

State Gas Tax Increases: The Model for H.R. 1664, the Investing in America: A Penny for Progress Act

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H.R. 1664, the “Investing in America: A Penny for Progress Act”, is modeled on actions States across the country have taken to make the necessary investments in our Nation’s surface transportation system. Since 2013, **17 States have enacted legislation that will increase their State gas taxes.**

This trend continues into 2017, with more than a dozen additional States considering gas tax modifications, including conservative States. Alaska hasn’t raised its gas tax since 1970 and has the lowest rate in the country. Earlier this year, Gov. Bill Walker proposed to triple the gas tax over the next two years. Tennessee hasn’t raised its gas tax since 1989, and Gov. Bill Haslam supports a gas tax increase of seven cents and indexing it to inflation. Mississippi hasn’t raised its gas tax since 1988, and Gov. Phil Bryant publicly supports an increase. Alabama hasn’t raised its gas tax since 1992, and Gov. Robert Bentley publicly supports an increase.

17 States Have Increased State Gas Taxes Since 2013		
State	Gas Tax Increase (or equivalent)	Indexation
Georgia	18.5 cents	CPI and Fuel Efficiency
Idaho	7 cents	
Iowa	10 cents	
Maryland	10 cents	CPI and Fuel Prices
Massachusetts	3 cents	
Michigan	7.3 cents	CPI
Nebraska	6 cents	
New Jersey	23 cents	Fuel Prices
New Hampshire	4.2 cents	
Pennsylvania	27 cents	CPI and Fuel Prices
Rhode Island	1 cent	CPI
South Dakota	6 cents	
Vermont	5.9 cents	Fuel Prices
Virginia	5 cents	Fuel Prices
Washington	11.9 cents	
Wyoming	10 cents	
Utah	4.9 cents	CPI

Traditionally, State and Federal gas taxes have been imposed as a flat tax rate, but this fails to account for changes in the cost of infrastructure investment, improved fuel efficiency, and fluctuations in total miles driven. To counter these effects, many States are now shifting to variable rate gas taxes. Today, a majority (57 percent) of the U.S. population now lives in States where the gas tax rate automatically varies over time. Variable rate taxes can be linked to inflation, fuel prices, or fuel efficiency improvements. Nonetheless, the Federal gas tax (18.4 cents) has not been increased in 24 years and has lost forty percent of its purchasing power.

H.R. 1664 indexes the gas and diesel tax to the National Highway Construction Cost Index and Corporate Average Fuel Economy (CAFE) standards. Indexation will stop the long steady decline in the value of the Federal gas tax. This bill provides approximately \$500 billion in infrastructure investment to improve the conditions of our Nation’s highways, bridges, and public transit systems, address the Federal underinvestment that has caused the current state-of-good-repair backlog, and meet future highway and transit needs through fiscal year (FY) 2030. To finance the additional investment, H.R. 1664 authorizes the U.S. Department of the Treasury to issue 30-year Invest in America Bonds annually, through 2030. Each bond will be repaid at the end of its 30-year term, using revenues from indexing the gasoline and diesel user fee beginning in 2017.