined to include 1/6th of the purchase and use tax and 21% of the gax tax in FY 1999 and 16% thereafter
2004	In a revenue swap, the gas tax allocation to the education fund is reallocated to the transportation fund while the proportion of purchases and use tax allocated to the education fund is increased to 1/3rd

*This chart does not include all changes made to the Motor Vehicle Purchase and Use Tax during this time period

Historic T-Fund and Ed Fund allocations (in million $)

Pre 2005

- Ed Fund allocation: 1/6th P&U and 16% of the gas tax
- The T-Fund received 5/6th P&U and 84% of the Gas tax

Post 2005

- The Education Fund receives 1/3rd P&U and 0% of the gas tax
- T-Fund receives 2/3rd P&U and 100% of the gas tax

P&U and Gas Tax Allocations from FY03-FY26

Forecasted

P&U	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26
Transportation Fund	68.7	71.9	56.0	53.9	53.7	52.7	44.0	46.5	51.4	54.6	55.7	61.2	64.8	66.8	68.8	73.0	74.5	70.3	89.4	91.4	94.8	96.6	96.7	100.0
Ed Fund	13.4	14.3	28.0	27.0	26.9	26.3	22.0	23.2	25.7	27.3	27.9	30.6	32.4	33.4	34.4	36.5	37.3	35.1	44.7	45.7	47.5	48.4	48.3	50.0
Total P&U Revenue	**82.1**	**86.2**	**84.1**	**80.9**	**80.6**	**79.0**	**65.9**	**69.7**	**77.1**	**81.9**	**83.6**	**91.8**	**97.3**	**100.1**	**103.2**	**109.4**	**111.8**	**105.4**	**134.1**	**137.1**	**142.2**	**144.9**	**145.0**	**150.0**
	EF Receives 1/6		EF Receives 1/3 -->																					
GAS TAX																								
Transportation Fund	54.0	54.3	65.5	63.8	63.6	62.6	60.6	61.0	60.6	59.3	59.9	76.5	77.6	78.0	78.2	78.2	77.8	71.0	67.3	71.9	73.8	71.4	71.5	71.2
Ed Fund	10.8	10.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Gas Tax Revenue	**64.8**	**65.1**	**65.5**	**63.8**	**63.6**	**62.6**	**60.6**	**61.0**	**60.6**	**59.3**	**59.9**	**76.5**	**77.6**	**78.0**	**78.2**	**78.2**	**77.8**	**71.0**	**67.3**	**71.9**	**73.8**	**71.4**	**71.5**	**71.2**
	EF receives 16%		EF Receives 0% -->																					
Totals																								
Transportation Fund	122.7	126.2	121.6	117.7	117.3	115.3	104.6	107.5	112.0	113.9	115.6	137.7	142.5	144.8	147.0	151.1	152.4	141.3	156.7	163.3	168.6	168.0	168.2	171.2
Ed Fund	24.2	25.1	28.0	27.0	26.9	26.3	22.0	23.2	25.7	27.3	27.9	30.6	32.4	33.4	34.4	36.5	37.3	35.1	44.7	45.7	47.5	48.4	48.3	50.0
Total	**146.9**	**151.3**	**149.6**	**144.7**	**144.2**	**141.6**	**126.6**	**130.7**	**137.7**	**141.2**	**143.5**	**168.3**	**174.9**	**178.2**	**181.5**	**187.6**	**189.6**	**176.4**	**201.3**	**209.0**	**216.1**	**216.4**	**216.5**	**221.2**

Purchase and Use Revenue Forecast

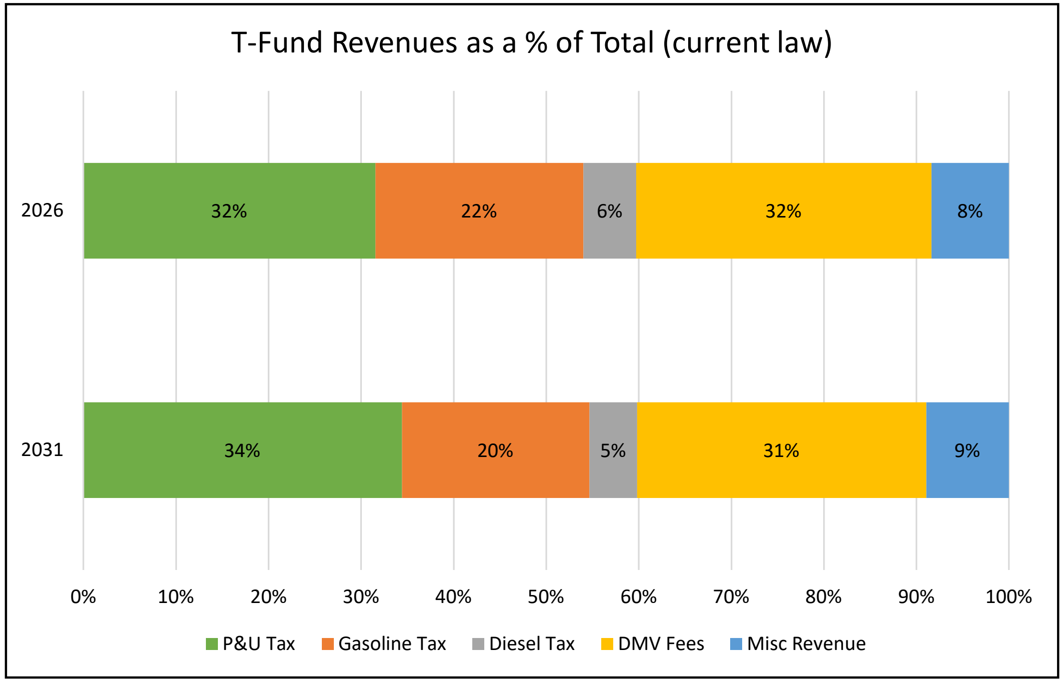
Under current law:

