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SEND A LETTER TO THE EDITOR

The Platte Institute strongly believes in the importance of citizens participating in the public dialogue on issues important to Nebraska. Writing a letter to the editor is an outstanding

PLATTE C H A T

Wallets on Empty - Is There a Fuel Tax Increase Down the Road?

In fiscal year 2006, the State of Nebraska collected \$172.04 from every man, woman and child in the state in the form of motor fuel taxes – the sixth highest per-capita amount in the United States. [1] And yet, Nebraska is looking for even more revenue to help fill its ever dwindling bucket of cash to maintain and improve our roads. Apparently digging their hands into citizens' pockets for more cash than 44 other states just isn't quite enough.

As of July 1, 2009, Nebraska's gas tax was the highest among all the states it shares a border with. Nebraska's rate of 27.3 cents per gallon was higher than Kansas (25.0), South Dakota (24.0), Colorado (22.0), Iowa (22.0), Missouri (17.3) and Wyoming (14.0).1[2] It's no wonder why westbound travelers on I-80 wait until they get to Cheyenne before filling up with gas or some drivers make the money saving trek to Iowa. Nebraska seemingly has an illogical conundrum of having one of the nation's most onerous fuel tax rates but with a surplus of unfinished and unfunded highway projects. Yet, maybe the issue isn't as complicated as it seems on

way to partake in the discussion and have your voice heard by thousands of people. To make the process easier, the Platte Institute has assembled a list of links which allow you to submit a letter to the editor to nearly all Nebraska newspapers. Simply CLICK HERE for a listing of the newspapers and follow the appropriate link to submit your letter.

the surface.

Basic economics tell us that the more we tax a product, the less people will buy it. It's the way government tries to reduce consumption of things such as tobacco. As an example, as of July 1, 2009, purchasing a pack of cigarettes in Nebraska comes with a tax of 64 cents per pack – or about 16.8 percent of the retail value of the pack.1[3]

How would you feel if Nebraska were to raise its fuel tax rate by five more cents for each gallon – pushing the total amount of taxes paid every time you purchase 12 gallons of gas to over six dollars? Would you consider this a "minor" tax increase?1[4] The average price of gas today in Omaha is \$2.80. In Lincoln it's \$2.82, North Platte it's \$2.81 and in Norfolk it's \$2.78.1[5] Of course, those prices include the 46 cents which Nebraskans pay in state and federal taxes for every gallon of gas. If you subtract the tax amount, the retail price for a gallon of gas in Nebraska today is roughly \$2.32 That means, the sales tax equivalent which Nebraskans pay for gas is 19.8 percent – a much higher amount than the normal sales tax or other socalled sin taxes.

Policy makers are ignoring new funding mechanisms or advanced long term financing concepts because it's the expedient thing to do.

We previously documented that Nebraskans pay some of the highest motor vehicle taxes in the nation. 1[6] This tax on our vehicles is redirected to a seemingly bottomless pit; 60 percent of this tax goes to fund schools as opposed to maintaining and improving Nebraska roads. We've also documented that Nebraska's schools receive much greater funding than schools in neighboring states, 1[7] so perhaps tweaking the allocation of license renewal fees would better balance out these two vehicles of

our tax dollars.

A month ago, we also laid out what the role of public-private partnerships should be in modernizing and expanding Nebraska's transportation system. 1[8] This study provided a roadmap for state leaders to use in finding ways to fund overdue projects – such as the Lincoln South Beltway Project (\$175 million) and Highway 34/75 Missouri River Crossing (\$145 million) by utilizing the private sector as opposed to digging deeper into the pockets of Nebraskans in the form of higher fuel taxes.

If Nebraska continues to raise its gas tax rates or continues to rely on it too much longer, the fuel tax reserve fund will increasingly register "empty." This funding option will continue to dry up as improved technology leads to more fuel-efficient cars - even vehicles which don't rely on fuel at all Simply giving Nebraskans the choice between deteriorating roads and higher taxes is a no win situation for the state.

State leaders cannot continue to come to citizens asking for more money in the form of higher fuel taxes. Especially if they have not first been willing to be innovative in tapping into other revenue sources they already have available or until they explore the vast opportunity public-private partnerships present for transportation needs in our state.

1[1] http://www.taxfoundation.org/taxdata/show/241.html

factsheets/pdf/0099.pdf

^{1[2]} http://www.taxfoundation.org/taxdata/show/245.html

^{1[3]} http://tobaccofreekids.org/research/

^{1[4]} http://www.omaha.com/article/

20100103/NEWS01/701039893

1[5] http://www.fuelgaugereport.com/NEmetro.asp

1[6] http://www.platteinstitute.org/docLib/

200806201 time for an overhaul - 6-23-08.pdf

1[7] http://www.platteinstitute.org/publications/

a-better-way-to-educate-in-nebraska

1[8] http://www.platteinstitute.org/docLib/

 $20091208_NE_Transportation_Study_-_FINAL.pdf$

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