



GAS TAX HOLIDAYS: SAVINGS AT WHAT COST?



CIVIC FEDERATION

*Authored by Lily Padula and
Paula R. Worthington*

May 28, 2026

INTRODUCTION	2
HOW MUCH HAVE OIL PRICES RISEN?.....	3
HOW ARE SALES OF MOTOR FUEL TAXED IN ILLINOIS?	4
EXCISE TAXES.....	4
SALES TAXES.....	6
REVENUE IMPLICATIONS OF FUEL TAX HOLIDAYS IN ILLINOIS.....	7
EXCISE TAXES.....	7
SALES TAXES.....	8
IMPLICATIONS AND IMPACTS	8
MOTOR FUEL TAXES AND MASS TRANSIT	8
MOTOR FUEL TAXES AND SURFACE TRANSPORTATION.....	9
CURRENT PROPOSAL AND THE IMPLICATIONS FOR ILLINOIS	10
APPENDIX: ESTIMATED GALLONS OF FUEL SOLD IN ILLINOIS	12
APPENDIX: WHAT’S HAPPENING ELSEWHERE	12
APPENDIX: DATA AND METHODS	13
ASSUMPTIONS	13
DATA SOURCES	14
METHODS.....	14
COMPARISON WITH IDOR’S DISTRIBUTIONS TO ROAD FUND	15
APPENDIX: THE ROAD FUND	16
WHAT DOES THE ROAD FUND PAY FOR?	17
HOW HAS REBUILD ILLINOIS AFFECTED THE ROAD FUND?	17

The Civic Federation would like to thank professionals at the Illinois Department of Revenue for clarifying how motor fuels are taxed in Illinois.

INTRODUCTION

Rising oil prices associated with the current conflict in Iran have increased pressure on household and transportation affordability nationwide and have led to calls across the country for the suspension or reduction of taxes on motor fuel sales. In the State of Illinois (Illinois or 'the State'), however, motor fuel taxes now support a broader range of transportation and transit systems than in prior years, meaning temporary tax reductions could have significant implications for transportation funding statewide.

At this time last year, the Regional Transportation Authority (RTA) was facing a roughly \$771 million structural deficit¹, which, if not filled, would have resulted in major service reductions, fare increases, layoffs, and long-term harm to the regional economy. Legislation currently under discussion in Springfield to temporarily reduce Illinois' sales tax on motor fuel, HB5738, has the potential to recreate another funding hole of significant magnitude. As such, the proposal would not only reduce revenues, as any tax holiday would, but could also significantly undermine the implementation of the newly adopted transit governance framework before it fully takes effect.

In addition, while the impact of a tax holiday and the redistribution of revenues contemplated in HB5738 may appear relatively modest in some parts of the State, the impact on Chicago and northeastern Illinois would be disproportionately large. Chicago and the regional transit system are already confronting significant fiscal pressures, and the proposed changes would further diminish revenues flowing to the region at a particularly fragile moment.

At the same time, the direct benefits to consumers remain uncertain. Research on motor fuel tax holidays nationally has shown that consumers often do not receive the full value of tax reductions at the pump, as portions of the savings may instead be absorbed through market pricing dynamics. Even if consumers experience some short-term relief, that benefit would come alongside potentially significant reductions in public transportation funding and transportation infrastructure investment.

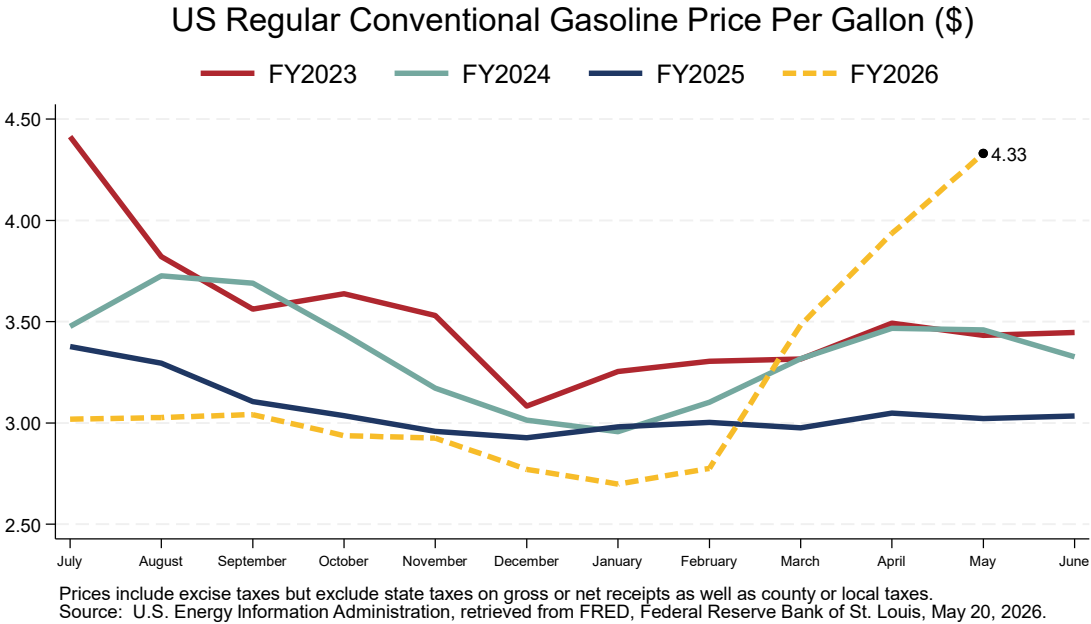
This report examines recent fuel price increases, the implications of potential motor fuel tax holidays for Illinois revenues, and how temporary reductions in motor fuel taxes could affect transportation and transit funding statewide. Because the policy discussion is evolving rapidly, policymakers should carefully evaluate both the transportation funding implications and the likely consumer impacts before advancing any proposals currently being discussed in Springfield.

