

POLICY NOTE

The Road Usage Charge – to impose a tax on every mile you drive

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Key Findings:

1. Washington drivers pay a total gas tax of 67.8 cents a gallon, the second highest in the nation.
2. Gas tax revenue is at record highs, and is expected to rise 11.3 percent to \$3.65 billion in the next biennium. Over 10 years, officials say fuel tax revenues will amount to \$18.3 billion.
3. Although people are paying more than ever, state transportation officials want to impose a mileage tax on drivers to raise more money for general transportation programs that are not related to highways.
4. Under a Road Usage Charge, drivers would pay both a gas and mileage tax, with a rebate for the state gas tax afterward.
5. Enforcement of a mileage tax raises concerns about fairness and privacy, as government officials could track when, where, and how much people drive.
6. Administration of a mileage tax is costly, and would likely require officials to collect a higher tax rate to make up for the money they spend on administration.
7. Public officials should increase public trust by reducing the artificial costs they have added to transportation projects and stopping the practice of diverting money from drivers to non-highway purposes.
8. Adopting regulatory reforms, rather than imposing a new tax, would free up public money for highway purposes and traffic congestion relief, where the traveling public demands it the most.

Introduction

Drivers pay most of the taxes and fees that fund the state's transportation programs. Nationally and in Washington state, the highway system was constructed largely on the premise that users of roads should pay to build and maintain them.

Policymakers have used this user-fee principle to build thousands of miles of all-weather roadway, which allows Washingtonians to drive more than 60 billion miles per year, producing industrial growth, mobility, economic freedom, and a higher quality of life for everyone.

State officials have increased the gas tax over time. Today, Washington's gas tax rate of 49.4 cents, coupled with the federal gas tax rate of 18.4 cents, is 67.8 cents per gallon, the second highest in the nation.

In fact, fuel tax revenue is expected to rise 11.3 percent to \$3.65 billion in 2017-19, up from \$3.28 billion for the current biennium. Over 10 years (2016 to 2025), officials project fuel tax revenues will amount to \$18.3 billion.

Although people are paying more than ever, transportation officials say the gas tax is a declining source of revenue and is not enough to cover the rising costs of transportation construction and maintenance. State officials want to impose a mileage tax on drivers to raise money for transportation.

The Road Usage Charge

Members of the Washington State Transportation Commission (WSTC) recently sought and received a \$3.8 million federal grant to explore the idea of imposing a mileage tax on Washington state residents. The Road Usage Charge (RUC) Pilot Project is expected to start in early 2018.

The purpose of the pilot is to explore the feasibility of getting the public to accept paying a per-mile tax rather than a per-gallon gas tax. The initial rate officials propose is 2.5 cents per mile, based on the average driver getting 20 miles per gallon.

Four ways to collect a mileage tax

The Transportation Commission plans to try four ways to collect a mileage tax; a mileage permit, an odometer charge, an automated distance charge (GPS), or a smart phone application. The first two methods raise questions of fairness and evasion, while the second two raise concerns about privacy, as government officials could track when, where, and how much people drive.



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Five problems with a mileage tax

The concept of imposing a mileage tax in Washington state poses several practical problems.

- 1. Violating the 18th Amendment.** The state's 18th Amendment says gas taxes must be used for highway purposes only. Some public officials want to use the mileage tax to pay for general transportation programs that are not related to highways. Under a new mileage tax system, there is no assurance that the money collected from drivers would be protected by the 18th Amendment.
- 2. Threat to privacy.** Government officials want to use personal data to track vehicles, monitor travel patterns, and influence people's behavior. Despite government promises that this would never happen, drivers have very little assurance that personal information collected would not be stored, used, or transmitted to a third party.
- 3. High administrative cost.** The current gas tax is simple and costs less than one percent to collect, while a mileage tax would cost five to 13 percent to collect. To raise the same amount of revenue as the gas tax for roads, officials would have to collect a higher mileage tax to make up for the money they spend on administration.
- 4. Transition period.** Officials say that "during the transition period of moving from the gas tax to a road usage charge, drivers would pay one or the other, but never both." This claim is misleading. Drivers would pay both a gas and mileage tax, with a rebate for the state gas tax afterward. Officials say they want to keep the gas tax in place to impose on out of state drivers and maximize the tax revenue they collect.
- 5. Treating people fairly.** State officials admit a mileage tax would hit low-income people and working families hardest. The impact would be felt even more by people living in small towns in distressed rural counties. A mileage tax would also punish people who drive fuel-efficient and electric vehicles, while favoring people who drive less fuel-efficient cars and trucks.

Conclusion

Even if these problems were solved, there remains a lack of public trust. Our state has a long history of officials diverting taxes and fees paid by drivers to non-highway purposes, as well as artificially inflating the cost of public road projects.

Instead of imposing new taxes, state officials should work to reduce costs. Adopting regulatory reforms that promote public-private partnerships, end prevailing wage rules, streamline inefficient permitting, and trim environmental regulations are a good place to start. These policy reforms would help free up public money for highway purposes and traffic congestion relief, where the traveling public demands it the most.

Most people agree that increasing mobility is the key to our ongoing economic strength and security. People are willing to pay gas taxes if they believe the public will receive a real benefit in return. If transportation officials reduce costs and stop diverting money they collect from drivers to non-highway purposes, public confidence would grow, allowing bold policy initiatives that reduce traffic congestion and improve mobility for everyone.

This publication is a summary of Washington Policy Center's new in-depth Policy Brief on the Road Usage Charge. It can be found at www.washingtonpolicy.org.