

MEMORANDUM

Background

The federal gas tax has been set at 18.4 cents per gallon since 1993. Federal gas and diesel taxes are the primary revenue source for the Highway Trust Fund, which is the primary source of funding for federal highway and transit projects.

The gas tax has not been raised since 1993, despite debates over the last few years about the long-term solvency of the Highway Trust Fund and increasing infrastructure needs. In fiscal year (FY) 2020, federal gas and diesel taxes made up 84% of the Highway Trust Fund's expected revenue.

In addition to the federal gas tax, states [impose](#) their own *additional* gas tax.

Proposed Federal Gas Tax Holiday

As gas prices have continued to increase, and have started rising even more as a result of the geopolitical situation in Eastern Europe and Russia, some have floated the idea of a temporary gas tax holiday to deliver relief to American consumers at the gas pump.

Democratic Members of Congress are keenly aware of the importance of gas prices to voters in the upcoming midterm elections. In a February poll, 73% of Americans were not satisfied with the US government's energy policies. In an effort to address concerns regarding high gas prices, several moderate Democratic lawmakers introduced [S.3609, Gas Prices Relief Act of 2022](#), which would temporarily suspend the gas tax through the duration of 2022.

Republicans have [suggested](#) the notion is political gimmick rather than a substantive policy fix. Many noted that the temporary reduction in the gas price would not address the underlying drivers in fuel cost. Republicans have suggested the Biden Administration should instead support policies that are more supportive of domestic oil production.

Democrats themselves are divided on the issue. [Legislation](#) has been introduced that would suspend the federal gas tax through January 1, 2023, but other Democrats, including House Speaker Nancy Pelosi (D-CA) have [expressed](#) skepticism ("That sounds good, but do you know, there is no guarantee the oil companies pass that reduction onto the consumer."). House Transportation and Infrastructure Committee Chair Peter DeFazio (D-OR) has [expressed](#) similar concerns, noting that it would be very difficult to craft a bill that would force oil companies to pass along the savings to consumers and not "add the forgone federal tax to their coffers in whole or part."

Stakeholders are also not convinced; the U.S. Chamber of Commerce also views it as a nonstarter, and the American Society of Civil Engineers (ASCE), which releases the

“infrastructure report card,” sent a [letter](#) to Congress regarding the legislation, urging them not to pass the bill or risk a “loss of over \$20 billion from the HTF, dealing a serious blow to the new bipartisan infrastructure bill.”

Past Gas Tax Debates

During the negotiations for the bipartisan infrastructure bill, the bipartisan negotiating group proposed indexing the gas tax to inflation as a potential way to pay for the bill. Ultimately, this [proposal was stricken](#) from the final legislation, with the Administration opposing the increase after promising not to raise taxes for anyone making \$400,000 or less.

That said, Republicans have not historically wanted to be “out front” in supporting an increase in the gas tax, and past surface transportation reauthorization debates have typically resulted in both sides wanting to avoid the topic. Past highway reauthorizations have instead been funded through other means, including “pension smoothing” and other methods, that are not “sustainable” sources of funding to increase the long-term solvency of the Highway Trust Fund.

In the last few years, there has been some support for indexing the gas tax to inflation among Republicans, but nothing indicates this support is widespread. During the last surface transportation reauthorization fight in 2015, there were [some](#) Republican members who proposed bills to raise the gas tax to address funding shortfalls for transportation projects, but these efforts didn’t gain much traction and support within the caucus was limited. Supporters included: Representatives Tom Rice (R-SC), Jim Renacci (R-OH) [now retired] and Senator Bob Corker (R-TN) [now retired]. The idea has not been endorsed by Senate Minority Leader Mitch McConnell (R-KY).

Notably, during the 2015 reauthorization fight, Senator Dick Durbin (D-IL) [said](#) that it should be done, but “in a thoughtful way.”

Groups like the U.S. Chamber of Commerce, however, have [urged](#) Congress to increase the gas tax in order to better fund necessary infrastructure projects.

Current GOP Positioning

While Republican state representatives have called for a suspension of the California state gas tax (which is over 50 cents per gallon), Republicans at the federal level are resistant to suspending the federal gas tax at the federal level, as noted above. Most suggest that the suspension is a political maneuver designed to address a problem that Democrats themselves helped great by impeding domestic energy production.

When you look at the polls, most Americans support a gas tax suspension through the end of 2022. In a [Morning Consult poll](#), 68% of all voters either strongly or somewhat support a gas tax suspension. While Democrats were more likely to support the move, the majority of Republicans also supported the policy (74% to 65%).

Ultimately, Republicans are highly unlikely to support any suspension of the gas tax due to the fact that it reduces Highway Trust Fund revenue without increasing domestic oil and gas production. From a political standpoint, it would also provide cover to Democrats heading into the midterm election. Given the fact that any such plan would have to be bipartisan to pass the Senate. We surmise there is a very low likelihood that Congress will enact a gas tax holiday.