¹ Regional Transportation Authority, "[RTA Legislative Proposal Can Deliver Faster, More Frequent, Safer, Reliable Transit Service](#)," May 8, 2025, accessed May 28, 2026.

HOW MUCH HAVE OIL PRICES RISEN?

Oil prices have risen dramatically since the US-Iran conflict began at the end of February. Data from the U.S. Energy Information Administration indicate a US average conventional gasoline price of \$4.33/gallon through May 18, 2026, up sharply from February’s \$2.78/gallon. Diesel prices have also risen, from \$3.75/gallon in February to \$5.62/gallon through early May.²

The graph below depicts gasoline prices since July 2022. Prior to the recent spikes in oil prices, gasoline prices were highest in FY2023 and lowest in FY2026. The data also reveals a clear seasonal pattern in which prices are highest in the summer months and lowest in winter and spring. This year’s data shows gradual price declines over the first few months of FY2026, with spiking prices starting in March of this calendar year. Graphs of other fuel prices—e.g., all formulations of gasoline and diesel fuel—show similar patterns.



²These pump prices include federal and state excise taxes but do not include general sales taxes or county or local excise taxes. U.S. Energy Information Administration, [“How Much Tax Do We Pay on a Gallon of Gasoline and on a Gallon of Diesel Fuel?” Frequently Asked Questions \(FAQs\)](#), accessed May 12, 2026.

HOW ARE SALES OF MOTOR FUEL TAXED IN ILLINOIS?

Sales of motor fuel are subject to multiple taxes imposed by multiple jurisdictions in Illinois.³ The federal government levies excise taxes on gasoline at 18.4 cents per gallon (cpg) and on diesel fuel at 24.4 cpg. Illinois taxes motor fuel sales in two ways. First, it levies an excise tax per gallon of fuel sold; the rate varies by fuel type (gasoline vs. diesel). Second, it collects state (and, where in place, local) general sales taxes on the dollar value of motor fuel sales. Sales taxes are applied to the retail fuel price, which includes federal and local excise taxes but excludes Illinois' own excise tax.⁴

Details on legal authority, history of tax rates, state-by-state comparisons, additional local taxes, and more are found in Illinois' state tax handbook.^{5 6}

EXCISE TAXES

An excise tax is a tax imposed on specific goods, services, or activities, such as motor fuel. Rather than being paid by the consumer, it is typically levied on the vendor or manufacturer, who then typically passes the cost to the buyer by raising the retail price. Illinois's current excise tax on gasoline is 48.3 cents per gallon (cpg), with diesel at 55.8 cpg. On July 1, 2026, these excise taxes are scheduled to rise to 49.6 and 57.1 cpg, respectively.

In 2019, the State nearly doubled its fuel excise taxes, raising its gasoline tax from 20.1 cpg to 39.1 cpg and its diesel tax from 22.6 cpg to 46.6 cpg as part of its Rebuild Illinois program. The 2019 law included annual inflation adjustments, so that each July 1st, excise tax rates rise as a function of the CPI-U.

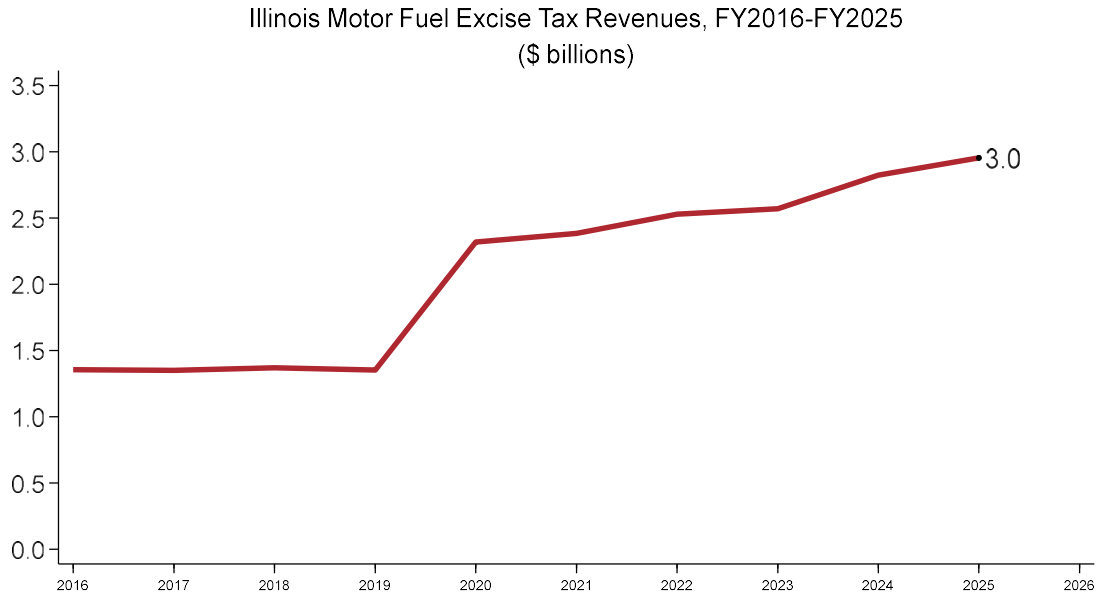
³ Benjamin L. Varner, *Taxes on Motor Fuel* (Commission on Government Forecasting and Accountability, 2025), 1–6.

⁴ State of Illinois, "[Illinois Administrative Code, Title 86, Section 130.435, 'State and Local Taxes Other Than Retailers' Occupation Tax.'](#)" n.d., accessed May 20, 2026; State of Illinois, "[Illinois Administrative Code, Title 86, Section 130.445, 'Federal Government and Federal Agencies.'](#)" n.d., accessed May 20, 2026.

⁵ Commission on Government Forecasting and Accountability, *Illinois Tax Handbook for Legislators* (2026), 89–95.

