

At least nine states to debate gas tax increases in 2016



David M. Kall | Friday, February 26, 2016

A new [study](#) by the American Automobile Association (AAA) reveals that vehicle repair bills related to pothole damage have costs U.S. drivers approximately \$15 billion in vehicle repairs over the last five years, or an average of \$3 billion annually. In addition, at least once in the last five years, 16 million motorists, or 15 percent of U.S. drivers, report having sustained vehicle damage from potholes that required repairs. The average repair bill was \$306.

Broken down by region, 20 percent of drivers in the Northeast, 16 percent of drivers in the South, 15 percent of those in the West, and 10 percent of drivers in the Midwest have needed at least one repair due to potholes in the last five years.

Separately, the [American Journal of Transportation](#) had “good news and bad news about the condition of America’s bridges.” As detailed in the U.S. Department of Transportation’s recently-released 2015 National Bridge Inventory database, although there were 2,574 fewer structurally deficient bridges in 2015 than in 2014, “there are still 58,500 on the structurally deficient list—and at the current pace of bridge investment—it would take at least 21 years before they were all replaced or upgraded.”

The American Road & Transportation Builders Association’s [2016 annual bridge report](#) (Bridge Report) identifies the following top 10 states as having the largest number of structurally deficient bridges in the US:

- Iowa, with 5,025 structurally deficient bridges, or 20.7 percent of all bridges

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- Pennsylvania, with 4,783, or 21 percent
- Oklahoma, with 3,776, or 16.4 percent
- Missouri, with 3,222, or 13.2 percent
- Nebraska, with 2,474, or 16.1 percent
- Kansas, with 2,303, or 9.2 percent
- Illinois, with 2,244, or 8.4 percent
- Mississippi, with 2,184, or 12.8 percent
- North Carolina, with 2,085, or 11.5 percent
- California, with 2,009, or 7.9 percent

For these reasons, it is not surprising that the trend of states seriously considering gas tax increases to fix their crumbling road and address other infrastructure needs continues. In fact, at least nine states will do so in 2016. In a few others, gas tax debates appear likely in 2017, according to [Part 6](#) of The Institute on Taxation and Economic Policy's (ITEP) series on [2016 state tax trends](#).

ITEP released a different [report](#) around the same time, *How Long Has it Been Since Your State Raised Its Gas Tax?* There, ITEP explained that many states' transportation budgets are in disarray because of the combination of rising costs of asphalt, machinery, and other construction materials, with a gasoline tax rate that lawmakers have been reluctant to increase. A majority of Americans now live in states that utilize a variable rate gas tax scheme, under which the tax rate tends to rise over time alongside either inflation or gas prices. However, 31 states still rely on a fixed-rate gas tax structure, and what is more, many of those states have gone years, or even decades, without adjusting their gas tax rates.

South Carolina is one of the states that Part 6 addressed. It ranks No. 24 on the Bridge Report, with 1,004 structurally deficient bridges. There, lawmakers, who have not increased the gas tax for 27 years, are looking at a package of adjustments that would increase the gas tax by 12 cents per gallon, and would also bump up vehicle registration fees. [Landlinemag.com](#) reported that these changes to the current 16 cents per gallon gas tax would raise \$650 million. Governor Nikki Haley promised to veto the legislation unless lawmakers also exact tax breaks, like reducing the income tax rate by \$400 million. Part 6 mentioned that one such break might be to the Earned Income Tax Credit, to help offset the disproportionate impact that gas taxes have on low-income families.

California, with its 2,009 structurally deficient bridges, is another state actively considering a gas tax increase of 6 cents for gas and 11 cents for diesel. Part 6 pointed out that Gov. Jerry Brown's most recent budget proposal included these measures, which are all the more necessary as gas prices have plummeted, because the Golden State's gas tax rate is tied to the price of fuel. This has resulted in a dramatic decrease in transportation revenues.

New Jersey's Gov. Chris Christie has promised not to raise the gas tax, but Part 6 suggested that he would be amenable to doing just that, if paired with cuts elsewhere. However, it lamented the fact that the options on the table, like estate tax cuts and an expanded income tax break for taxpayers with significant pension income, "are not at all well-suited to offset the regressive impact of a gasoline tax increase." At No. 29 on the Bridge Report, New Jersey has 596 structurally deficient bridges.

Of the other states that Part 6 referred to – Alabama, Alaska, Hawaii, Indiana, Mississippi and Missouri – only two are in the Bridge Report's top 10. Missouri is ranked No. 4 and Mississippi No. 8, with 3,222 and

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2,184 structurally deficient bridges, respectively.

The states that have deferred this difficult discussion until 2017 are Arkansas, Colorado, Louisiana, Minnesota, Oregon, and Tennessee. None of these states is on the Bridge Report's top 10 list.

Part 6 anticipates that at least a few states will take the necessary actions on gas taxes this year, but worries that some changes could “actually reduce the fairness and long-run sustainability of those states’ tax codes.”



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