APPENDIX

Press Clips

[S.3609 Gas Prices Relief Act of 2022](#)

Introduced by Senator Mark Kelly (D-AZ) and the following co-sponsors: Senators Margaret Wood Hassan (D-NH), Debbie Stabenow (D-MI), Catherine Masto Cortez (D-NV), Raphael Warnock (D-GA), Jacky Rosen (D-NV), and Richard Blumenthal (D-CT)(not an original cosponsor) | February 9, 2022

This bill provides for a temporary exemption through 2022 from the excise tax on gasoline (other than aviation gasoline) and from the Leaking Underground Storage Tank Trust Fund financing rate. The Department of the Treasury must transfer from the general fund to the Highway Trust Fund and the Leaking Underground Storage Tank Trust Fund amounts resulting from the exemption provided by this bill. The bill also expresses congressional policy that consumers immediately receive the benefit of this exemption.

[The big problem with Democrats' gas tax holiday dreams](#)

Politico | February 17, 2022

The federal gas tax holiday that some Democrats are floating wouldn't save Americans much money at the pump — but it could do serious damage to President Joe Biden's infrastructure promises. The gas tax generates big money for the federal trust fund that pays for highway, tunnel, and bridge projects across the country, and eliminating it for even part of the year would blow an enormous hole in those budgets. The new infrastructure investments that Congress approved last year rely on \$43 billion in gas tax revenues for this year alone. Based on Congressional Budget Office estimates, the feds could forfeit more than \$20 billion in tax receipts, assuming a holiday of about 10 months. **Ed Mortimer, vice president of transportation infrastructure at the U.S. Chamber of Commerce** called it a "temporary student and said it would undermine the new infrastructure law but offer "no promise of actually helping lower prices for consumers or improving the economy." **Senate Minority Leader Mitch McConnell (R-KY)** said, on the Senate floor, after enacting "anti-energy policies" and "triggering an historic run of inflation," now Democrats are "suddenly talking about gas prices. And there's a bold, creative plan: temporarily suspending the gas tax to the tune of 18 cents. And just to make the political games transparent, they want this to expire right after the midterms. as soon as the next Congress is sworn in." **Senator Hassan (D-NH)** said "people are feeling a real pinch on everyday goods, and we must do more to help address rising costs,

particularly the price of gas." But, the Democrats are divided with **House Transportation Chair Peter DeFazio (D-OR)** blasted the idea, saying the tax holiday would do little but "blow a \$26 billion hole in the Highway Trust Fund", and the pause would also fail to address the root of motorists' misery: oil companies "raking in record profits" and OPEC "manipulat[ing] supply to drive up prices." The bill includes a provision that would require the Treasury Department to ensure that the tax savings are passed on to consumers. But DeFazio dismissed that as toothless, saying "it is likely the oil companies will add the forgone federal tax to their coffers in whole or part." There are studies that support Rep. DeFazio's (D-OR) concerns. While some more funding for the Highway Trust Fund comes from a series of transfers from the Treasury into the trust fund, including one totaling \$118 billion in the Infrastructure Investment and Jobs Act, the law also counts on the trust fund receiving \$217 billion over the next five years, of which about 60 percent would generally come from gas taxes.

[Vulnerable Senate Dems try to run as tax-cutters](#)

Politico | February 16, 2022

Senator Hassan (D-NH) has said "I'm just hearing that people are being really stretched by the cost of everything. And anything we can do to help lower costs is something I think we should do" and "it's really important to listen to constituents and help them lower costs, and I think the cost issues are real." when talking about the reasoning for the tax break. **Sen. Mark Warner (D-VA.)**, who helped write that infrastructure law, said he's "always reluctant" to take away a dedicated funding source for roads and bridges. **Sen. Sheldon Whitehouse (D-RI)** said "while the oil and gas industry are extracting massive windfall profits, to support that without having them have significant responsibility would be a real mistake." **Senate Majority Leader Chuck Schumer** said Tuesday the caucus has not reached a unified position on the cost-cutting regimen. **Sen. Jon Tester (D-MT)** said suspending the gas tax "could help working families move forward." **Senate Finance Chair Ron Wyden (D-OR)** said the gas tax is too regressive and that suspending state taxes on some goods could be "very attractive" for the Senate to take up. **Sen. Michael Bennet (D-CO)** said he's still evaluating the proposals. **Senate Minority Whip John Thune (R-SD)** said "It's blatantly transparent. And obviously very politically motivated. This isn't something they'd be rolling out unless they were looking at polling that suggests they are taking on a lot of water as result of a huge spike in gas prices," and "maybe" it's good politics for Democrats but predicted voters would "see through" Democrats' tactics. **National Republican Senatorial Committee Chair Rick Scott (R-FL)** said of Democrats: "These are the same people last year that were trying to raise taxes and now because they're in tight races they want to cut them."

