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## Some States in a Pinch May Raise Gasoline Tax

By [KATE GALBRAITH](#)

Several states are considering the rare step of raising gasoline taxes to help fill growing budget gaps and potholed roads.

Politicians in California, Massachusetts, New Hampshire, Illinois and Oregon, for example, are introducing bills that would raise gasoline taxes for road and bridge repair, as state legislatures around the country begin their new sessions.

In Iowa, top legislators in both houses would support an increase. And in Ohio, a state task force last week recommended raising the [gas tax](#) by 13 cents a gallon.

There are political risks in raising taxes of any kind, and legislators have been loath to raise their gas taxes, which are imposed in every state but Alaska. In many states, gas taxes have not been raised for more than a decade and they often are not indexed to inflation.

"I've opposed virtually every revenue enhancer in terms of tax increases up to this point," said John E. Bradley, an Illinois state representative who is chairman of the House Revenue Committee.

This year, he is introducing a bill with a motor-fuel surcharge of 8 cents a gallon. He was persuaded to change his stance, he said, because of the urgent needs of Illinois roads and highways.

State lawmakers clearly see an opportunity to push through a tax. The recent sharp drop in gasoline prices, to less than half of last summer's high of more than \$4 a gallon, means that drivers may be less hesitant to pay slightly higher prices.

For states, acute revenue shortfalls, combined with years of rising construction costs and a backlog of projects, are forcing difficult choices between raising taxes or imposing drastic cuts.

"Do you cut snowplowing? Do you cut salting roads? Do you cut maintaining and fixing bridges?" asked Representative David B. Campbell, of New Hampshire, vice chairman of the House Public Works and Highways Committee. He is introducing a bill to raise the state gasoline tax by 15 cents a gallon over three years, which would help close what he says could become a cumulative \$1 billion hole in the state Transportation Department's budget over 10 years. The gasoline tax in New Hampshire has not been raised since 1991.

As of last October, the average state tax was 30 cents a gallon, led by California at 48.7 cents, according to the [American Petroleum Institute](#).

The federal government also takes a flat 18.4 cents at the pump, a number that has not budged in essentially 16 years. The National Commission on Surface Transportation Infrastructure Financing, a federal group that analyzes future highway and transit needs, is expected soon to release a report to Congress that includes a recommendation to raise the federal gasoline tax by 10 cents a gallon. It also will recommend raising the federal tax on diesel fuel. (States have diesel fuel taxes as well.)

Half of highway funds for states come from state and federal gasoline tax revenues, according to a pending [National Governors Association](#) report. (The federal tax is routed through the federal Highway Trust Fund, with about 20 percent of that going to mass transit.) The rest of state highway funds come from a variety of sources, like tolls, vehicle registration fees, bonds and general funds. Compounding the budget problems for states is the fact that people are driving less, in large part because of the weakening economy and last year's high gasoline prices. Last October, Americans traveled 3.5 percent fewer miles, on average, compared with a year earlier, according to the federal Department of Transportation.

When people drive less, and buy fuel-efficient cars like the Toyota Prius, they buy less gas, causing gas-tax revenues to fall. In Georgia, for example, motor fuel tax revenues fell 10.4 percent, or \$8.8 million, in December 2008 compared with a year earlier.

Even the federal government has been left short of highway funds. Last fall, Congress provided \$8 billion in emergency funds to the Highway Trust Fund, which distributes federal gas tax revenue to the states, because of rising costs and shrinking revenue as Americans drove less.

States are hoping that President-elect [Barack Obama](#) will make good on his promise of huge stimulus spending on roads and bridges. Many states have already submitted wish lists.

In California, both Gov. [Arnold Schwarzenegger](#), a Republican, and Democratic lawmakers are prepared to raise the gasoline tax, last directly raised in 1994. But they disagree on the means. The governor's proposal would indirectly raise the tax as part of an overall sales tax increase, for an effective gasoline tax rise of about 3 cents a gallon (which could later rise if fuel prices rise). The proposal by the Democrats, recently rejected by Governor Schwarzenegger, would change the structure of gasoline taxes and result in an increase of 8 to 9 cents a gallon.

"It is the first time anybody has talked about this in some time," said John White, executive director of the Center for Energy Efficiency and Renewable Technologies, based in Sacramento.

In Massachusetts, which still needs to pay off debt from Boston's Big Dig, a debate is under way over whether to impose higher tolls, which Gov. [Deval Patrick](#) has said he was willing to support, or higher gasoline taxes, which some state lawmakers are discussing. Governor Patrick has also indicated that he is conditionally open to supporting an increase in gasoline taxes.

Naturally, legislators proposing higher gas taxes are certain to face some opposition. "One of the biggest economic drivers for New Hampshire is tourism, and we feel this may have a negative impact," said Timothy G. Sink, president of the Greater Concord Chamber of Commerce.

He is worried that gas prices could rise again, so the tax would just add to the driver's burden. "Who's got the crystal ball to tell us what's going to happen in the next two years?" he said. The chamber has not taken an

official position on the tax, he said.

And with the advent of more fuel-efficient vehicles — including hybrids and all-electric cars that some automakers are now promising to bring to market — some states are rethinking the traditional gas tax. North Carolina and Ohio, among others, are starting to consider the concept of a tax on “vehicle miles traveled.” That system has been tried on a small pilot scale in the Portland, Ore., area, but has never been tried on a large scale.

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