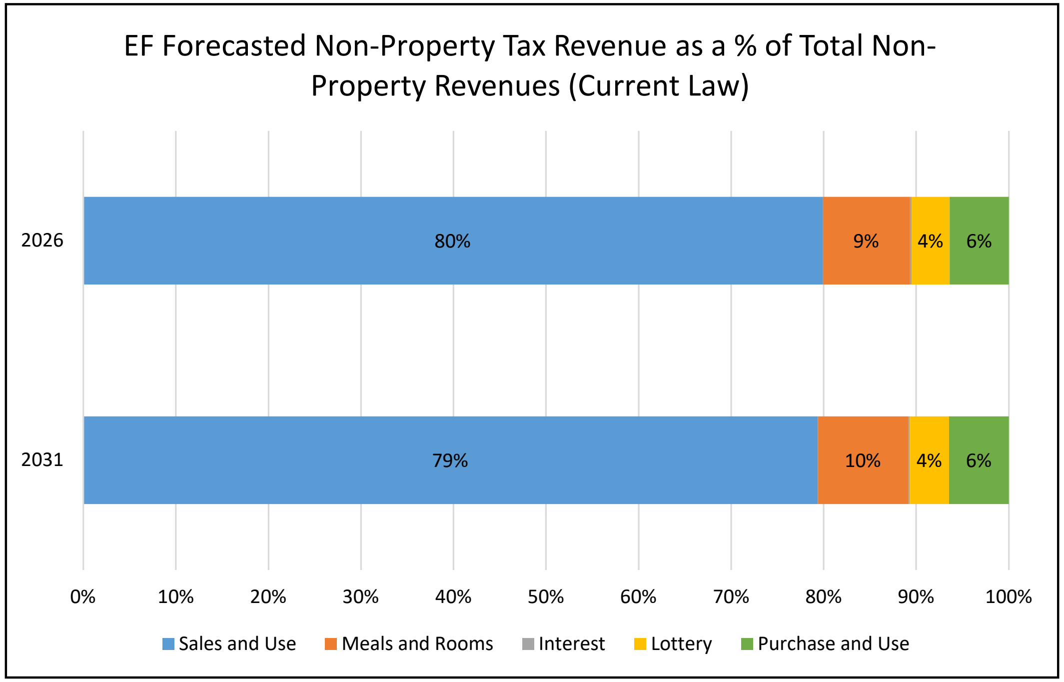
The Transportation Fund is allocated 2/3rd of the revenue

The Education Fund is allocated 1/3rd of the revenue

Purchase and use tax revenue and allocation break down under current law *$ millions (Jan 2026 Consensus Forecast)*									
Revenue Source	**FY 2024** Actual	**FY 2025**	**FY 2026** *Forecast -->*	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**Forecast CAGR** FY2026-2031
Total Purchase & Use Tax	144.9	145.0	150.0	155.6	160.6	165.6	170.3	174.9	3.12%
T-fund Allocation	96.6	96.7	100.0	103.7	107.1	110.4	113.5	116.6	
Ed Fund Allocation	48.3	48.3	50.0	51.9	53.5	55.2	56.8	58.3	

P&U as a percentage of T-Fund and Ed Fund Non-Property Revenues Revenues*





*Education fund revenues listed here are the non-property tax revenues that are represented in in the January 2026 consensus revenue forecast.

Purchase and Use Revenue Forecast (Gov Rec Proposal)

- FY 2027 Gov rec proposes to phase down the P&U Tax to the Education Fund by $10 million per year and reallocate this funding to the T-Fund.

