

Making gas taxes more transparent in the Mountain States

5 FACTS

1. *While it reached another record in the summer of 2022, the overall cost of a gallon of gasoline can fluctuate wildly.*
2. *Gas taxes are hidden in the cost of a gallon.*
3. *Gas taxes make up roughly 19% of the cost of a gallon of gasoline.*
4. *There is little transparency in the price of a gallon of gas, making it difficult to hold elected officials accountable.*
5. *Washington, Utah and Ohio have passed policies requiring gas tax informational stickers be placed at every pump.*

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Introduction

When gas prices surged in the Summer of 2022, much of the blame was placed at the feet of oil companies. The Biden Administration also tried to blame gas station owners, suggesting they were inflating the cost voluntarily.¹

Gas prices are inflated by government taxes and fees. Do consumers in the Mountain States really know what they are paying when they fill up at the gas station? The answer is likely no. That's because gasoline is one of the few products we purchase where taxes and fees are built into the price. This means there is no transparency about the true financial burden placed on consumers.

The fix to this lack of transparency is what has been called "truth-in-labeling."

¹ Sorry Biden, gas station owners can't just bring down the price, Reason Foundation, July 2022, available at <https://reason.com/2022/07/05/sorry-biden-gas-stations-cant-just-bring-down-the-price/>

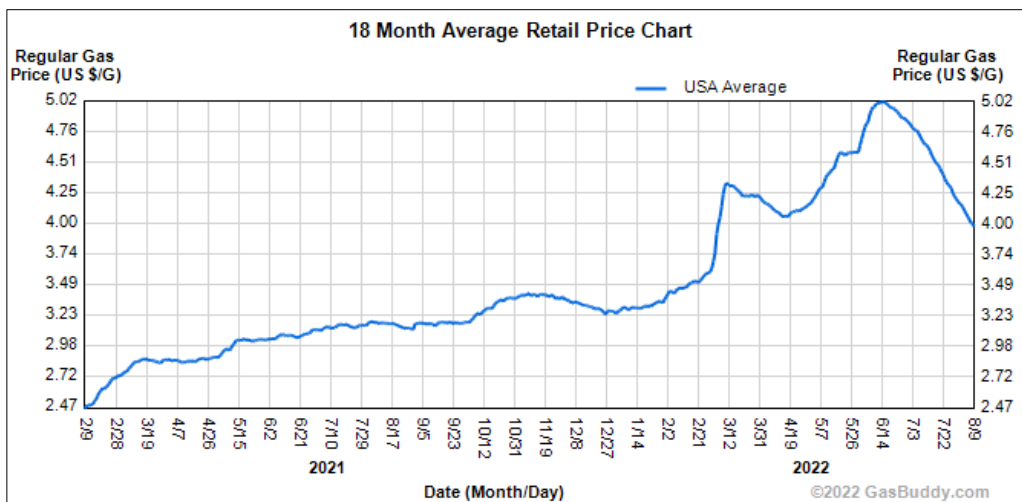
KEY INFORMATION COLUMN

Gas prices have surged, especially since February of 2022.

Gas taxes make up roughly 19% of the overall cost of a gallon of gasoline. But the lower the price goes, the larger the overall tax percentage climbs.

The Cost of Gasoline

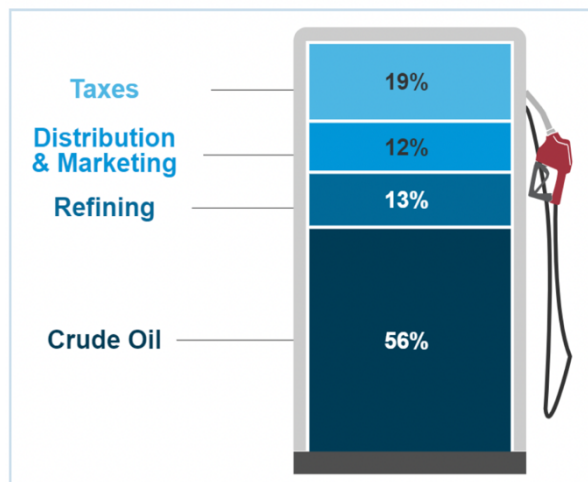
Gas prices are difficult to predict. Most of the cost of a gallon of gas comes from the price of crude oil, which can fluctuate wildly. Gas prices saw a spike in February of 2022, and then again in the Summer of 2022, as the United States reached a record average high of more than five dollars per gallon.



The Mountain States were not immune to the price hikes. The AAA reported the average price in Idaho reached \$5.21 in July of 2022.² For diesel, the average price exceeded \$5.80 per gallon.

