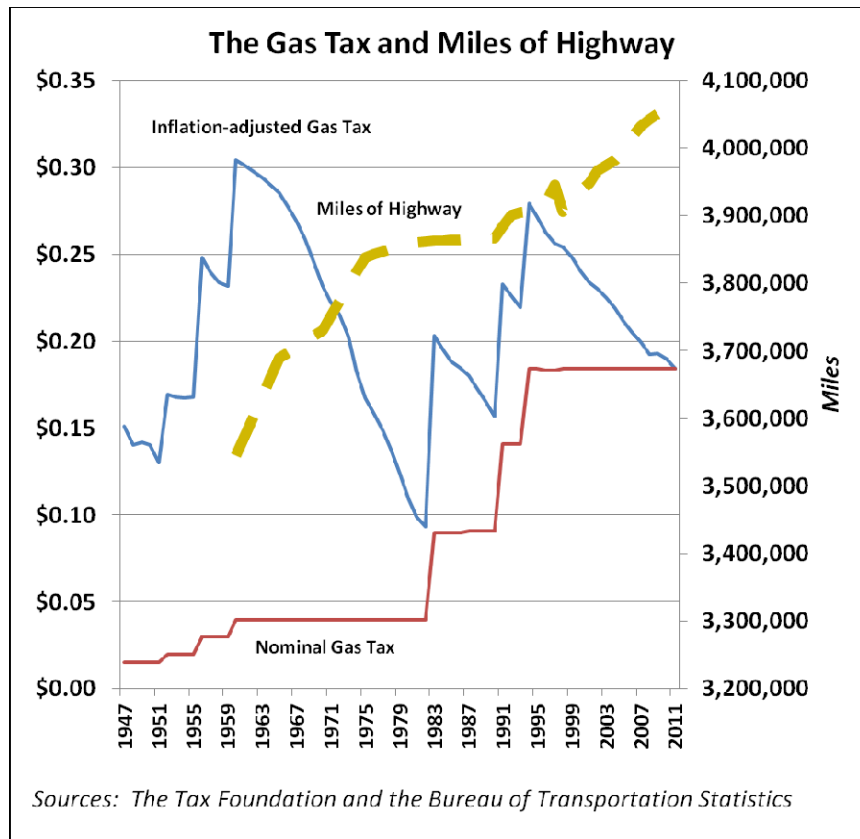




Increase the gas tax to 43 cents a gallon and index it to inflation: \$291 billion over 10 years

The Idea: Currently, the federal tax on gas is 18.4 cents per gallon. All the funds collected are directed to the Highway Trust Fund to support important transportation infrastructure projects around the nation. The gas tax has not been raised since 1993, and it has lost 33 percent of its purchasing power over the past 18 years. If Congress raised the gas tax by 25 cents, to 43.4 cents per gallon, the country could raise \$291 billion¹⁰ in revenue over the next 10 years to help pay for important infrastructure projects, which would create jobs.

President Herbert Hoover signed the first federal gas tax into law in 1932. The tax of one cent per gallon (equal to 16 cents in today's dollars) was used to support the general operations of the federal government. In 1956, with the creation of the interstate highway system, gas tax revenue was targeted specifically for infrastructure projects. The value of the tax was eaten away by inflation over the next several decades (see the chart below) until President Reagan increased the tax, which went from 4 cents per gallon to 14 cents. Under President Bill Clinton, it was increased again to its current rate of 18.4 cents, but since Congress did not index it to inflation, its value is again eroding. In the past, the gas tax generated more than enough revenue to fill the Highway Trust Fund. Today, the tax cannot keep up with infrastructure costs, and the fund requires regular infusions from the federal government's general fund (in 2010, a \$20 billion infusion was needed).



The Rationale: Raising the gas tax would put more of the burden of road development onto the individuals who use them most heavily. The failure to index the federal gas tax to inflation means that maintenance of our current transportation infrastructure and the build-out of new roads to accommodate population increases have to be paid out of the federal government's general revenues. In 2010, almost \$20 billion was transferred out of general federal funds to the Highway Trust Fund. A higher gas tax would close this gap.

In addition to bringing in needed revenue, an increased gas tax would reduce fossil fuel consumption, thereby decreasing America's dependence on foreign energy sources as well as helping to reduce use of one of the major contributors to environmental damage, public health risks, and global warming. According to the Congressional Budget Office, the environmental and public health costs of using gas are at least \$1 per gallon more than users currently pay.

Support for the idea: This revenue option is not popular with the public and would create hardships for the rural poor. However, it would help to achieve an

important social and environmental goal: a higher tax would result in less gasoline consumption and use and would reduce dangerous carbon emissions. Of the plans reviewed for this revenue project, the following support either raising the gas tax by some amount or taxing oil, the source of gasoline: Our Fiscal Security's (Economic Policy Institute, Demos, and The Century Foundation) *Investing in America's Economy*, both Center for American Progress' *First Step* and *Budgeting for Growth*, Andy Stern's *21st Century Plan*, the Institute for America's Future *Citizens' Commission*, Esquire's *Commission to Balance the Federal Budget*, and the Stephen Pearlstein's *Budget Op-Ed*.

¹⁰[*Reducing the Deficit: Spending and Revenue Options*](#), CBO, pg. 191.