⁶ According to the tax handbook, Illinois has the 4th highest state gasoline excise tax rate in the country Commission on Government Forecasting and Accountability, *Illinois Tax Handbook for Legislators*, 93. By a somewhat different measure (one that excludes most local taxes but includes sales taxes), Illinois is second only to California in its taxation of motor fuel sales. Adam Hoffer and Jacob Macumber-Rosin, "[Comparing 2025 Gas Taxes by State](#)," *Tax Foundation*, September 2, 2025.

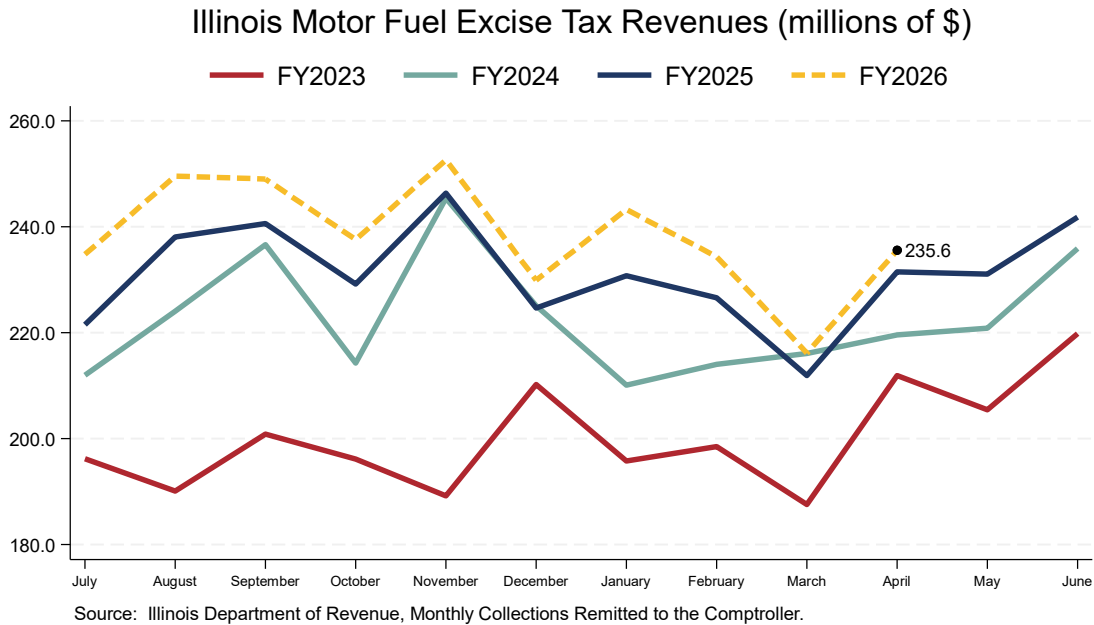
Annual Illinois motor fuel excise tax revenues were just shy of \$3.0 billion in the most recent fiscal year, with the State reporting \$2.947 billion in revenues in FY2025⁷ and corresponding data from the University of Illinois’s Fiscal Futures project, indicating \$2.954 billion. The graph below shows the impact of Rebuild Illinois, with excise tax revenues rising sharply in FY2020.



Source: University of Illinois Fiscal Futures Project: <https://github.com/igpa-uillinois/Fiscal-Futures>.

⁷ Commission on Government Forecasting and Accountability, *Illinois Tax Handbook for Legislators*, 89.

Excise tax collections in FY2026 are currently running higher than the previous year, despite fairly typical seasonal declines in winter months. [Estimated quantities of fuel sold were also running higher through February](#), but in March and April came in lower than a year earlier, perhaps as consumers responded to higher fuel prices.



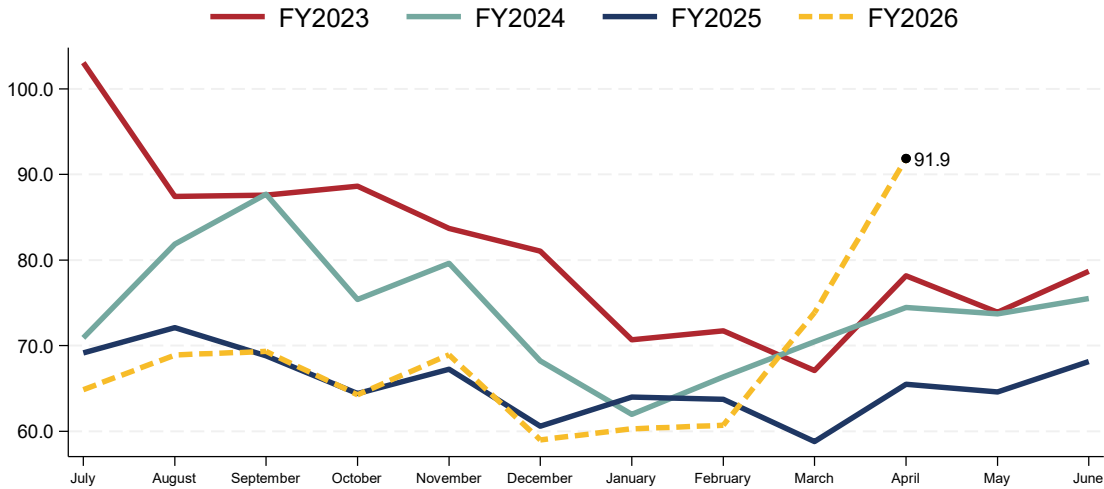
SALES TAXES

Illinois levies a general sales tax of 6.25% on sales of goods and selected services. Of this, 5.0 percentage points (pp) is kept by the state, and 1.25 pp is distributed to local governments. This general sales tax is levied on sales of motor fuels based on fuel prices that include federal and local, but not state, excise taxes. While no official figures on sales tax revenues from fuel sales are available, we can use data on fuel prices, excise and sales tax rates, and excise tax revenues to estimate them. (For details, see [Appendix: Data and Methods](#)).