At the time of this publication, the average price for a gallon of gas had nearly doubled in just 18 months.

But there are several components to the cost of a gallon of gas. The U.S. Department of Transportation says gas taxes make up about 19% of the overall cost of a gallon – but this will vary depending on the state and the current price.³ For example, if the gas price is high, the gas tax percentage will be low. Likewise, if the gas price is low, the gas tax percentage could be much higher.



² Triple A, Gas Prices in Idaho, available at <https://gasprices.aaa.com/?state=ID>

³ U.S. Department of Transportation, Motor Fuel Data, available at <https://www.fhwa.dot.gov/policyinformation/motorfueldata.cfm>

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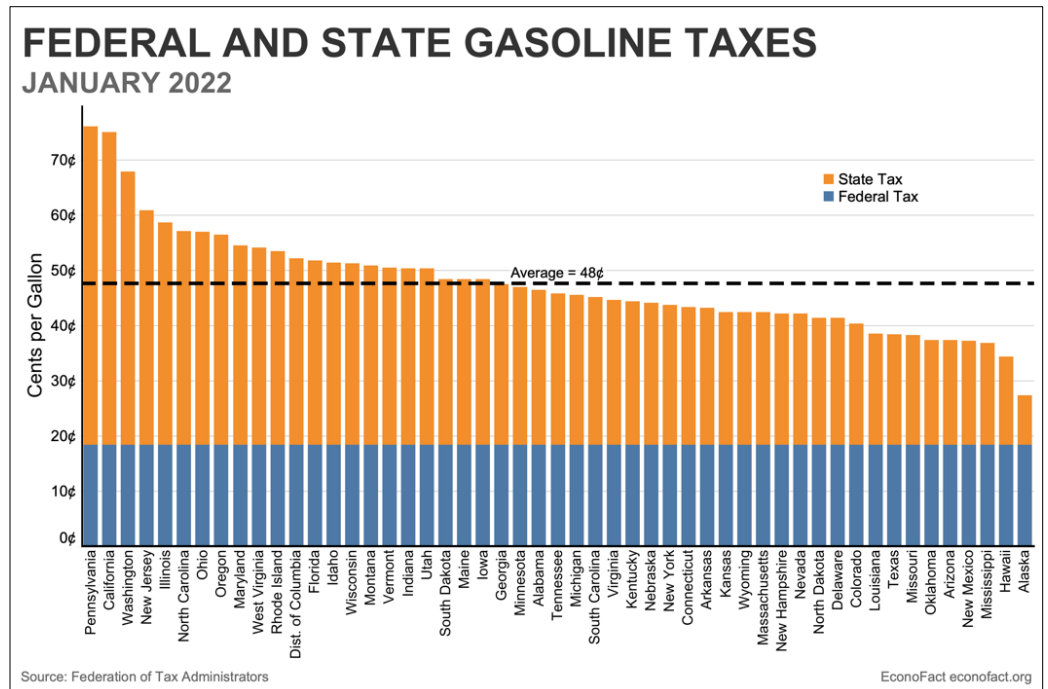
Idaho, Montana and Washington all rank in the top 16 states for gas prices.

The Tax Burden

Gas taxes vary by state, but the Mountain States do charge more than average. In Idaho, the state gas tax is 32 cents per gallon. It was last increased in 2015.

In Montana, the state gas tax costs consumers 31 cents per gallon. And in Washington, the state tax hits nearly 50-cents per gallon.

Washington is also preparing to implement a carbon tax and low carbon fuel standard that will dramatically increase the cost of a gallon of gasoline.



The state-by-state tax burden does not include the federal gas tax of 18.4 cents per gallon. Overall, Idaho, Montana and Washington all have gas taxes that rank in the top 16 states.

It is unusual to purchase any other product and have the tax built into the price.

When taken together, a large portion of the overall cost of a gallon of gas goes toward taxes, which are mostly used to fund roads, bridges and a state’s transportation system.

However, when policymakers adopt gas tax hikes, there is no accountability built into the system. The cost is hidden in the price.