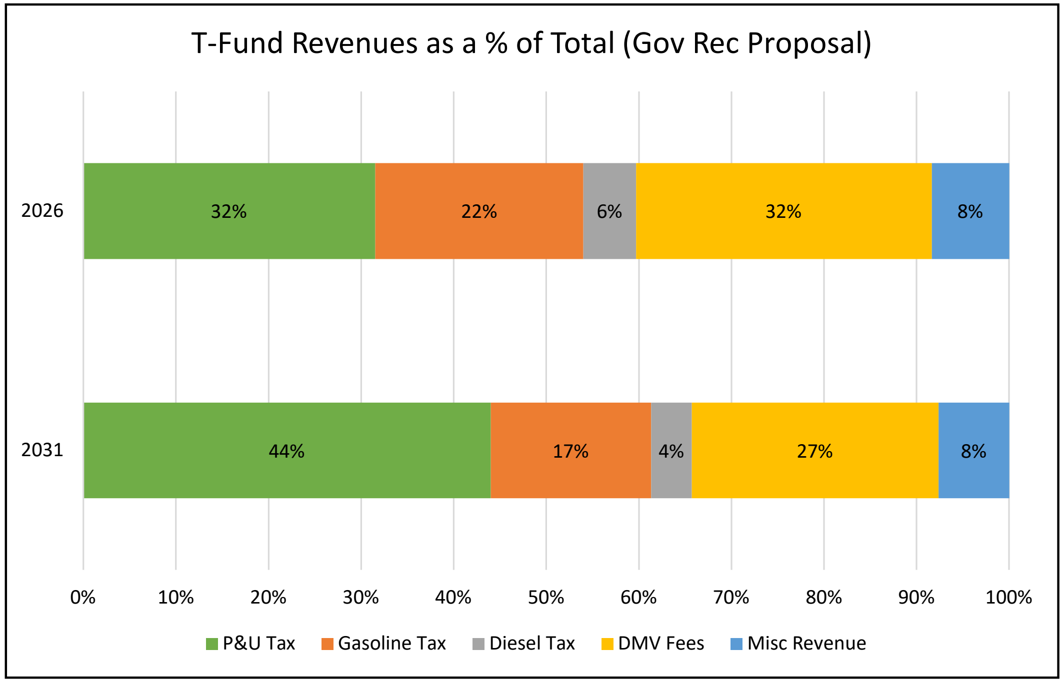
- Under this proposal, the P&U Tax would be fully allocated to the T-Fund by FY 2031.

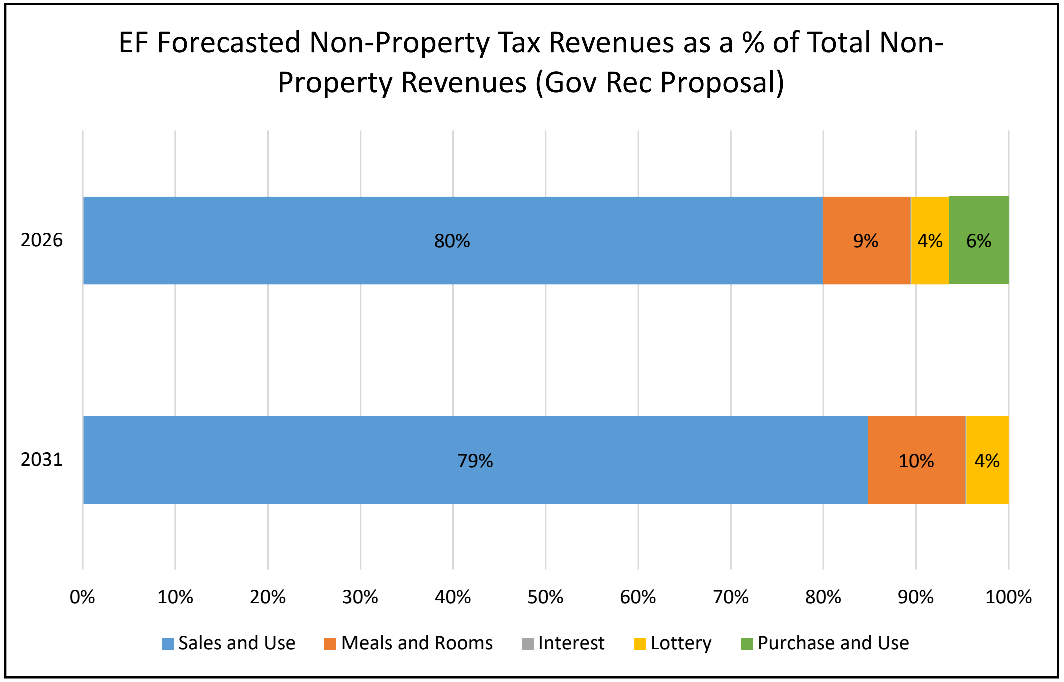
- When all else is equal, shifting P&U out of the Ed Fund will put upward pressure on property taxes.
  - Note - the FY 2027 Gov rec proposes to transfer $10 million from the GF to the EF one-time to offset the impact of shifting the $10 million of P&U to the T-Fund. It is unclear whether additional GF would be available in future years to offset these impacts in future budgets.

Purchase and use tax revenue and allocation break down under Gov Rec Proposal
$ millions (Jan 2026 Consensus Forecast)

Revenue Source	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
	Actual		*Forecast -->*					
Total Purchase & Use Tax	144.9	145.0	150.0	155.6	160.6	165.6	170.3	174.9
T-fund Allocation	96.6	96.7	100.0	113.7	128.7	143.7	158.4	174.9
Ed Fund Allocation	48.3	48.3	50.0	41.9	31.9	21.9	11.9	0.0

P&U as a percentage of T-Fund and Ed Fund Non-Property Revenues* (Gov Rec Proposal)





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