We estimate that the State collected \$971.7 million in sales taxes from motor fuel in FY2023, falling to \$886.2 million in FY2024 and further to \$787.1 million in FY2025 as fuel prices fell. FY2026 numbers indicate that as of the end of April, collections are running ahead of FY2025 levels, driven largely by March and April increases stemming from fuel price spikes.

The graph below depicts estimated monthly sales tax revenues from motor fuel sales, which, like fuel prices, typically peak in summer months, decline through the fall and winter, and begin rising in the spring. FY2026 revenues increased sharply in March and April, well above typical seasonal increases observed during the spring months. These estimates suggest monthly revenue increases of roughly \$15 to \$30 million from higher fuel prices, assuming no substantial decline in fuel consumption.

Estimated State Sales Tax Revenues from Motor Fuel @5.0% (millions of \$)



Average of three estimates.
 Source: U.S. Energy Information Administration, retrieved from FRED, Federal Reserve Bank of St. Louis, May 21, 2026.
 Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis, May 21, 2026.
 Source: Illinois Department of Revenue, Monthly Collections Remitted to the Comptroller.

These revenue streams form the basis for evaluating the fiscal implications of temporary motor fuel tax holidays in Illinois.

REVENUE IMPLICATIONS OF FUEL TAX HOLIDAYS IN ILLINOIS

As consumers continue to struggle with rising prices at the pump, Illinois could suspend or decrease its motor fuel excise taxes, and/or the State could suspend its general sales tax applied to motor fuel sales.

EXCISE TAXES

Through April 2026, the State has received nearly \$2.4 billion in motor fuel excise taxes (based on current excise tax rates). Based on these FY2026 revenues collected to date, we estimate that if the State had reduced its fuel excise tax by 1 cpg (applied to both gasoline and diesel), it would have collected \$47.5 million less in revenues through April of this fiscal year. Scaling up to the full 12 months of FY2026, the estimate would be \$57.0 million for each one-cent reduction in the fuel excise tax rate⁸.

⁸ These figures imply that suspending the planned July 1, 2026 increase in the State’s motor fuel excise taxes would cost the State about \$73 million in foregone revenues.

SALES TAXES

Based on our estimates of motor fuel-related sales tax collections, we estimate that if the State had suspended the 5.0% state sales tax rate in FY2025, it would have collected approximately \$787.1 million less in revenues that year. This year, the recent surge in oil prices has caused a corresponding surge in related state sales tax collections based on sales of motor fuels, meaning that any future suspension of sales taxation of motor fuel sales will be more costly in terms of revenue foregone. Even under more typical fuel price conditions, however, suspending these taxes would still reduce State transportation-related revenues. If monthly motor fuel sales tax collections remain elevated by between \$15 million and \$30 million in the coming months, a sales tax suspension could reduce revenues by approximately \$70 to \$90 million per month. A six-month suspension of the sales tax on fuel sales could reduce revenues by an estimated \$420 million and \$540 million.

IMPLICATIONS AND IMPACTS

Suspending or reducing one or both of the State's taxes on motor fuel sales—even if only for a limited time—will reduce State revenues, affecting the State's ability to fund multiple transportation projects and programs. The specifics depend on which taxes are changed, for how long, and how the affected revenues are currently allocated within Illinois.

The extent to which consumers ultimately benefit from temporary fuel tax reductions is also uncertain. Economic analyses of prior and proposed fuel tax holidays suggest that some portion of tax reductions may not be fully passed through to consumers in the form of lower retail prices, depending on market conditions and supplier pricing behavior. As a result, the fiscal impacts to governments may exceed the direct financial impacts ultimately experienced by consumers⁹.

Recent changes to Illinois law redirect the State's share of motor fuel sales tax revenues to transit operations beginning July 1, 2026. Given this, the implications for mass transit are particularly significant, and temporary reductions in motor fuel-related taxes could therefore affect not only highway and capital funding but also transit agency operating budgets statewide.

MOTOR FUEL TAXES AND MASS TRANSIT

Historically, transit agencies statewide received limited support from motor fuel taxes—mainly through a portion of excise tax revenues flowing through the Transportation Renewal Fund for support of capital projects. Operating support for transit came from other sources, primarily

⁹ For example, the [Penn Wharton Budget Model](#) estimates excise tax change “pass through” of about 72% for gasoline and 60% for diesel, meaning that changes in taxes are not fully passed through to consumer prices.

sales tax revenues. Beginning July 1, 2026, however, mass transit systems statewide are designated to receive all of the State's sales tax revenues on motor fuels: 85% of the revenues will go to the newly created Northern Illinois Transit Authority via the Public Transportation Fund, with 15% going to support transit elsewhere in the State through the State's Downstate Public Transportation Fund.¹⁰ As a result, suspending the State's sales tax on fuel sales would create a substantial gap in transit agency operating budgets.

These dollars are significant. As of fall 2025, the annual revenue to transit from sales taxes on motor fuel was estimated at \$860 million, of which 85% (\$731 million) was for the northeast Illinois transit region. RTA's FY2026 budget assumes receipt of roughly half of those revenues as taxes accrue starting on July 1 through the end of the year. Sales tax revenues also typically peak during summer months, making a proposed sales tax holiday as of July 1, 2026, particularly costly in terms of foregone revenues.

It is worth noting some timing issues as well. The Illinois Department of Revenue (IDOR) typically makes distributions to the State's Road Fund with a two-quarter (six-month) lag, as it needs time to analyze detailed data on motor fuel sales and tax collections by types and jurisdictions. This means that the spike in March and April revenues will not be distributed to the Road Fund until some months later, and revenues collected starting on July 1, 2026, will not be distributed to the transit agencies for several months.