This is unusual when purchasing almost any product. After all, the price of a loaf of bread at the grocery store does not have the sales tax built in. Neither does the purchase of a bottle of water. Most consumers are able to see the tax burden they face on their receipt. If they don’t like

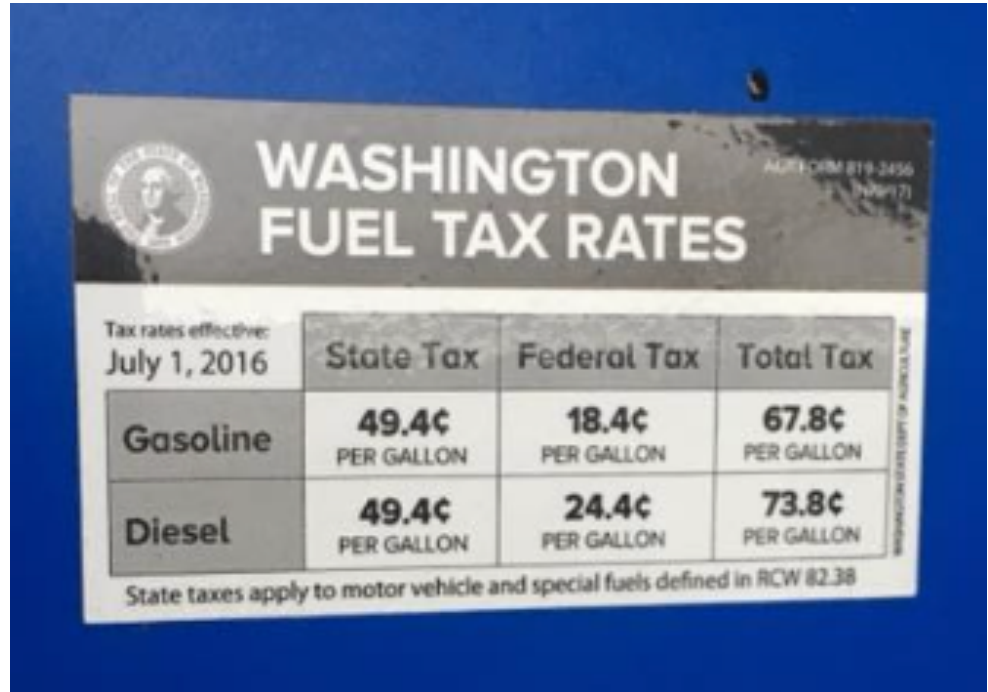
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Washington, Utah and Ohio have passed laws requiring gas tax rate stickers be placed at the pump near the weights and measures certification.

The cost to taxpayers is limited to the price of the stickers.

the cost or don't think it's being used properly, they can talk to their elected official. But with gas taxes, consumers are left in the dark.

Case Study: Washington, Ohio & Utah



In 2017, Washington state passed House Bill 2180, providing fuel tax transparency.⁴ This measure required the Washington state Department of Agriculture to produce a sticker that would be placed on every gas pump near the weights and measures certification. The sticker would simply inform drivers of their state and federal tax burden.

In Washington, the WSDA conducts periodic inspections of gas pumps, so it made sense to assign the transparency task to that agency.

Overall, drivers responded positively to the stickers.⁵ The cost for taxpayers was minimal – simply the price of the stickers – as state workers already travel around the state to pumps for weights and measure tests.

⁴ Knowing your gas tax cost, Seattle Times, November 2017, available at <https://www.seattletimes.com/seattle-news/transportation/whats-your-gas-tax-stickers-coming-soon-to-the-pump/>

⁵ Washington state is helping you see exactly how much you pay for gas taxes, Q13 News, November 2017, available at <https://www.q13fox.com/news/washington-state-is-helping-you-see-exactly-how-much-you-pay-in-gas-taxes>

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Currently, gasoline taxes are not transparent. Citizens do not know their burden and can therefore find it more difficult to hold elected officials accountable.

In Ohio, state workers began placing the stickers on gas pumps in 2019, as part of a deal to increase the gas tax.⁶ In Utah, gas tax stickers are being placed at stations beginning this year.⁷

Conclusion

In most states, gas taxes are used to fund road construction projects. While not necessarily eager to pay more, taxpayers will typically support government funding that they know is transparent and will be wisely used.

Unfortunately, gasoline taxes are not transparent. Because they are built into the cost of the product, citizens have no idea how much they are really paying, and where it is going. Inevitably, it makes it difficult for citizens to grasp the amount of funds available for transportation, and where they are being spent.

In an age of surging gas prices, a “truth-in-labeling” policy is a reform worth pursuing.

⁶ Gas tax stickers finally being added to pumps, The Columbus Dispatch, February 2020, available at <https://www.dispatch.com/story/news/politics/2020/02/11/gas-tax-stickers-finally-being/1727809007/>

⁷ Motor and special fuel tax act, Utah State Legislature, available at <https://le.utah.gov/xcode/Title59/Chapter13/59-13-S201.html>