



Loud and clear

Gas tax proposals would fuel price hikes

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BY [Larry McCarthy](#)

What is the Legislature's response to higher gasoline prices? Incredibly, it's higher taxes. Instead of finding ways to lower prices, legislative leaders have come up with a half-dozen proposals that would actually increase the cost of a gallon of fuel.

Californians already pay among the highest gas prices in the country thanks to our state's third-highest gasoline taxes and our unique fuel regulations. When you fill up, you pay more than 60 cents a gallon in taxes. And while Californians use the cleanest burning gasoline in the world, our formula costs more to make.

Despite this explanation of why prices are what they are, Sacramento politicians are aiming to add billions. For instance:

- Assembly Bill 2325 proposes a 25-cents per gallon increase in gas taxes. It would increase gas taxes by more than \$15 billion by 2011 and then \$5 billion a year. Half of the revenue would be spent to promote alternative fuels and half would go to highways.
- Senate Bill 757 is a hidden tax bill that requires the government to make arbitrary reductions in gasoline usage. To achieve such a rollback in consumer demand, the bill empowers state bureaucrats to impose a wide range of draconian measures, including three outlined in a joint California Energy Commission and Air Resources Board report.
- A new 50 cents a gallon gasoline tax, costing consumers \$7 billion a year.
- A new 2 cents a mile tax for every mile Californians drive, costing consumers approximately \$6 billion a year.
- A new \$3,500 tax on every minivan, pickup truck and SUV bought by California consumers.
- AB 32 proposes to reduce carbon dioxide emissions, but instead would result in reducing petroleum production at a time when demand for gasoline is increasing.
- SB 1794 proposes to give the California Public Utility Commission the authority to control supplies and distribution of gasoline in California, possibly returning us to the 1970s when fuel shortages and long lines were common at gas stations.
- SB 1675 mandates use of biofuels. There is nothing wrong with biofuels, but mandates invariably distort market conditions and increase costs to consumers.
- A public goods charge on gasoline to pay for other government programs. A staff report presented to the Climate Action Team suggested a 2.5 cents charge.

And finally, while not driven by politicians directly, there is an oil tax initiative proposed for the Nov. 7 ballot. It would impose a new \$4 billion tax on California oil production to fund an alternative energy bureaucracy. While few argue with the need for alternative energy, this initiative fails to guarantee any result other than higher and higher prices for gas, diesel and jet fuel. If the cost of production goes up, basic economics confirms, the cost of the product follows. For Californians that means even higher prices.

With so many tax increase proposals in Sacramento, it makes one wonder if the politicians have noticed the "record levels" of income tax payments making recent headlines. The revenue surge from increased income tax paid by Californians shows that the state's tax structure produces more revenue faster than any tax increase. When the California economy improves, California's tax structure is a money machine for the state's general fund. Those seeking to increase taxes would be better off encouraging economic investment and growth in California than concocting another way to tax gas.

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