

White House urged to stay off gas tax holiday bandwagon

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President Joe Biden and congressional Democrats are being implored to let market forces bring down fuel prices despite Republican-led states such as Georgia and Maryland introducing gas tax holidays.

The prospect of exacerbating inflation is only one reason Democrats should not implement a federal gas tax holiday, according to American Enterprise Institute senior tax policy fellow Kyle Pomerleau.

"They're going to be cutting a tax," he told the *Washington Examiner*. "That is going to increase the after-tax incomes of individuals. That is going to increase their ability to consume goods and services. That's going to increase the amount of dollars chasing the same goods, and that could put upward pressure on prices."

"What I say is not going to convince a single voter. They just don't like \$4.10 a gallon gas," Pomerleau said. "So yeah, there's going to be political pressure to reduce taxes on gas, but in my opinion, it's not a good idea."

The White House has not taken the possibility of a federal gas tax holiday "off the table," but press secretary Jen Psaki downplayed it as an energy crisis panacea earlier this month.

"The gas tax, if I'm correct here, is about 18 cents," she told reporters of the levy that has not changed since 1993. "Obviously, gas has gone up by a larger amount than that."

"We will consider a range of options," she went on. "But the biggest impact we believe we can have is working through a range of channels to increase supply in the global marketplace, and that is where a lot of our energies are focused on."

Michele Nellenbach, the Bipartisan Policy Center's vice president of strategic initiatives and an infrastructure policy analyst, was also unconvinced the public would feel relief from a gas tax holiday because of current fuel prices. Referring to Pomerleau's inflation concerns, Nellenbach agreed denying the Highway Trust Fund revenue could increase federal spending and the deficit, but she was less worried than her AEI counterpart. The HTF, designed to safeguard road and bridge investment, is already underfunded by the gas tax.

With limited short-term responses other than potentially an expensive rebate, the White House has promoted longer-term consumer behavior shifts, including people buying electric vehicles. But not everyone can afford to purchase an EV, and the country is ill-prepared for a large fleet, according to Nellenbach.

"We're going to driving electric cars or, at the very least, much more fuel-efficient vehicles, so the gas tax, really, its days are numbered," she said, advocating the vehicle miles traveled tax. "At some point, we do need to just change behavior, but that's not a solution to what folks are experiencing today."

For Clifford Winston, a senior Brookings Institution economics fellow, Democrats intervening and subsidizing fuel could incentivize oil conglomerates to keep prices high. Although he disagreed with the inflation argument, he added that a gas tax holiday did not effectively target lower socioeconomic communities.

"Politics and economics don't always jibe," he said. "My punchline is don't expect this to win the day on the politics."

State gas tax holidays are entirely different given state governments are required to balance their budgets, according to Cato Institute economist Chris Edwards.

"State budget surpluses are a temptation to politicians to expand spending programs," he said. "A temporary tax cut won't help the economy much, but at least it would get the surplus state government cash out of the hands of big-spending politicians."

Economists, policy experts, and the White House are at odds with polls, at least according to a *Politico*/Morning Consult survey published Wednesday.

Almost three-quarters of respondents supported "a temporary break" from federal gas taxes. (A similar percentage backed a reprieve from state fuel levies.) Roughly two-thirds urged Biden to

release more Strategic Petroleum Reserve barrels. Nearly 70% endorsed oil companies scaling up domestic production despite the administration's insistence that there are 9,000 approved but unused leases that could be tapped into.

Psaki's No. 2, Karine Jean-Pierre, did not update reporters en route to Europe for Biden's Russia talks with NATO, G-7, and other European allies regarding the country's emergency, mostly unrefined, oil supply.

"I don't have anything new to share on that, on any new actions. But as the president has said previously, we're going to continue to assess, and our government will take action as needed," the White House deputy press secretary said Wednesday aboard Air Force One.