



Don't Even Think About Raising The Gas Tax

By Paul Blair

01/21/2015

Gas prices in the U.S. have fallen to their lowest levels in years and the great debate over the federal gas tax has resurfaced. As the *Washington Post* recently concluded, at \$2 a gallon “now is the best time Washington has seen in years to raise the federal gas tax.” If Republicans raise the federal gas tax, they will destroy the political capital accumulated in the aftermath of last year’s Democrat-crushing elections. That destruction, of course, may be one of the hidden motives behind the *Washington’s Post’s* call for higher taxes.

Small businesses, soccer moms, truck drivers, and commuters nationwide can take some comfort in knowing that House Speaker John Boehner, Senate Majority Leader Mitch McConnell, and House Ways and Means Chairman Rep. Paul Ryan aren’t taking the bait. Despite pressure from some of their Republican colleagues, as well as spending special interests, they have resoundingly ruled out raising the gas tax as a means for increased spending on transportation projects. Republican legislators in state capitols nationwide should follow suit.

While the federal gas tax of 18.4 cents per gallon has not been increased since 1993, the average state gas tax stands at 29.9 cents per gallon, yielding 48.3 cents for the government per gallon of gasoline purchased. Consumers in California pay a combined 63.8 cents per gallon, New York 63.5 cents, and Pennsylvania 68.9 cents according to the American Petroleum Institute. At an average price of \$2.39 per gallon in Pennsylvania, the government’s cut is 29 percent. And some state lawmakers think that’s not enough.

A legislative report in Georgia is calling for up to \$5.4 billion in new spending on transportation, nearly all of which relies on a combination of gas and sales tax hikes. This astronomical figure would represent a 20 percent increase in the total state budget. Less than 3 years ago, Georgia voters overwhelmingly rejected a sales tax hike designed to fund more transportation investments by a margin of 63-37. Atlanta-region voters, who experience the worst congestion in the state and some of the worst congestion in the nation shot down the tax hike because even they agreed that tax hikes weren’t the answer to bad traffic.

Iowa's long-serving Governor Terry Branstad has also hinted at being open to a gas tax hike this year. He recently suggested that legislation could be voted on that would include a referendum for a 1 percent sales tax hike on gasoline. Republicans in Michigan put a constitutional referendum on the ballot this May that would raise 1.6 billion in higher taxes, including a 10-cent gas tax hike. Both of these proposals are the types of solutions that failed in Georgia in 2012.

Bills in South Dakota, Idaho, New Jersey, Tennessee, and Utah will also be considered this year that raise the gas tax by as much as 12 cents per gallon. It's clear that as Congress ponders a gas tax hike, state legislators are also attempting to take advantage of declining gas prices in the meantime.

While a majority of voters support more funding for roads and bridges, two-thirds oppose increasing the gas tax, according to a recent poll by SKDKnickerbocker and Benson Strategy Group. This signals that people believe transportation projects should be funded with the historically high revenues that the federal and state governments are already extracting from taxpayers. Even more, voters may not be as enthusiastic as labor unions and bureaucrats to fund boondoggle light rail and rail transit projects like the one in California that is costing taxpayers at least \$68 billion. If the federal government stopped forcing taxpayers nationwide to subsidize projects like this, the federal Highway Trust Fund would actually be in balance, according to Cato's Chris Edwards.

The drop in gas prices has resulted in more than \$14 billion in disposable income put back in consumers' pockets. People in red and blue states appreciate the savings. In Massachusetts last November, voters even overturned indexing their gas tax to inflation just as prices were declining nationally. The politics of the gas tax are quite simple. People feel slight variations in gas prices immediately, which is why they support reforming transportation spending before the possibility of a tax hike.

Taxpayers nationwide should thank Speaker Boehner, Majority Leader McConnell, and Chairman Paul Ryan for standing up for low gas prices and rejecting calls for increasing the federal gas tax. State lawmakers would be wise to follow their lead by focusing on spending reform instead.