

California Needs a Simpler Gas Tax, Not a Higher One

By George Runner

With prices at the pump heading back up, news of a cut to the state’s gas tax will surely cheer California drivers.

On February 24, the State Board of Equalization approved a 6 cent per gallon cut to the state’s gas tax. The change, which will take effect July 1, is based on a complicated formula enacted by the Legislature in 2010.

While California drivers will surely welcome news of a cut, there are some who would rather see gas taxes go up. They think you should be sending more dollars, not fewer, to Sacramento.

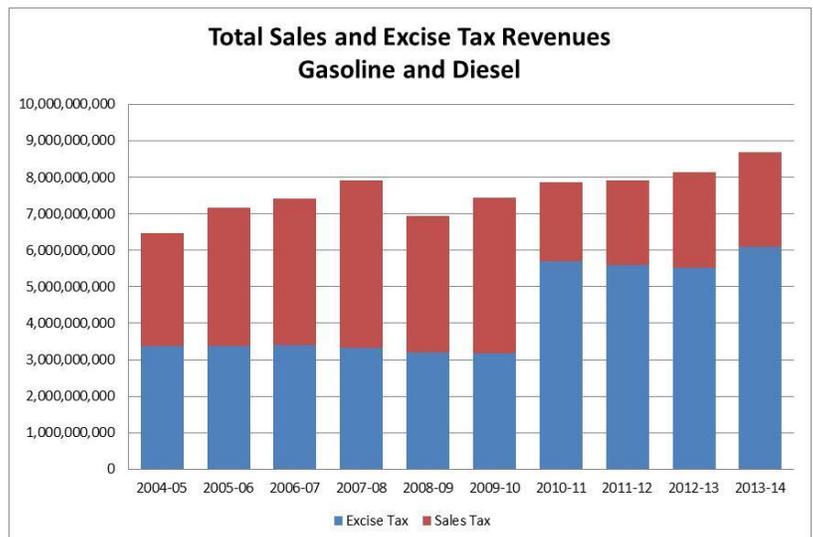
But let’s be honest, government already has more than enough of your dollars. Californians pay about 64 cents per gallon in taxes and fees – the second-highest rate in the nation. In reality, we have the nation’s highest gas tax once you include the new hidden gas tax imposed by regulators to help fund the state’s anti-global-warming efforts.

Californians must even pay taxes on their taxes. That’s double taxation – and it’s wrong.

California’s gas tax is so confusing and complicated that even news reporters don’t understand it. Recent media reports have painted an incomplete and misleading picture of state gas tax revenues. One story erroneously claimed that “state gas tax revenues that pay for roads have been falling for a decade.”

The truth is that while consumption has slipped somewhat, California’s revenues from gas and diesel sales have grown in nine of the past 10 fiscal years. California’s fuel tax revenues have grown nearly every year.

During the past 10 fiscal years, sales and excise tax revenues from fuel



sales grew by nearly 35 percent – from \$6.5 billion to a record \$8.7 billion.

Breaking these numbers down, gas-tax-related revenues grew from \$5.5 billion to a record \$7.4 billion, while diesel-tax-related revenues rose from \$1 billion to a record \$1.3 billion between fiscal year 2004-05 and 2013-14.

California doesn't need higher taxes; instead we need a simpler gas tax that is easy to understand and administer. And, most importantly, we need to ensure our gas tax dollars are invested wisely and cost-effectively, rather than wasted on bureaucracy and bullet trains.

The gas tax used to be straightforward. A sticker on the gas pump told consumers how much they were paying in federal and state taxes. The revenue collected paid for vital transportation needs, like improving roads and highways.

Unfortunately, revenue-hungry politicians started raiding the state's unprotected transportation fund in order to plug budget holes or fund their pet projects. Voters responded by passing Propositions 42 and 1A, in an effort to stop the Legislature from stealing transportation dollars.

In 2010, legislators got creative and had their budget wonks devise a bizarrely complex system that would allow them to grab a billion dollars from the highway fund.

Dubbed the "fuel tax swap," the new law raised the excise tax while lowering sales tax on gas purchases. To guard against revenue loss, the law required the state Board of Equalization to annually adjust the state's excise tax rate.

One thing is certain: California consumers have no idea who is determining the state's gas tax rates or why. They also don't know where their money is being spent or why California has the worst roads in the nation when we're paying the most in taxes.

Following Oregon's lead, the California Legislature has ordered Caltrans to create a "Road Usage Charge Pilot Program" to be implemented in 2017. The goal of the program is to study mileage-based alternatives to the gas tax.

At first blush, a mileage tax might seem simpler and fairer. But do we really want government officials to know where we've been and how many miles we drive each year? I don't know about you, but I don't want a government auditor in my car.

Taxes should be simple and clear. Unfortunately, in California "tax reform" is nearly always code for taking more of people's money to grow government.

So while Californians may deserve a simpler tax system, I'm not holding my breath we'll get one anytime soon.

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