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Indiana Lawmakers Propose Excise Tax Hikes for Road Funding

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Indiana lawmakers are proposing to hike the state's excise taxes on gasoline and cigarettes to generate more money for road construction and repair.

The bill, sponsored by state Rep. Edmond Soliday (R-Valparaiso), would also divert the majority of sales tax revenue from fuel sales toward development projects unrelated to road construction or maintenance.

The bill, which was proposed and supported by many in the Republican leadership, would increase Indiana's excise tax on cigarettes from 99 cents per pack of cigarettes to \$1.99 per pack, and it would raise the gasoline tax from 4 cents per gallon to 22 cents, a 450 percent increase.

'Huge Black Market'

Chris Edwards, director of tax policy studies at the Cato Institute, says the road funding plan would create an illegal underground market for cigarette sales.

"High cigarette taxes have created a huge black market that is funding organized crime and terrorists," Edwards said. "This is a very serious problem, and hiking taxes further would make it worse. Furthermore, raising cigarette taxes would be a particularly heavy burden for moderate income Hoosiers."

Edwards says lawmakers should consider cutting costs before hiking taxes.

"Highway construction has become hugely expensive," Edwards said. "State governments should put more effort into cutting costs, [rather] than always increasing revenues. Indiana should study ways to cut highway construction costs, such as by using nonunion labor and hacking back at regulatory hurdles and delays."

Enough, Already!

Justin Stevens, state director of the Indiana chapter of Americans for Prosperity, says the people of Indiana already pay excessively high taxes on gasoline

“[W]hen the price of gas was \$4, we were sixth or seventh in the country as far as taxes,” Stevens said. “Now that it’s down to \$1.80, we’re probably about 15th, as far as how much taxes we pay, because it also fluctuates based on sales. We’re one of only seven states that has sales tax on gasoline.”

Stevens says lawmakers do not need to hike taxes to fund road repairs in the state.

“Our overall state revenue increased from fiscal year 2014 to fiscal year 2015 by \$750 million, which gets us pretty far when redirecting that gasoline sales tax to roads and then covering the shortfall in the general fund,” Stevens said. “At a time where we have a \$2 billion reserve, we’ve increased revenue by \$750 million in the last fiscal year. We’re doing really well this fiscal year as a state.”