More states considering pay-per-mile charges instead of a gas tax

David M. Kall | Monday, July 11, 2016

About a year ago, we **addressed** the Oregon Department of Transportation's new road usage charge test program, **OReGO**, that lets motorists forego paying taxes on their gasoline purchases in favor of paying for their miles driven instead. Still voluntary, OReGO participants pay 1.5 cents per mile for the miles they drive, and receive a credit for the 0.30 cents per gallon state fuel tax. Now, because California's gas tax is not able to generate enough money to fix all the 50,000 miles of roads, it is launching its own **Road Charge Pilot Program** as an option for replacing the gas tax.

In addition, several east coast states along the Interstate 95 corridor want to do something similar: Delaware, Pennsylvania, Connecticut, and New Hampshire. The ***Washington Post*** reported that the **I-95 Corridor Coalition** has applied for federal grant money to test a pay-for-miles-driven program along the 1,917 miles that make up the eastern seaboard, from Maine to Miami. The Corridor, consisting of 1,040 urban miles, contains 21 percent of the nation's roads, accommodates 35 percent of the national's vehicle miles traveled, and supports an average of more than 72,000 vehicles daily, peaking at 300,000 daily vehicles.

Members of the Coalition include the following:

- State and Local Departments of Transportation
- Transportation Authorities
- Transit and Rail Agencies
- Port Authorities
- Motor Vehicle Agencies
- State Police and Public Safety
- U.S. Department of Transportation
- Canadian Province Department of Transportation
- Intercity Passenger and Freight Transportation Providers
- Transportation Industry Associations

In light of the growing interest in pay-per-miles driven initiatives, the **Institute on Taxation and Economic Policy** (ITEP) wondered whether it is better than a gas tax, and concluded that it is. Notwithstanding unresolved concerns about privacy and technology, ITEP reasoned that "frequent drivers generate more wear-and-tear on the roads and should therefore generally pay more for roadway upkeep and expansion." As for low-income families that are unable to afford the charge, they could receive relief via an offsetting rebate or tax credit. Additionally, the "user pays" model that currently applies to gas, diesel, and other motor fuel taxes works well now, with more frequent road users paying more.

Beyond this, ITEP pointed out that in the long term, as electric vehicles replace those that are gas powered, the gas tax will produce even less of the necessary transportation financing, so an alternative will become essential.

No matter what solutions lawmakers eventually implement, ITEP encourages them to index the rate to inflation; fuel prices are volatile, and therefore an unreliable source of transportation funding, especially in the short term. Florida, Georgia, Maryland, Rhode Island, and Utah have already taken this step.

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