

## HB 2180: to require truth-in-labeling that informs consumers of the true cost of gas and taxes

By Mariya Frost, Director, Coles Center for Transportation

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### Introduction

Consumers have a right to know, understand, and verify the taxes that they are paying at the pump. In Washington state, the real price of gas, before state and federal gas taxes are applied, is hidden from consumers. As a result, the advertised dollar price is much higher than the true price of the product.

Gasoline is one of the few retail products that are treated this way. This method of pricing, which hides the taxes consumers must pay at the pump, makes it difficult for people to know how many of their dollars go to the state and to the federal government to pay for transportation infrastructure. Consequently, the invisibility of gas taxes makes it difficult for the public to assess the performance of lawmakers and public transportation agencies, and to hold them accountable for how transportation tax dollars are spent.

### Bill Summary

To solve this problem, Representative Cary Condotta has proposed House Bill 2180 to provide fuel tax transparency. His proposal would require the Washington State Department of Agriculture (WSDA) to “produce a sticker for display on each motor fuel pump...that provides the federal and state motor fuel tax rates.”<sup>1</sup> The stickers would be displayed “on each side of the fuel pump where the price of fuel is displayed” in a “clear, conspicuous and prominent manner.”<sup>2</sup>

Why would Representative Condotta give this job to the Department of Agriculture? In Washington, the WSDA conducts periodic inspections of fuel pumps, except for those located in Seattle, which has its own fuel weights and measures program. Once they have completed an inspection, WSDA employees apply a sticker that indicates the pump has been approved and has met requirements for accuracy, labeling, safety and technical requirements. House Bill 2180 would require the WSDA to produce fuel tax stickers and distribute them to any government employee who conducts fuel pump inspections. The WSDA would update fuel tax stickers on an annual basis or whenever fuel tax rates are changed.

This system works well in other states.<sup>3</sup> Utah officials, for example, post federal and state gas taxes on a sticker at the pump, as pictured below:

- 1 House Bill 2180, Washington State Legislature, March 24, 2017, at <http://lawfilesextra.leg.wa.gov/biennium/2017-18/Pdf/Bills/House%20Bills/2180.pdf>
- 2 “Condotta introduces fuel tax transparency legislation,” by Kurt Hammond, Washington State Legislature, March 23, 2017, at <http://carycondotta.housepublicans.wa.gov/2017/03/23/condotta-introduces-fuel-tax-transparency-legislation/>
- 3 Utah Code: Title 59, Chapter 13, Part 2, Section 201, Utah State Legislature, July 1, 2015, at <https://le.utah.gov/xcode/Title59/Chapter13/59-13-S201.html>



GasolineTax*		
per gallon		
	2015	2016
State Tax	24.5¢	29.4¢
Federal Tax	18.4¢	18.4¢
<b>Total Tax</b>	<b>42.9¢</b>	<b>47.8¢</b>

\* 59-13-201 Utah Tax Code

## Policy Analysis

According to AAA, the average cost of regular unleaded gas in Washington, with taxes, is \$2.84 per gallon (as of March 31, 2017). The real price of gas, however, is only \$2.16 per gallon.

Washington state officials currently impose a gas tax of 49.4 cents per gallon. Congress imposes an additional tax of 18.4 cents per gallon. In total, Washington state residents pay 67.8 cents in tax for every gallon of gas purchased – a 31 percent increase in the current price. Current labeling reflects the total amount paid (\$2.84) after taxes.

As a result, the real price of gas, and the cost of taxes paid, are invisible to the traveling public. This is a contrast to most other costs of car ownership, from purchasing a vehicle to renewing car tabs, which are made very clear to the consumer. In fact, the cost of most retail products reflects taxes separately from the real price of the product. For example, consumers can fill their gas tanks based on the advertised price, and then buy a quart of oil and an air freshener at the same station. The advertised prices of the oil and the air freshener show the true retail price, with the tax added later. However, for the major purchase – gasoline – government officials have hidden the tax in the advertised price of the product.

Visibility of gas taxes is especially important when it comes to transportation spending. Washington now has the second highest gas tax in the nation after Pennsylvania, yet some lawmakers want

to impose additional taxes. They say the increased gas tax, coupled with increased vehicle miles traveled, is still inefficient.

The public should not have to take public officials at their word. Instead, they should be able to review, verify, and engage with public officials regarding their claims.

To encourage open and transparent dialogue about how transportation is funded in our state and whether or not the gas tax is efficient, lawmakers must provide more – not less – information to the public on existing revenue streams.

## Conclusion

Enacting a truth-in-labeling law for gas stations would inform consumers of exactly how much they are paying for gas and how much they are paying in taxes for transportation infrastructure. To that degree, House Bill 2180 represents good public policy.

This greater level of transparency would increase public trust and empower taxpayers in understanding the complete costs of transportation infrastructure, whether it is paid for with current gas tax dollars or with other proposed sources of revenue.

*Mariya Frost is Washington Policy Center's director of the Coles Center for Transportation.*

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