MOTOR FUEL TAXES AND SURFACE TRANSPORTATION

Most of the State's revenues and expenditures on highways, roads, and bridges flow through its Road Fund, the State's primary transportation account. The Road Fund finances a broad range of transportation-related activities, including highway construction and maintenance, Illinois Department of Transportation (IDOT) operations, debt service on transportation bonds, and state matching funds for federal highway programs. A 2016 constitutional amendment commonly referred to as the "transportation lockbox" restricts transportation-related revenues, including motor fuel taxes, to transportation purposes.¹¹

Motor fuel excise taxes are a major source of transportation funding statewide. The State's motor fuel excise tax revenues are split between the Motor Fuel Tax Fund and the Transportation Renewal Fund. The Motor Fuel Tax Fund supports transportation projects via the State's Road Fund and State Construction Account, with significant transportation project

¹⁰State sales taxes on motor fuel sales, which long simply fed into the State's general funds, began a 5-year transition path starting in FY2022 to allocate the funds specifically for transportation purposes, per P.A. 101-0032. In FY2023, 40% of the State's motor fuel-related sales taxes was directed to the Road Fund, rising to 60% in FY2024 and 80% for FY2025 and FY2026. In FY2027, 100% of state sales tax revenues will be directed to transportation—but, per the State's landmark transit reform legislation [Interagency Coordinating Committee on Transit Innovation, Integration, and Reform Act, Pub. L. Nos. 104-0457 \(2025\)](#), those dollars will be directed to supporting mass transit, not to the Road Fund.

¹¹ Ill. Const. art. IX, § 11.

support also directed to local governments. The Transportation Renewal Fund, which receives the excise tax revenues attributable to the July 1, 2019, hike in excise taxes and subsequent inflation adjustments, allocates its resources towards surface transportation (roads, bridges, and related infrastructure) and mass transit capital projects. The Road Fund also receives revenue from vehicle registration fees, driver's license fees, and other transportation-related charges.

Sales taxes from motor fuel sales are also key: from FY2022 through FY2026, Illinois gradually redirected a portion of the State's share of the 6.25% sales tax on motor fuel purchases to the Road Fund under the Rebuild Illinois capital plan. By FY2026, this motor fuel sales tax transfer was expected to provide approximately \$855 million annually to transportation funding. Beginning in FY2027, however, those revenues are instead redirected to transit agencies for operating support, as discussed above. As a result, the Road Fund's motor fuel sales tax revenue, which totaled nearly \$700 million in FY2025, is projected to fall to zero in FY2027.

Road Fund revenues increased substantially in recent years, thanks to the Rebuild Illinois program, supporting expanded transportation investments statewide. However, in FY2026, receipts are estimated to decline to approximately \$5.0 billion while disbursements increase to roughly \$6.2 billion, resulting in a projected drawdown from the fund balance. As a result, temporary reductions in motor fuel-related taxes could place additional pressure on an already evolving transportation funding structure. (For more information on the Road Fund and how it works, see [Appendix: The Road Fund](#).)

CURRENT PROPOSAL AND THE IMPLICATIONS FOR ILLINOIS

This background forms the backdrop for recent proposals to temporarily reduce motor fuel taxes through tax holidays. In April, HB5738 was introduced in the Illinois General Assembly, proposing to reduce the State sales tax rate on motor fuel purchases from 6.25% to 1.25% for a six-month period beginning July 1, 2026, eliminating the State's share of sales tax revenues on motor fuel sales for six months.¹² Supporters framed the proposal as temporary relief for consumers facing high fuel prices and as a response to the redirection of motor fuel-related revenues toward transit funding under SB2111, the legislation that created the Northeastern Illinois Transit Authority.

HB5738 would also change how the local government share of motor fuel sales tax revenues is distributed. Under current law, the 1.25% local share of the motor fuel sales tax is distributed through the Local Government Tax Fund based on where fuel sales occur. Communities with higher fuel sales volumes, such as those with large commercial corridors or concentrations of gas stations, therefore, receive a larger share of revenues regardless of population size. Counties receive the portion attributable to sales occurring in unincorporated areas.

Under HB5738, the remaining 1.25% tax rate would instead be deposited into the State and Local Sales Tax Reform Fund and distributed using the State's population-based formula rather

¹² [USE/OOC TX-MOTOR FUEL, HB5738](#), 104 GA, (2026).

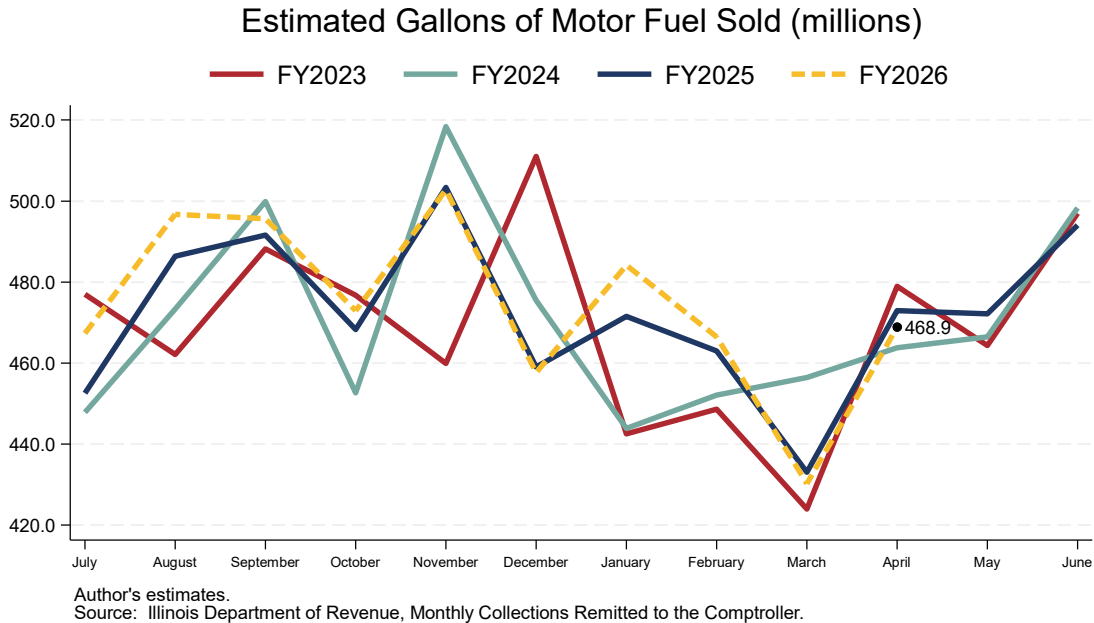
than the point-of-sale formula. As a result, some local governments would receive less revenue than under current law, while others would receive more. Chicago would not receive any distributions because municipalities with populations above one million are excluded from the Local Sales Tax Reform Fund formula.

