Accelerate Indiana Municipalities

MINI QUICK GUIDE: WHEEL AND VEHICLE EXCISE TAX

OVERVIEW

- The municipal wheel tax and vehicle excise tax are local options available to all municipalities with a population of 5,000 and above.
- If a municipality adopts a wheel tax, it must also adopt a vehicle excise tax and vice versa.
- Revenue may be used for capital expenses associated with road projects
- Counties may also adopt these taxes; part of county revenue is distributed to underlying municipalities.
- All wheel tax and vehicle excise taxes are collected through registration fees during the annual registration process by the Bureau of Motor Vehicles.

HEA 1461 (2025) UPDATES

- Established the Lane Mile Direct Distribution (LMDD) program, allowing an additional annual distribution to eligible counties, cities, and towns.
- Increased the maximum amount Marion County may collect for a county wheel tax and vehicle excise tax
- Eligible counties, cities, and towns will automatically receive an annual distribution based on their share of the reported lane miles
- To be eligible, a local unit must:
  - Adopt a qualifying wheel tax and vehicle excise tax by September 1st (beginning on May 1, 2026)
  - Adopt and submit a Transportation Asset Management Plan (TAMP) to Purdue Local Technical Assistance Program (LTAP)
  - Report lane mileage as required by INDOT/Purdue (LTAP)

For more information on TAMP, lane mile reporting, and LMDD requirements, please refer to Purdue LTAP Resources.

SEA 179 (2026) UPDATES

- Specifies a new municipal wheel tax may no longer be stacked with an existing county wheel tax
- Municipalities that already have both a municipal and county wheel tax in effect are grandfathered and may continue under existing law
- In grandfathered counties and municipalities, if both the county and municipality adopt the tax, both taxes are collected within municipal boundaries
- Taxes are collected through annual vehicle registration by the BMV

TAX RATES

Wheel Tax

- The wheel tax applies only to commercial vehicles defined as:
  - Buses;
  - Recreational vehicles;
  - Semitrailers;
  - Trailers with a gross weight above 9,000 pounds; or
  - Trucks and tractors with a gross weight above 11,000 pounds.
- The municipality may apply a different tax rate to each class of commercial vehicle, but all must be at least $5 annually and can be up to $40 annually.

Vehicle Excise Tax

- The vehicle excise tax applies to passenger vehicles defined as:
  - Passenger motor vehicles;
  - Motorcycles;
  - Motor driven cycles;
  - Collector vehicles;
  - Except for a trailer described in I.C. 6-6-5-3.5, trailer vehicles with a declared gross weight of 9,000

pounds or less;
    - Trucks with a declared gross weight of 11,000 pounds or less;
    - Mini trucks; or
    - Military vehicles.
- The municipality may apply a different tax rate to each class of passenger vehicle, but all must be at least $7.50 annually and can be up to $25 annually.

ALLOWABLE USES

- The revenue generated by the wheel tax and vehicle excise tax can be used to:
    - Construct, reconstruct, repair, or maintain streets and roads; and
    - Provide matching funds for the Community Crossings Matching Grant fund.
- The definition is similar to the restrictions on the Motor Vehicle Highway (MVH) restricted fund and is reserved for capital expenses, not normal maintenance or personnel costs associated with maintaining a road system.

ADOPTION PROCEDURE

- The wheel tax and vehicle excise tax must be adopted concurrently by ordinance by the council of the adopting municipality.
- The tax must be adopted by September 1 in order to go into effect on January 1 of the following year.
- In addition to passing the ordinance, the municipality must transmit a copy of their ordinance and asset management plan to both the Bureau of Motor Vehicles and the Department of Revenue.