



The Case for Higher Gas Taxes (and Lower Income Taxes)

Posted by [Robert Rapier](#) on December 15, 2008 - 10:46am

Topic: [Policy/Politics](#)

Tags: [carbon tax](#), [energy policy](#), [gas tax](#), [original](#), [politics](#) [[list all tags](#)]

Taxes and Choice

Whenever I mention the idea of increasing gas taxes, some inevitably hear only half the message: A tax increase. They don't want to know about any tradeoffs I propose, or if there might be a long-term benefit. They just know one thing: Tax increases are bad.

But I don't want to increase taxes. I don't like to pay taxes any more than anyone else does. I don't feel like a patriot when I write a check to the IRS. No, what I am going to propose would give you more choice in the taxes you pay. I want to change the way you pay taxes in a way that will benefit future generations and reduce our dependence on foreign oil.

Don't get me wrong. I understand the benefit of taxes. I recognize that a good bit of my tax dollars are well spent. I am happy to pay taxes that help improve our overall quality of life, or that secure a better future for our children. I just wish I had more control over the taxes I pay.

This attitude explains why I have always been a fan of lotteries. People can choose to buy a lottery ticket, and a portion of the proceeds goes into the tax coffers. But I can choose not to buy a lottery ticket. I feel the same about taxes on alcohol and cigarettes. I can choose not to drink or smoke, or I can drink and smoke a lot, and voluntarily pay more taxes.

Why We Need Higher Gasoline Taxes

The same logic holds for certain other consumption taxes, such as gasoline taxes. I can choose to use less, and the higher the price, the greater my incentive to make that choice. If the price is low, so is the incentive to conserve.

I think most can agree that in the U.S., a lot of gasoline usage is discretionary. We don't treat our fossil fuel endowment as something that our children and grandchildren might need. We seem to be content to burn through it and keep our fingers crossed that there is a solution right around the corner for future generations. This is exactly the sort of "spend now, pay later" mentality that has gotten us into such a financial mess.

But what if you knew that there was a solution just around the corner for our fossil fuel dependence? What if you knew that unless we scale back consumption, your children and grandchildren will have to make far greater sacrifices? I think I speak for most parents when I say that I am willing to voluntarily sacrifice if it enhances the odds that my kids will have a brighter future.

This forms the basis of my support for higher gasoline taxes. In my opinion, a small sacrifice

today will stretch our fossil fuel endowment and buy more time for sustainable alternatives to emerge. The advantages of having a higher gasoline tax, or more generally a fossil fuel tax, would be many in my opinion. They include:

- It would lead to conservation, which would help preserve our remaining fossil fuel endowment.
- It would encourage mass transit (people flocked to mass transit this year as prices climbed).
- It would make alternative energy candidates more competitive with fossil fuels, without picking specific technology winners.
- It would enable people to do a better job of planning ahead, as opposed to the constant expectation that low gas prices are right around the corner.
- It should encourage more efficient city planning, and rein in some of the suburban sprawl.
- It would make the price of fossil fuels more reflective of the negative externalities that are not currently priced in (air pollution, military expenditures, etc.).
- It would penalize alternative energy sources with low energy returns, and reward those processes that minimize fossil fuel inputs.

Political Palatability

But I don't want to just give the government more money in the form of higher taxes, and therein lies the catch with my proposal.

The most often cited disadvantage is that higher gas taxes are regressive; that they would hurt lower-income workers the most. That's a fair criticism, but we can address it. Let's consider some rough numbers for illustration (assuming only a gasoline tax). The average family consumes almost 2,000 gallons of gasoline a year ([per the EIA](#), gasoline consumption in 2007 was 142 billion gallons for a U.S. population of 300 million people). If we phased in a federal gasoline tax increase of \$0.20/gallon this year, \$0.30/gallon next year, and then \$0.50/gallon in each of the three following years, the total tax increase would be \$2.00/gallon. Such an increase would still put gasoline prices at less than they are in Europe, but should encourage serious conservation measures, while at the same time allowing people time to plan for the tax increase.

But what about the additional tax burden of \$4,000 on the average family? In order to offset the burden of these higher taxes, I would propose that as a part of the package we lower tax rates, or offer a tax credit equivalent to the increased tax burden for the average American. This is equivalent to \$400 in the first year of the tax, and \$4,000 by the time the last increase is phased in. Families that use less gasoline than the average should actually see their overall tax burden decrease. Those who consume more than 2,000 gallons per year will see an overall increase in their tax burden - and will therefore have a stronger incentive to reduce their fuel consumption. For those whose fuel usage is for farm or business use, the fuel taxes could be deducted against business income.

The price spikes over the past year have highlighted just how vulnerable our fossil fuel dependence has made us. We are dependent on certain regimes that are hostile to our interests. It is only a matter of time before energy prices go back up, and vast amounts of money start once again flowing out of our economy and toward those hostile regimes.

If we are to start working toward a solution to our fossil fuel dependence, we must first accept

personal responsibility for our own energy consumption. We need to shed the belief that we are going to run this country on ethanol or biodiesel. It simply can't be done at our current levels of energy usage. In the U.S., we currently import over 10 million barrels of crude oil a day (and finished products over and above that). That is **over 12 barrels of oil imported each year for every man, woman, and child in this country**. We need to--as a first step--bring our energy consumption more in line with that of the [EU](#). By doing this, we have a realistic chance of (temporarily) reaching energy independence.

The intent is not to increase net tax revenues, but rather to discourage excessive consumption. This is a practical measure to address our fossil fuel dependence. We saw the impact high prices have had over the past year. People started to embrace mass transit, conservation, and higher fuel efficiency. Many had no choice, as higher prices devastated personal budgets. Without a doubt, people responded to higher fuel prices.

We need to have better forward planning around fuel prices, or the next round of price spikes will see more failures in the airline and auto industry, and will once again play havoc with personal budgets. But as long as politicians keep promising low gas prices, some people will avoid making choices to lower their energy consumption. The surest way to encourage people to move toward lower energy consumption is to let them know--with certainty--that higher prices are on the way.

I close by reiterating that I am not proposing a net increase in taxes, nor am I proposing bigger government. But when I pay taxes, I would rather be taxed on my consumption--which I can choose to reduce. Because of the need to reduce our fossil fuel dependence and save some of our fossil fuel supplies for future generations, this certainly seems like a no-brainer to me. Yet I am not the first to propose such a scheme, which leads me to believe that our political leaders lack the collective courage to tackle this controversial issue.

Here's hoping with a new administration, the response is a sincere "Yes we can!"



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](#).