The interaction between Rebuild Illinois, SB2111, and HB5738 illustrates broader tensions within Illinois' transportation funding structure. In 2019, Rebuild Illinois increased transportation revenues through higher per-gallon motor fuel taxes, which led to the gradual transfer of motor fuel sales tax revenues into the Road Fund. SB2111 later redirected those sales tax revenues toward transit funding. Now, HB5738 proposes temporarily reducing the size of that same revenue stream by lowering the tax rate from 6.25% to 1.25% for six months.

More broadly, proposals to temporarily reduce motor fuel taxes involve clear fiscal tradeoffs between short-term consumer relief and long-term transportation funding stability. Transportation-related revenues support not only highway construction, but also transit systems, debt service, local government distributions, and portions of agency operations. As a result, reductions in these revenues therefore have implications across multiple parts of Illinois' transportation and local government finance systems.

These pressures come at a time when Illinois' transportation funding structure already faces long-term challenges from improving fuel efficiency, growing electric vehicle adoption, rising infrastructure costs, and broader State budget constraints. Policymakers considering temporary motor fuel tax reductions should therefore weigh both the immediate benefits to consumers and the potential implications for the stability of transportation funding over time. Given the interconnected nature of Illinois' transportation finance system, understanding the full fiscal implications of temporary fuel tax reductions is particularly important before such policies are enacted.

APPENDIX: ESTIMATED GALLONS OF FUEL SOLD IN ILLINOIS



APPENDIX: WHAT'S HAPPENING ELSEWHERE

At the federal level, President Trump has announced his support, and at least two legislative proposals have already been introduced. These taxes, currently 18.4 cents per gallon (cpg) for gasoline and 24.1 cpg for diesel, provide funding to the Highway Trust Fund to pay for road and other transportation spending.

- The Bipartisan Policy Center estimates a five-month suspension (May through September) would cost the Highway Trust fund about \$17 billion—nearly half the revenues it gets from fuel sales. Considering behavioral responses and so on, the BPC estimates the suspension would add \$12 billion to the federal budget deficit.¹³
- The Penn Wharton Budget Model estimates that a three-month suspension of federal excise taxes on gasoline and diesel would cost roughly \$11.4 billion—about 19% of one year's spending.¹⁴

¹³ Fredrick Hernandez and Tatiana Klett, "[The Hidden Cost of a Gas Tax Holiday](#)" • Bipartisan Policy Center," *Bipartisan Policy Center*, April 28, 2026.

¹⁴ PWBM, "[Federal Gas Tax Holiday: June 1, 2026 – October 1, 2026](#)," *Penn Wharton Budget Model*, June 1, 2026.

- The Institute on Taxation and Economic Policy estimates that consumers, especially low-income households, would see little impact of such fuel tax holidays—a \$2.4 billion reduction in monthly federal revenue would drive savings of only \$5/month for families making less than \$53K/year.¹⁵

Several states have also moved to suspend their fuel excise taxes and/or their general sales taxes collected on motor fuel sales.

- Connecticut is considering suspension of its excise taxes on gasoline and diesel, with an estimated impact of about \$40 million/month on state revenues ¹⁶ITEP's analysis finds that the lowest-income households would experience only 4% of the savings.¹⁷
- Georgia has enacted a 60-day suspension of its motor fuel tax, with an estimated \$200 million monthly impact on state revenues ¹⁸
- Indiana's governor has extended the suspension of Indiana's sales tax on fuel sales and has suspended the state's 36 cpg excise tax as well ¹⁹
- Kentucky's governor has cut the state's gasoline excise tax from 26.4 cpg to 16.4 cpg ²⁰

APPENDIX: DATA AND METHODS

The State reports state motor fuel excise tax revenues, state sales tax revenues, and transfers of state sales taxes on motor fuels to the Road Fund on a monthly basis. We combine that information with data on fuel prices, tax rates, and average shares of gasoline and diesel in total fuel sales to produce estimated sales tax revenues on motor fuel sales. Our assumptions, methods, and data sources are detailed here.

ASSUMPTIONS

- Gasoline accounts for 74.1% of gallons of fuel sold in Illinois, with diesel accounting for the rest ²¹.
- The State's motor fuel excise tax rates are as reported ²². The average local excise tax on motor fuels (all) is assumed to be 8 cpg.

¹⁵ Carl Davis, "[These States Are Most Impacted by the Spike in Gas Prices](#)," *ITEP*, March 2026.

¹⁶ Keith M. Phaneuf, "[Lamont Floats Possible Gas Tax Holiday to Offset Price Jumps](#)," *CT Mirror*, March 10, 2026.

¹⁷ Davis, "These States Are Most Impacted by the Spike in Gas Prices."

¹⁸ Governor Brian P. Kemp, "[Gov. Kemp Signs Major Tax Relief Bills for Hardworking Georgians](#)," March 20, 2026.

¹⁹ Carole Carlson, "[Indiana Gov. Mike Braun Extends Gas Sales Tax Break, Adds Excise Tax](#)," *Chicago Tribune*, May 6, 2026.

