

Gasoline costs and the effects of suspending gas taxes

April 4 2022, by Taylor McNeil



Credit: AI-generated image ([disclaimer](#))

Gas prices are spiking these days—well over \$4 a gallon—and several states have temporarily lifted their gas taxes to give consumers some price relief. But how high are today's gas prices, if we adjust for inflation? And does eliminating the state gas tax really make a difference?

To understand the issues, Tufts Now talked with Gilbert Metcalf, a professor of economics and John DiBiaggio Professor of Citizenship and Public Service at Tufts. He specializes in energy and [environmental policies](#), and recently published a piece for [EconoFact](#) on the consequences of lowering gas taxes.

Tufts Now: Adjusted for inflation, how high are gas prices today compared with 10 or 20 years ago?

Gilbert Metcalf: Gas prices today are only slightly higher than their average value over the past 30 years, when accounting for general price inflation.

Even with the recent spike, inflation-adjusted gas prices were higher in the spring and summer of 2008, and the majority of the months from 2011 through the summer of 2014. The more unusual circumstance was the very low gas prices that followed this, in the five years beginning in February 2016.

What explains the current spike, and is it something that will last?

The Russian invasion of Ukraine clearly plays a role. Gas prices spiked by almost 20% in nominal terms—that is, not adjusted for inflation—in the first two weeks after the invasion of Ukraine on February 24.

Prices, however, actually started rising a year ago as the economy began to emerge from our COVID shutdown. It's hard to say what will happen in the future with prices. But in the second half of March 2022, [gas prices](#) began to recede slightly, falling by 1.6 percent even as overall [inflation](#) remains high.

Some people have called for suspension of gas taxes to give consumers some relief at the pump. How much would consumers save, and are there downsides to that approach?

The average state and federal gasoline excise tax rate is \$0.48 per gallon. Zeroing out all federal and state fuel excise taxes would cut the price of gasoline by roughly 10 percent. So this is not a panacea for consumers.

Meanwhile, cutting taxes encourages gasoline consumption at a time when we should be reducing our reliance on oil products to reduce our vulnerability to oil shocks from geopolitical events like the Russian war in Ukraine and to help mitigate [climate change](#).

Moreover, gas tax revenues are needed for funding repairs and maintenance to our nation's road and highway system. Among other groups, the American Society of Civil Engineers has given [poor grades](#) to the country's roads and bridges, and estimated a \$786 billion backlog of highway and bridge capital needs in 2021. Cutting the gas tax will reduce revenues earmarked for improving [transportation infrastructure](#).

Provided by Tufts University

Citation: Gasoline costs and the effects of suspending gas taxes (2022, April 4) retrieved 27 April 2024 from <https://phys.org/news/2022-04-gasoline-effects-gas-taxes.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.