



INDEXED MOTOR FUELS TAX



More Information: tti.tamu.edu/policy/how-to-fund-transportation

WHO



COST TO COLLECT



LONGEVITY



RELIABILITY



IMPLEMENTATION



AROUND THE NATION

Massachusetts

Increased the gas tax from \$0.21 to \$0.24 per gallon and indexed the tax to inflation beginning in 2015.

This is projected to raise an additional \$13 million in 2014 and up to \$118 million more by 2021.



Rhode Island

Rhode Island indexed the gas tax to the Urban Consumer Price Index with a floor of \$0.32 per gallon.

Consumer Price Index with a floor of \$0.32 per gallon.

Vermont

Vermont approved a law that ties the gasoline tax to the rate of inflation starting July 1, 2012. This rate is adjusted every April.

Description

An indexed statewide motor fuels tax would allow the current motor fuels tax rate to change based on the rate of inflation. Since 1991, Texas has charged a flat 20 cents per gallon tax on gasoline and diesel fuels, but inflation has gone up, causing the purchasing power of a dollar to go down. This means the taxes collected by the motor fuels tax do not increase at the same rate as the cost of construction.

For example, hypothetically, in 1991, 5,000 gallons of gas yielded \$1,000 of taxes collected that could buy a mile of new pavement. In 2015, 5,000 gallons of gas yielded \$1,000, but it can no longer buy a mile of new pavement. Indexing the gas and diesel tax rate to the Highway Cost Index or the Consumer Price Index would allow the tax rate to adjust so that taxes collected do not lose purchasing power.

How Will This Help?

- **Maintains the purchasing power** of the gas and diesel tax.
- **Provides new additional funds** for transportation.
- **Reduces borrowing** to finance transportation improvements.

What's the Downside?

- The legislature and the public generally oppose tax increases.
- Fuel tax revenues are eroded by increased fuel efficiency and will continue decreasing as vehicles become more fuel efficient and alternative fuel vehicles become more common.

Implementation Issues

- Legislative action is required; voter approval may be needed.
- Voters/users would need to be informed and educated regarding the costs and benefits.

ESTIMATED FUND YIELD FROM 2016–2019



Indexed to the Highway Cost Index:



\$1.1 billion more for transportation



\$359 million more for education

Indexed to the Consumer Price Index:



\$509 million more for transportation



\$170 million more for education

