

February 3, 2020

Dear Members of Congress,

Americans for Tax Reform urges lawmakers to reject any increase to the federal gas tax. Raising the gas tax will disproportionately harm lower- and middle-income Americans while encouraging further wasteful spending.

According to the Congressional Budget Office, raising the tax rate on gasoline would “impose a proportionally larger burden, as a share of income, on middle- and lower-income households,” while also imposing “a disproportionate burden on rural households.” Additionally, the CBO found that raising the gas tax would increase the cost of everyday consumer goods that “would increase the relative burden on low-income households, which spend a larger share of their income (compared with higher-income households) on food, clothing, and other transported goods.”

It should be clear to Congress that the public is already paying more than its fair share in gas taxes. American drivers are forced to pay an average tax of 48.06 cents per gallon when combining federal and state gas taxes, according to the U.S. Energy Information Administration. **The government has no business asking consumers to pay more in taxes.**

Raising the gas tax would also have a severe impact on the U.S. economy. For example, a gas tax hike of 25 cents in 2020 would cause an average employment shortfall of 62,150 jobs, peaking at a shortfall of 364,000 jobs in 2040, according to the Heritage Foundation. According to Strategas Research Partners, 60% of the federal income tax cut would be wiped out by a \$0.25 gas tax increase and rising prices.

The gas tax is not a user fee. Supporters of a gas tax hike often incorrectly claim that the gas tax is a user-fee. This wrongly ignores that every 2.86 cents of the 18.4 cent federal gas tax is diverted to mass transit and that over 28% of Highway Trust Fund revenue is siphoned off to pay for non-highway programs. Misuse of HTF revenue has even included diverting funds to pay for squirrel sanctuaries and to finance driving simulators. **Instead of increasing taxes on consumers, Congress should prioritize cutting such wasteful spending and ending revenue diversions.**

Lawmakers can find further savings through suspending the Davis-Bacon Act, which needlessly increases the cost of infrastructure projects. The Davis Bacon Act requires contractors working on government projects to be paid “prevailing wages.” However, the Department of Labor uses a highly flawed methodology which sets prevailing wages 22 percent above market rates. The CBO estimates that repealing Davis-Bacon would save \$12 billion in discretionary outlays by reducing construction cost.

Rather than raising taxes and digging further into the pockets of American drivers, Congress should instead prioritize spending reforms that ensure existing revenues are spent wisely.

Onwards,



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