

State Transportation Policy Options - Increase the Gas Tax

Massachusetts is facing a transportation crisis. Residents are burdened by congested roads, crumbling bridges, rising greenhouse gas emissions, underfunded public transportation, and a lack of connected walking and biking options. We need bold policy solutions to address our failing, inequitable transportation system.

Policy: Increase the state gas tax

Background

Both the federal and state governments collect a tax on gasoline that is used to fund transportation. Yet while inflation, the cost of building and maintaining roads, and public transportation fares have been steadily increasing, gas taxes have not kept pace. The current federal gas tax has been 18.4 cents per gallon since 1993. The state gas tax is 24 cents per gallon and has not been raised since 2013, when it was increased by only 3 cents.

Since 1991, Massachusetts average home prices have increased by more than 185%, inflation has increased by more than 88%, MBTA fares have increased more than 220%, while the gas tax has only increased by 14%.¹

Frequently Asked Questions

1. Why do we need a gas tax increase? Aren't there other options to raise revenue?

In order to address the transportation crisis, we will need to invest at least \$50 billion over the next 20 years. We will need a mix of short-term and long-term investments to fill this funding gap. A gas tax increase provides a mechanism to accelerate urgent transportation investments *today*.

Most other revenue-raising policies have longer timelines, are not guaranteed to fund transportation, and/or create less reliable revenue streams.

2. What does gas tax revenue fund?

Revenue from the state gas tax primarily funds roadway and bridge maintenance and improvements, and MBTA and 15 Regional Transit Authorities (RTA) operations and capital investments.

In order to reach a State of Good Repair, we need to accelerate investments in statewide transit and maintenance for roads and bridges.

Without this investment, our transportation problems will only get worse:

¹ "T4MA Offers Policy Solutions for Progress - Transportation for" <https://www.t4ma.org/progress>.

- Congestion will increase as the population in Eastern Massachusetts grows
- The MBTA will not have adequate funding to address safety concerns
- Rural and small-town communities will continue to be underserved by RTAs
- Roads and bridges across the state will continue to degrade

3. How much revenue can the state gas tax raise?

For every 1-cent increase, the state gas tax would generate an additional \$32 million per year.² A 10-cent increase would generate \$328 million, enough to significantly improve MBTA and RTA service. A 25-cent increase would generate \$820 million in 2021 and could be put to immediate use to solve our more urgent transportation problems.

4. How will a state gas tax increase impact low-income drivers and those in rural areas?

Low-income households pay a higher percentage of their income on transportation than their wealthier counterparts, and low-income drivers have the added burden of dealing with the volatile nature of gasoline prices. Gas prices vary considerably month to month due to geopolitical and global financial forces, meaning that low-income drivers are not able to plan for the costs of gas. This variability also means that it is hard to measure the direct impact of a gas tax increase on low-income drivers in the same way we can measure the disparate impact of consistent MBTA fare increases.

Revenue from an increase in the state gas tax must provide benefits to people and communities with the greatest need, while the potential negative impacts of higher gas taxes are mitigated. Some of these mitigation measures include:

- Increase funding for the Chapter 90 program for communities to maintain, repair, and build local roads
- Provide increased and consistent funding for RTAs, many of which serve rural and small-town residents who have limited access to transportation options beyond driving
- Increase funding for the MBTA to run more frequent bus service and improve safety
- Improve carpool/vanpool programs and pedestrian/bike infrastructure
- Implement free fares on local buses statewide (for the MBTA and RTAs) and fund discounted transit fares for low-income riders on the MBTA
- Raise the state's Earned Income Tax Credit to protect low-income workers (see more below)

5. How can the Earned Income Tax Credit offset a gas tax increase?²

To fully offset a gas tax increase for 40% of households in Massachusetts that are of the lowest income, each one-cent of a gas tax increase should be coupled with a 0.8% increase to the state Earned Income Tax Credit as a match. Note, this offset will reduce the total revenue amount available for new investments.

² "The Pros and Cons of Higher Gas Taxes, and How They" 17 Oct. 2019, <http://massbudget.org/reports/pdf/Gas%20tax%20MassBudget%202019.pdf>.

6. Isn't a state gas tax irrelevant as we transition to electric vehicles?

The gas tax remains a powerful tool for generating revenue for transportation, and a state gas tax increase provides a short-term mechanism to accelerate transportation investments. Massachusetts gas stations sold as much fuel in 2018 as in any year in history. Even as vehicles get more efficient, a total increase in driving means that Massachusetts drivers still burn billions of gallons of gasoline each year. As more fuel-efficient and electric vehicles gain popularity, alternative methods for revenue, such as a fee on vehicle miles traveled, will become more important. That's a future we want, but it isn't here yet.

7. How is the gas tax different than the Transportation and Climate Initiative (TCI)?

TCI is a regional collaboration of 12 states aiming to cap carbon emissions from vehicles. Unlike the state gas tax, TCI would not set a fixed price per gallon of gas; the price would depend on how the market responds and how much of the expense is covered by fuel suppliers instead of consumers, and what types of fuels suppliers choose to import. Governor Baker has proposed earmarking up to half of all funds raised from TCI in Massachusetts, which would not phase in until 2022, to be invested in improving public transit statewide.

8. How can I help get a state gas tax increase passed?

We are so glad you asked! Contact your legislators and let them know you support a state gas tax increase. Ask them to support a package that couples a state gas tax increase with complementary, progressive legislation, including an increase to the Earned Income Tax Credit.