[Suspending the Gas Tax Is a Mistake](#)

Tax Foundation | February 22, 2022

Rising inflation has become a dominant issue for policymakers in the past year, with the most recent report finding inflation has risen 7.5 percent over the past 12 months. Some lawmakers have proposed suspending the gas tax to reduce inflation. Rising gas prices are certainly one piece of the inflation puzzle—but suspending the gas tax is a uniquely ill-suited policy for addressing rising prices. The federal gas tax has been set at 18.4 cents per gallon of gasoline since 1993, and it remains the primary funding source for highway construction. The

Committee for a Responsible Federal Budget recently estimated it would cost roughly \$20 billion to suspend the federal gas tax from March to December 2022. That's almost half of the \$43 billion in total revenue the Congressional Budget Office expects the Highway Trust Fund to raise in the next year; the excise tax on diesel fuel would still be in effect as the proposal does not call for suspending it. Rising prices will mean highway maintenance becomes more costly, so cutting highway funding by nearly half at a time when costs are higher makes little sense. In the context of the whole economy, reducing or eliminating the gas tax would exacerbate inflation. Nor would suspending the gas tax address the structural reasons for rising gas prices.

[Joe Biden's petrol problem: president eyes gas tax cut as pump prices soar](#)

Financial Times | February 16, 2022

The White House said it could scrap federal gasoline taxes in a bid to bring immediate relief to drivers. The tax relief would effectively subsidize consumption of the fuel, say analysts — a startling step for an administration that talked of ending oil industry tax breaks and weaning Americans off the combustion engine in favor of electric alternatives. **Bob McNally, president of Rapidan Energy** said, “that we’re even talking about this shows that there’s weak political support for decarbonization policies,” and “If you’re willing to kill an 18.4 cent a gallon [tax] with minimal real impact on consumption . . . how in the world are you going to be willing to force consumers into electric vehicles or more fuel-efficient cars?” **Biden** also acknowledged that any conflict in Ukraine, or sanctions on Russia, could push energy prices higher. “I will not pretend this will be painless,” he said on Tuesday. But the administration was “prepared to deploy all the tools and authority at our disposal to provide relief at the gas pump”.

[White House, congressional Democrats eye pause of federal gas tax as prices remain high, election looms](#)

The Washington Post | February 15, 2022

The early deliberations come days after a group of vulnerable Senate Democrats introduced a bill that would suspend the gas tax of roughly 18 cents per gallon for the rest of the year, a measure party lawmakers discussed at a lunch Tuesday. Asked about the proposal, the **White House** signaled that “all options are on the table” as the administration tries to ease the growing financial burdens Americans are facing during a period of high inflation. For now, the White House has not offered any official, explicit endorsement of the policy. Behind the scenes, top aides have debated whether it would provide meaningful relief — or ultimately serve to benefit the producers of gas more than the consumers of it. Some senior officials also fear the policy might be difficult to end later, since no politician would want to be seen as raising prices, according to **two people familiar with the matter who spoke on the condition of anonymity to describe the internal discussions**. Along with the potential pause, Democrats aim to task the Treasury Department with ensuring that oil and gas giants pass the savings back to consumers. And party lawmakers have proposed shifting other federal money into the federal highway fund, which is normally financed through the per-gallon federal fees. “Every tool is on the table to reduce prices,” **White House spokeswoman Emilie Simons** said in a statement. “The President already announced a historic release of 50 million barrels from the strategic petroleum reserve, and all options are on the table looking ahead.” But **Lawrence H. Summers, a treasury secretary and top White House economist under previous**

Democratic administrations, called the idea of a gas tax holiday “shortsighted, ineffective, goofy and gimmicky.” A high-profile critic of the Biden administration on the issue of inflation, Summers said the policy’s potential impact is at best unclear, because it may boost demand in other parts of the economy. “It’s terrible policy at a moment we’ve labeled climate change as an existential threat,” Summers added.

[Gas Tax Holiday Would Cost \\$20 Billion](#)

The Committee for a Responsible Federal Budget | February 10, 2022

While the gas tax holiday may reduce prices at the pump, it will further increase demand for gasoline and other goods and services at a time when the economy has little capacity to absorb it. The result could be even higher rates of inflation in 2023. With the Highway Trust fund currently just five years from insolvency, lawmakers should not pursue policies that would widen the gap between dedicated revenue coming into the trust fund and spending coming out of it, while using one-time general revenue transfers to make up the difference. Instead, they should pursue trust fund solutions to close the structural imbalance between Highway Trust Fund spending and revenue.