

August 13, 2013

VEHICLE MILEAGE TAX

As Vice-Chair of the Oregon House of Representative's Committee on Transportation and Economic Development, the recent article in the Argus Observer (Malheur County) regarding the "Vehicle Mileage Tax" (VMT) prompted these thoughts.

In Oregon, we have a "user pays" system for our roads. When you buy gas, 30 cents of the price you pay for every gallon is a constitutionally dedicated tax for Oregon's roads. This tax cannot be used for anything except transportation. Roughly one-half of this money (15 cents) goes to counties and cities (proportionate to their population), and the other half (15 cents) goes to the Oregon Department of Transportation (ODOT). (In addition to the state tax of 30 cents, the federal government imposes a road tax of about 18 cents per gallon, but this article is about state taxes, so I will not address the federal tax further).

Right now, the average price for a gallon of gas is about \$3.80, so about 8% of the cost of filling up is spent by Oregon on its roads. If your car gets 20 miles per gallon, you are paying about 1.5 cents per mile to Oregon for road use. If you get 10 miles per gallon, you are paying .03 cents per mile for use of the road, and if you get 40 miles per gallon you are paying .0075 cents per mile, which is half of what the person getting 20 miles per gallon pays. Given the fact that small cars use and wear out our roads just as much as do three-quarter ton pickups, the difference in what their drivers pay is unfair in a "user pays" system.

If implemented, the VMT would completely replace the 30 cents/gal gas tax with a 1.5 cents/mile road tax. Why the proposed change? Because new fuel efficient cars are quietly destroying our "user pays" gas tax system. The more high mileage cars we add, the more rapid the decline in road revenue.

Some say this is just fine, and that owners of cars with increased fuel efficiency should enjoy lower exposure to road taxes. But why should this be the case? Does the purchase of a more fuel efficient car mean that the car uses less of the road? The answer is no. More fuel efficient cars use and wear out our roads just as much and just as fast as less fuel efficient cars.

Given this situation, it may surprise some that during the 2013 Legislative Session, I opposed HB 2453 which would have imposed a VMT of about 1.5 cents/mile—but only on cars that get more than 55 miles per gallon. This 1.5 cents/mile tax would have replaced the gas tax and, because few cars get over 55 miles per gallon, would have primarily applied to electric and hybrid cars. I opposed this bill because I know for certain that many tax payers in my District don't think that the complexities of the "per mile tax" have been completely sorted out.

I agree, and at least partly because of my opposition, HB 2453 died in my Revenue Committee just a few weeks ago.

Instead, I supported SB 810, which established a voluntary VMT pilot program for 5,000 Oregon drivers. I think that this voluntary program will give us a chance to see if the VMT concept works, or if we need to go in an entirely different direction.

Some might say that we should never adopt a VMT, and that we should stick with the per gallon gas tax. That's fine with me, but do we want to raise the gas tax on those that buy more fuel efficient cars so that they pay close to the same amount that others driving lower mileage cars are paying for the use of our roads?

To state the obvious, finding money for roads is a big deal for Eastern Oregonians, where hundred mile (and more) daily drives are normal. Without good roads, allowing us to safely and efficiently travel to and from our towns, rural folks will bear ever higher indirect costs of transportation such as lost time, accelerated wear and tear on vehicles, and increased risk of accident.

Some might say that we that we don't need a better system of road tax, we simply need a way to reduce what we are now paying for road maintenance. I unequivocally support less waste and greater efficiency. However, no one has a good answer for the 300% increase over the past fifteen years in the cost of asphalt, cement, and steel. These costs will not be going down. More—not less—money is needed to offset these unavoidable increases.

Adding to the funding problem is the fact that cuts in federal spending are dramatically reducing the amount of federal dollars our counties and state have previously relied on to maintain our road systems. In fact, if you want a real understanding of the consequences of these increased costs, call a County Commissioner and ask how many people have been laid off from their road departments so that their limited resources can be spent not on the people doing road work, but on increased costs of materials needed for maintenance.

Before I return to Salem in February, please let me hear from you regarding this issue. I need to know what you think.

Representative Cliff Bentz

District 60---Baker, Grant, Harney, Malheur, and part of Lake Counties