²⁰ Alex Suckow, "[Indiana Governor Suspending 7% Gas Tax for 30 Days](#)," *News, WLKY*, April 8, 2026.

²¹ Illinois Department of Revenue, "[Actual Filed Motor Fuel Gallonage Breakdown Report, 2023-2025](#)" (2026).

²² Illinois Department of Revenue, "[Motor Fuel Tax Rates and Fees](#)," 2026.

- The State’s sales tax rate is 6.25% (of which the State retains 5.0 pp), and the average local sales tax rate is 2.71%²³.

DATA SOURCES

Data sources include:

- IDOR data (collections remitted to the Comptroller) for excise tax revenues and sales tax distributions to the State’s Road Fund²⁴
- From the U.S. Energy Information Administration, we use nationwide prices for conventional and for all formulations of gasoline; for diesel, we use the U.S. diesel price per gallon. These prices include federal and state excise taxes but *exclude* state taxes on gross or net receipts as well as county or local taxes.²⁵
- From the U.S. Bureau of Labor Statistics, we use the U.S. City average prices of unleaded regular gasoline and of diesel. These prices *include* all excise and sales taxes.²⁶

METHODS

With these data and parameter values in hand, we proceed as follows, aiming essentially to calculate state sales tax revenues as 5.0% of (gallons sold)*(average price excluding sales taxes but including federal and local excise taxes (but not state excise taxes)):

- Estimate gallons sold:
 - Calculate the share-weighted excise tax based on gasoline and diesel excise taxes and the shares of gasoline and diesel in total gallons of fuel sold.
 - Calculate the implied total quantity of gallons sold by dividing excise tax revenues by the average excise tax rate.
- Estimate average price
 - Calculate the share-weighted price based on gasoline and diesel prices and the shares of gasoline and diesel in total gallons of fuel sold.
 - For the EIA price series, we adjust by subtracting the state excise tax (which is not part of the sales taxable price) and adding average local excise taxes (which *are* part of that price but are excluded from the EIA data).
 - For the BLS prices, we strip out the sales taxes already embedded in the reported prices.
- Estimate sales tax base as product of gallons and average price.
- Estimate sales tax revenues as 5.0% of the sales tax base.

²³ Abir Mandal, “[2026 State and Local Sales Tax Rates](#),” *Tax Foundation*, January 20, 2026.

²⁴ Illinois Department of Revenue, “[Collections \(Monthly\) Remitted to the State Comptroller Archive](#),” accessed May 22, 2026.

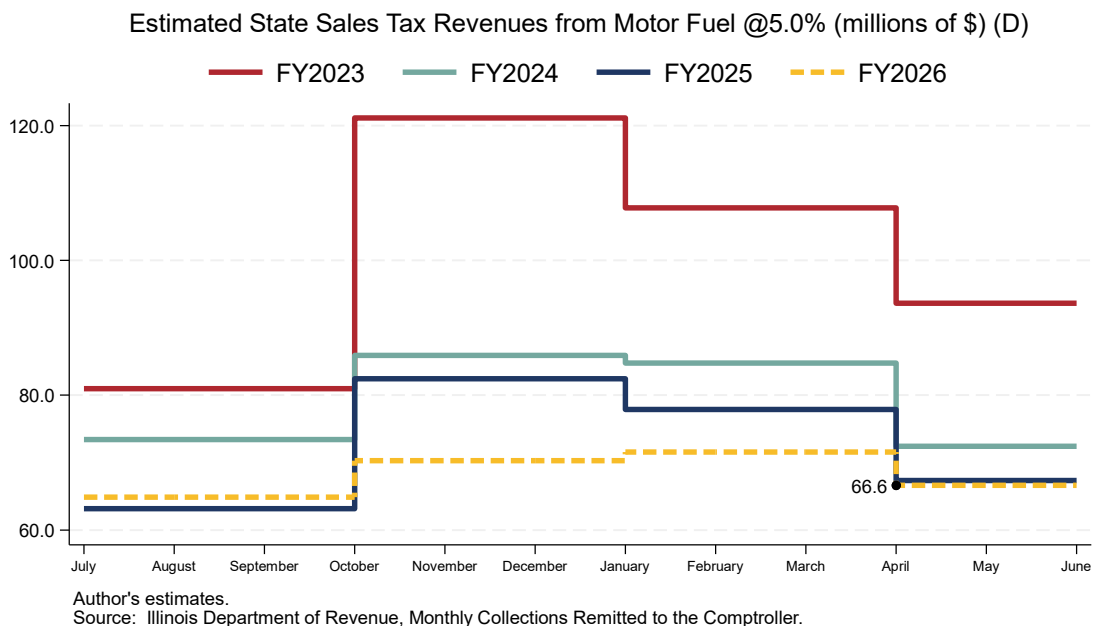
²⁵ Energy Information Administration, “[How Much Tax Do We Pay on a Gallon of Gasoline and on a Gallon of Diesel Fuel?](#),” *FAQs*, August 21, 2024.

²⁶ FRED: Federal Reserve Bank of St. Louis, “[Average Price: Gasoline, Unleaded Regular \(Cost per Gallon/3.785 Liters\) in U.S. City Average](#),” May 12, 2026.

- Take the simple average of three different estimates, based on three different fuel price measures; resulting estimates were very similar in levels and movement over time. We report the simple average of these estimates here.

COMPARISON WITH IDOR’S DISTRIBUTIONS TO ROAD FUND

We compared our estimates to those implied by the IDOR’s monthly transfers of sales tax revenues to the Road Fund, appropriately scaled to reflect the transition path under P.A. 101-0032 as discussed above. Taking the six-month lag into account, we found our estimates averaged 95% of the sales tax revenues implied by these transfers. The graph below depicts the monthly estimates implied from transfers from FY2023 through April 2026.



