

Is It Time For A Mileage Tax?

By Administrator
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Two decades ago I wrote an op-ed piece discussing the idea of a mileage tax as a replacement for the gas tax. This was in the days before everyone used email, and texting hadn't even been invented. Many people still communicated by writing letters.

I received several letters expressing both pro and con reactions to a mileage tax. But one letter was particularly interesting. The writer said that anyone attempting to track his mileage in order to levy a tax would first have to get past his shotgun! My conclusion was the writer didn't like the idea of a mileage tax.

What is a mileage tax and why am I writing about it now? A mileage tax is simply a way of collecting funds from drivers to pay for roads. It's based on the principle that a driver's use of a road is directly related to how many miles are driven. A mileage tax is an example of a user fee. People who use roads more pay more than people who use roads less.

The gas tax is also a user fee. The more we drive, the more gas we use, so if we pay a set number of cents per gallon of gas when we fill up, there will be a direct link between our use of the roads and revenue collected from the gas tax.

Or, at least there used to be. The gas tax is being impacted by two changes, both tied to our society's desire to reduce the carbon footprint of vehicles.

First, fuel efficiency – miles per gallon of gas – is increasing. This is good because it means we can travel farther on a tank of gas, and therefore gas-powered vehicles are not

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emitting as much pollution into the atmosphere.

Second, alternative fuels are now appearing. Hybrid vehicles and electric powered vehicles are becoming more and more common. And in the future, some experts think there might be natural gas powered vehicles. Just like improved fuel efficiency, these alternative fuels are better for the environment than gasoline, and in some cases they are cheaper.

So what's the problem – aren't getting more miles per gallon of gas and having hybrid and electric powered vehicles good things? Yes - good for you and me and good for the environment - but not good for gas tax revenues.

Here's why. As fuel efficiency rises, drivers are getting more miles per gallon of gas. This means the same wear and tear on the roads is occurring, but with less money collected from the gas tax. With an all-electric or mostly-electric vehicle, either no gas taxes are collected or the gas taxes collected are significantly lower. So both of these changes are breaking the traditional link between road usage and the gas tax.

There are studies already showing states losing hundreds of millions of dollars due to the improvements in fuel efficiency and the use of alternative fuels. Some states have begun imposing flat fees on electric vehicles, but they've not compensated for the loss of gas tax money. Some experts think gas tax revenues could run out sometime this century.

This is where a mileage tax comes in. A mileage tax is not impacted by gains in fuel efficiency or use of different kinds of fuel. If you drive a mile, you pay a set fee for that mile. Some think a mileage tax could not only be used for vehicles, but also for buses and mass transit.

How much would a mileage tax be? Current estimates say a mileage tax of between 2 and 3 cents per mile would be adequate to fund today's roads. But since the wear and tear created by a vehicle is related to the weight of that vehicle, there are recommendations to make the mileage tax higher for heavier vehicles and lower for lighter vehicles.

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Now let me go back to my beginning comment about the letter writer who wasn't happy with the mileage tax when I discussed it twenty years ago. People are rightly concerned about the privacy of their driving, and are worried that a mileage tax could allow government to track their trips.

These are legitimate concerns, and are similar to those expressed about use of the internet and social media. To accept a mileage tax, people will have to be convinced their driving information won't be shared with either public or private entities.

Still, the world is changing, and digital data are being used for more and more of our daily transactions, from making reservations, to depositing or withdrawing money, to taking out loans. I expect the tech sector will continue to add safeguards and security that will enhance the privacy and confidentiality of all these transactions. But will the changes be enough?

Surveys do show that attitudes about the mileage tax are changing, with younger people being more comfortable and accepting of the idea.

There may be a time in the future when vehicles come automatically equipped with technology for recording and transmitting mileage to governments that fund roads. And there could be linkages to mobile payment devices that enables a pay-as-you-drive process.

The big questions are – how soon will we get there, and do we want to? You decide!