

Associated PA Constructors (APC)

Position on Gas Tax Holiday

March 11, 2022

The highway construction industry shares in the nearly universal concern about spiking prices of petroleum products. However, gasoline prices have risen over the past year even before Russia's attack on Ukraine, doubling the \$65 a barrel price from a year ago. There is a strong possibility that the cost of oil will continue rising in the near term, so we question the impact of reducing the state's gas tax on the price of fuel at the pump.

Additionally, according to a [2020 study](#), about one-third of a fuel tax increase or decrease, on average, is passed along to consumers, suggesting that suspension of the entire 18-cent federal gasoline tax would reduce the consumers' cost by only about 6 cents per gallon.

The current level of Pennsylvania's Oil Company Franchise Tax (gas tax) has been the same since 2016. The current federal gas tax of 18.4 cents per gallon has not changed since 1994. We have the same tax rate today that we had a year ago when the price at the pump was \$2.00 per gallon less than today's price.

The need for repair of Pennsylvania's bridges and highways has been well documented. Suspending the collection of fuel taxes without other means of funding road repairs could hasten the deterioration of our infrastructure, compromise highway safety and contribute to increased highway congestion and vehicle maintenance costs.

Any temporary reduction of Pennsylvania's current fuel tax must:

1. Not have any negative impact on the state's funding for road and bridge projects.
2. Ensure any mechanisms that continue funding road and bridge projects at current levels do not lead to future debt incurred by the Motor License Fund.
3. Include a sunset provision that would revert the fuel tax to current levels, at a minimum.
4. Include a permanent elimination of the budgetary shift of Motor License Fund monies to the General Fund for non-construction expenses such as the PA State Police budget.

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