- Estimated revenues were highest in FY2023—a time when fuel prices were high as well.
- The fund transfers themselves, hence these estimates, are based on quarterly estimates from IDOR; hence, transfers (and these estimated sales tax revenues) move only once each quarter. So, for example, in January through March of this year, IDOR distributed \$57.3 million to the Road Fund each month (80% of \$71.6 million of sales tax revenues) from the general funds to the Road Fund.
- FY2026 revenues do *not* seem to reflect recent fuel price increases: in fact, April’s estimate is *lower* than the previous month, even though fuel prices in April were far higher than in the previous month. The explanation has to do with timing and lags: IDOR needs time to analyze detailed data on motor fuel sales and tax collections by types and jurisdictions. The distributions take place with a two-quarter (six-month) lag, so that March and April 2026 revenues—which we know were far higher than usual—will not be distributed until the late fall of 2026.
- When we take this six-month lag into account, our own estimates align well with the IDOR figures: our estimates, comparable to the IDOR figures, indicate that in FY2024 and FY2025, the State collected \$904.0 million and \$824.9 million, respectively—about 95%

of the IDOR amounts implied by their fund transfers.²⁷ In other words, our estimates are about right for assessing potential impacts on revenues from any motor fuel sales tax holidays.

APPENDIX: THE ROAD FUND

In broad terms, Road Fund resources include motor vehicle-related taxes and fees, which are then used to support a wide range of transportation projects statewide.

The State's motor fuel excise tax revenues are split between the Motor Fuel Tax Fund (0012) and the Transportation Renewal Fund (0952). In FY2025, the Transportation Renewal Fund received approximately \$1.6 billion, while the Motor Fuel Tax Fund received approximately \$1.3 billion, with about \$67 million going to the Underground Storage Tank Fund.²⁸ Of the state's share of Motor Fuel Tax Fund revenues, 63% (approximately \$819 million) flows to the Road Fund and 37% (approximately \$481 million) to the State Construction Account Fund.²⁹

The Motor Fuel Tax Fund supports transportation projects via the State's Road Fund and State Construction Account, with significant transportation project support also directed to local governments.

The Transportation Renewal Fund, which receives the excise tax revenues attributable to the July 1, 2019 hike in excise taxes and subsequent inflation adjustments, allocates its resources towards surface transportation (80% of the total for roads, bridges, etc., of which 60% goes to the State and 40% goes to localities) and mass transit (20% of the total for capital projects).³⁰

The Road Fund also receives revenue from vehicle registration fees, driver's license fees, and other transportation-related charges.

Sales taxes from motor fuel sales are also key: from FY2022 through FY2026, Illinois gradually redirected a portion of the State's share of the 6.25% sales tax on motor fuel purchases to the Road Fund under the Rebuild Illinois capital plan. By FY2026, this motor fuel sales tax transfer was expected to provide approximately \$855 million annually to transportation funding.³¹ Beginning in FY2027, however, those revenues are instead redirected to transit agencies for operating support, as discussed [above](#). As a result, the Road Fund's motor fuel sales tax revenue, which totaled nearly \$700 million in FY2025, is projected to fall to zero in FY2027.

²⁷Our estimates and the IDOR figures may vary for many reasons: for example, we impose average local sales and excise taxes, while IDOR uses detailed retailer-specific data; we rely on national average fuel prices, not Illinois-specific prices; we ignore special fuels and other small categories of fuel sales; we hold fixed the shares of gasoline and diesel sales in the total; and so on.

²⁸ Commission on Government Forecasting and Accountability, [Monthly Briefing November 2025](#).

²⁹ Illinois Economic Policy Institute, [Transportation Funding](#).

³⁰ Illinois Municipal League, [Motor Fuel Tax \(MFT\): Funding Illinois' Transportation Infrastructure](#) (2025).

³¹ Commission on Government Forecasting and Accountability, [Monthly Briefing November 2025](#).

WHAT DOES THE ROAD FUND PAY FOR?

The Road Fund supports a broad range of expenditures. In FY2025, approximately \$2.0 billion was spent on IDOT construction projects, including road and bridge construction and reconstruction. Another \$1.6 billion supported IDOT operations, including personnel, equipment, maintenance, and administration. Additional expenditures included debt service and transit-related obligations, Amtrak and paratransit support, workers' compensation payments, and transfers to other agencies and funds. The Road Fund has also increasingly been used to support costs that historically would have been paid from the General Funds, including covering a portion of state employee health insurance costs.

HOW HAS REBUILD ILLINOIS AFFECTED THE ROAD FUND?

Road Fund revenues increased substantially in recent years as Rebuild Illinois revenues matured. In FY2025, the Road Fund received approximately \$5.6 billion in total receipts, including \$3.0 billion from State sources and \$2.6 billion in federal reimbursements. Total FY2025 disbursements were approximately \$5.2 billion, leaving the fund with an ending cash balance of approximately \$3.7 billion. For FY2026, however, receipts are estimated to decline to approximately \$5.0 billion while disbursements increase to roughly \$6.2 billion, resulting in a projected drawdown of more than \$1.1 billion from the fund balance. By the end of FY2026, the Road Fund balance is projected to decline to approximately \$2.6 billion.

The Road Fund also generates substantial interest income because of the large balances accumulated under Rebuild Illinois. Prior to FY2027, investment earnings remained within the Road Fund. In FY2025, the category that includes interest earnings, reimbursements, and transfers totaled approximately \$395 million. However, beginning July 1, 2026, Road Fund interest earnings will be directed to the Public Transportation Fund and the Downstate Public Transportation Fund for transit-related capital expenses³². As a result, projected Road Fund interest-related revenues decline significantly in FY2027. Because the Road Fund balance itself is projected to decline, the amount of interest income generated by the fund is expected to fall over time as well.

³² Interagency Coordinating Committee on Transit Innovation, Integration, and Reform Act.