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Paying at the Pump

Recently, the price of gasoline has spiked dramatically, causing many holiday travelers major pain in the pocketbook. The average price for regular unleaded gasoline has now surpassed \$3.00 per gallon, with no end in sight. This represents a 90-cent per gallon price increase in just one year, which leaves people asking why prices are so high.

Of course, global supply and demand are the primary determinants of gasoline prices; however, a significant portion of the price consumers pay at the pump can be attributed to gasoline taxes. In fact, new research shows how much fuel taxes really cost the average American. In Kansas, every man, woman and child pays an average of \$235 per year.

Since 1925, the state of Kansas has been collecting taxes on gasoline purchases. The gas tax in Kansas began at a meager 2-cents per gallon. Motorists in Kansas now pay an average of 43.4 cents in gas taxes for every gallon purchased. The federal portion is 18.4 cents per gallon, with state gas taxes making up the remainder. Diesel taxes are even higher in Kansas – averaging 51.4 cents per gallon.

Over the past century, Americans have witnessed a marked increase in mobility through safe and reliable roadways. This improved mobility has undoubtedly increased the overall quality of life in the United States. Gasoline taxes have provided the required funds to build the roads that brought America into the transportation age.

Gasoline taxes are often mentioned as the best form of taxation from an economic perspective because they provide a system of road funding by simply charging road users when they fill up their tanks. This “user tax” adheres to what economists refer to as the benefit principle of taxation.

Early gasoline taxes in the states were explicitly created in an attempt to charge road users for the privilege of using roads. However, from the very inception of gasoline taxation, public officials have faced temptation to divert gasoline tax revenue to projects that are only tangentially related to transportation and that are often purely politically motivated. When lawmakers do overcome the temptations to squander gasoline tax funds, and instead use the revenue strictly for road construction and maintenance, gasoline taxes can serve as a reasonable tax.

Gasoline taxes have been in operation for well over 80 years in the United States. Unfortunately, the years of political pressure have eroded the original intent of gas taxes. In all too many instances, benefit-principle taxation has taken a backseat to political pandering.

For instance, current federal highway legislation authorized over 6,000 earmarks from the Federal Highway Trust Fund. Some of these went to legitimate transportation programs, but others were earmarked for items such as the

infamous “bridge to nowhere.” This bridge project cost roughly \$220 million and would have connected a small town in Alaska to an island with 50 inhabitants. Federal gasoline tax dollars were slated to pay for this “pork barrel” project, before voter anger killed the wasteful pet project. Ironically, President Ronald Reagan vetoed the entire 1987 transportation bill because of the “largesse” of its 152 earmarks.

Today, gasoline tax revenue is spent on everything from public education and museums to graffiti removal and parking garages. In light of the recent bridge collapse in Minnesota, lawmakers would be wise to carefully scrutinize the practice of using gasoline tax dollars for anything other than legitimate road construction or repair. The reputation of gasoline taxes serving as user fees has been tarnished with the mismanagement of transportation funds throughout the United States.

Therefore, if we are ever to restore public trust to our system of highway finance, there must be proper accountability and oversight to avoid more waste and abuse of current resources. Not only do benefit-principle taxes represent sound economic policy – they are popular with American drivers as well. History has clearly demonstrated that the most popular gasoline taxes have been those that directly linked gasoline tax revenue with road spending. Even in recent polling, 89 percent of respondents indicated their support for gasoline taxes, when they are used to build and maintain roads and bridges.

If benefit-principle taxation is to survive as the foremost source of road funding, lawmakers must insist on more oversight to ensure revenue from gasoline tax “user fees” does not support “bridges to nowhere,” or museums, or graffiti removal, but is instead used to build the roads of the 21st century, providing a fair and equitable transportation system for all American motorists.

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