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WHY CONGRESS SHOULD CUT THE GAS TAX

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Gas prices have been soaring. According to the Energy Information Administration at the U.S. Department of Energy, gas prices—which have increased by as much as 50 percent in the past year—are likely to continue to rise into the summer, if not beyond. This price increase is hitting many Americans hard, and they are pleading with Congress and the President for relief. One of the most sensible and fair steps Congress and the President can take is to reduce the federal gas tax.

Fast-Growing Federal Tax. Today, the federal gas tax is 18.4 cents per gallon. Between 1950 and 1980, when most of the Interstate Highway System was built, the federal gas tax was just 4 cents per gallon. During the past ten years, Congress and the President increased the gas tax by more than 50 percent—not to build roads, but to boost tax revenues to pay for general government spending. In 1990, Congress and the President increased the federal gas tax by 5 cents per gallon (2.5 cents went to general revenue rather than for transportation spending), and just three years later, they hiked the gas tax by 4.3 cents for general revenue and more spending. In 1998, Congress and the President dedicated the entire 18.4 cent gas tax to a Highway Trust Fund and now suddenly claim that critical highway maintenance will go wanting if the gas tax is reduced.

Wasted on Federal Highway Pork. House Transportation Committee Chairman Bud Shuster (R–PA) claims that a $4.3 cent reduction in the gas tax will result in more than $7 billion in lost revenue that would otherwise go to states and local communities for planned infrastructure projects. But Congress and the President have wasted billions on questionable pork-barrel projects. In 1998, *The Washington Post* reported that Representative Shuster contributed to this waste with more than 130 projects worth $640 million for Pennsylvania, including $800,000 for renovating a train station in Gettysburg, and $7 million for a transportation museum as part of a proposed Allentown redevelopment project. In addition, Citizens Against Government Waste identified other pork projects, including $2.6 million to rehabilitate an historic train depot in San Bernadino, California, and $3 million for a parking garage in Peoria, Illinois. Washington wants to hold on to its billion-dollar golden goose called the gas tax so that a few powerful politicians can redistribute money from the pockets of the nation's hard-working motorists to support their own special interests.

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Get Rid of the Federal Middleman. While Washington appears unable to give up the gas tax, some states, such as Connecticut and New York are talking about reducing their own gas taxes. States impose gas taxes to pay for highway projects and other needs. As of January 2000, state gas taxes averaged 19.9 cents per gallon; taxes in many states are even higher, such as in Connecticut (32.0 cents), New York (29.8 cents), Montana (27.75 cents), and Wisconsin (25.8 cents). Interestingly, now that Washington has dedicated the federal gas tax to highway spending, Pennsylvania's state gas tax has dropped in recent years to one of the lowest in the nation—12 cents a gallon.

The fact that states impose their own gas tax begs the questions: Why must citizens send their money through Washington only to have it cycle back out to states and local communities? Should not states determine how much to tax and spend in order to maintain their infrastructure? Washington's wasteful spending of federal gas tax revenues points to the need for Americans to demand that Washington get out of the way and do what is fair by giving control of highway programs back to states and local communities.

Americans Bear the Costs. Today, many small, fuel-intensive businesses, such as the trucking industry, already are suffering the effects of high oil prices. There are more than 7 million trucks on America's roads today and many companies operate on profit margins of 2 to 4 percent. Recent fuel price increases are wiping away those profit margins. For a small company that consumes 50,000 gallons of diesel fuel in a month, the increase in prices in the past year will cost that company an additional $40,000 per month. If fuel prices remain high, these costs eventually will be passed on to consumers in the form of higher prices for many goods and services. A 4.3 cent reduction in the cost of fuel would save the company more than $2,000 per month.

If the price of oil remains high for too long, the economy will be affected. According to a study by the Heritage Center for Data Analysis, if the price of oil remains at $30 per barrel for the rest of 2000, economic growth would begin to decrease over the next two years. High oil prices without any tax relief would reduce the real disposable income for an average family of four by $1,324, decrease consumer spending by $79.6 billion, and reduce the number of job opportunities by almost 500,000. Higher prices and slower economic growth would reduce federal tax revenues by $12.4 billion over the next three fiscal years.

Conclusion. Washington has repeatedly raised the gas tax to finance wasteful pork-barrel spending. In an era of record surpluses, lower-income Americans and those who must make their living driving want good highways and want Congress and the President to take steps to lower the price of fuel. Maintaining our nation's highways is not dependent on the federal gas tax. Cutting this tax is a good and fair step to help those who are struggling to make ends meet.

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