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# Gasoline-Tax Increase Finds Little Support

By **PATRICIA COHEN** JAN. 2, 2015

When gasoline topped \$4 a gallon, opponents of an increase in the gas tax argued that prices were already too high.

Now the average price of regular gas has dropped under \$2.50 a gallon, but in the antitax environment that pervades Washington there is still scant support for increasing the gas tax to finance upkeep of the nation's roadways and public transit systems.

The no-win dynamic is frustrating to advocates who hoped falling gas prices might reinvigorate the idea of raising the gas tax, which they view as one of the simplest, fairest and most efficient ways to pay for transportation repairs and improvements.

"If something like this is going to be done, now is the time to do it," said Bob Corker, a Republican senator, who noted that gas prices in his home state of Tennessee fell below \$2 a gallon this month. Senator Corker and Senator Chris Murphy, a Democrat from Connecticut, unveiled a proposal in June to raise the gas tax by 12 cents a gallon over the next two years and then index further increases to inflation.

The latest discussions about raising the gas tax come as the Energy Information Administration estimates that the average American household will spend at least \$550 less on gasoline next year than it did in 2014, a result of lower prices and more fuel-efficient cars and trucks that can travel farther on fewer gallons.

"Annual motor fuel expenditures are on track to fall to their lowest level in 11 years," the agency reported.

"There's a huge supply shock right now," Doug Peterson, president and chief executive of McGraw Hill Financial, said recently at a panel discussion on financing infrastructure at the Bipartisan Policy Center in Washington. With prices at the

pump dropping by more than \$1 a gallon, he noted, the government could collect a few cents on every gallon and still leave consumers with more money in their wallets. “I think this is an opportunity that we have,” Mr. Peterson said, “to see if we could get a gas tax through.”

The last time the gasoline tax was raised was in 1993, and even that 4.3-cent-a-gallon increase was not initially dedicated to transportation repair and capital improvements, but rather was part of President Clinton’s budget-deficit reduction plan. That revenue stream was redirected to the federal Highway Trust Fund in 1997.

Back then, the 18.4-cent tax on every gallon represented about 16 percent of the pump price, said Aaron Klein, director of the Financial Regulatory Reform Initiative at the Bipartisan Policy Center and a former Treasury Department official. If the gas tax had kept pace with inflation it would be 30.1 cents today, he said.

A result is that the trust fund is facing an estimated \$160 billion deficit over the next 10 years. When efforts at a long-term fix failed over the summer, Congress approved a last-minute patch that avoided throwing out of a job as many as 700,000 people working on transportation projects around the country. But that back-from-the-brink agreement, which funneled \$11 billion to the fund, covers the shortfall only through May.

For some conservative members of Congress, bankruptcy of the highway fund is just what they want, arguing that state and local governments should bear principal responsibility for highways and bridges.

That persistent resistance has even led some proponents of the gas tax to admit defeat.

“I think it’s time to acknowledge the funding mechanism is just broken,” said Douglas Holtz-Eakin, the head of the American Action Forum, a conservative advocacy group, and a former director of the Congressional Budget Office.

There are alternatives: selling bonds, creating more private-public partnerships, taxing the miles a vehicle travels or its weight or, in the future, instituting a carbon tax, which is favored by many economists along the political spectrum and has found support among some environmentalists as a way of reducing damaging carbon emissions.

Some members of Congress have discussed taxing barrels of oil instead of gallons at the pump, although that would transform the gas tax from a user fee to a broader-based tax on home heating oil, farmers and manufacturers.

In the absence of a workable fee, Mr. Holtz-Eakin said that it might even be time to consider “the most radical option” and put infrastructure costs into the general budget, “and force it to compete on a level playing field with other needs.”

But that idea is an anathema to many supporters. “A gas tax is what we really need to do,” said Janet Kavinsky, executive director for transportation and infrastructure at the U.S. Chamber of Commerce, explaining that alternatives like a miles-traveled tax are probably viable in the future, but are not ready yet.

Ms. Kavinsky said that many members of Congress supported the idea of a gas tax in private, but feared retribution if they supported it publicly. “It’s just politically not a very popular solution,” she said.

Senator Corker, who has tried to appease deficit hawks by proposing to reduce other taxes in exchange for a rise in the gas tax, said his plan would probably get caught up in negotiations about broader tax reform when the Republicans take control of both houses.

“The leadership is going to want the finance committee to come up with a larger package,” he said, adding that he was open to all sorts of options except a short-term fix. “The one thing I’m going to rail against is to kick the can down the road.”

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