

Doubling the gas tax: Taxpayers Association would cut income tax as offset

Tribune Editorial
Salt Lake Tribune

Article Last Updated:05/12/2007 01:22:44 PM MDT

Utah is billions of dollars short of what it needs to build new roads. One way to get that money would be to increase the state gasoline tax.

The influential Utah Taxpayers Association has proposed doubling the 25-cent Utah fuels tax. But it has coupled that proposal with an offsetting decrease in the income tax. Because of the way the plan is designed to be revenue neutral, it would neither raise more money for roads nor cut funds for public education. (The income tax is a primary source of money for the public schools.)

Instead, it would shift money around in the overall taxing scheme. The ultimate effect could be to move revenues away from general government services, including health care and virtually everything else the state does, and toward transportation. We're not convinced that's a good trade-off.

And it doesn't solve the biggest problem, which is how to raise new money for roads.

In brief, here's the Utah Taxpayers Association plan:

Increase the state fuels tax by 25 cents per gallon. (It currently is 24.5 cents.) This would raise \$350 million. That is slightly less than the amount of ongoing general fund dollars in the current transportation budget. (Most general-fund revenues come from the state sales tax.)

Next, shift \$350 million in general fund dollars from transportation to higher education. Then, shift \$350 million in income tax dollars from higher education to public education.

Finally, cut income taxes by \$350 million.

Under the state constitution, income tax revenues can be spent only for education, and sales tax revenues can be spent for any government purpose, but fuels tax can be spent only on transportation. So the net effect would be to dedicate more state revenues permanently to roads.

A fuels tax hike, offset by an income-tax cut, would not treat all taxpayers alike. Because low-income people don't pay income tax, but they do drive, it would end up being a net tax increase for them. The taxpayers association says that could be mitigated by making income-tax credits refundable, but it is unlikely that most low-income people would file just to get a refundable credit.

We agree with the taxpayers association that a fuels-tax increase would make people much more aware of the cost of highways and oblige those who use them most to pay most for them. It would encourage fuel conservation, cut demand for new roads and improve air quality.

So why not increase the gasoline tax without cutting other taxes?