

The case for a tax on miles traveled

By Denvil Duncan and John Graham

BLOOMINGTON, Ind. — There's a price to pay as the fuel mileage of the cars we drive increases!

Increases in miles per gallon mean less gasoline is consumed. That means less fuel tax revenue for highways. Unless new revenue is found, the result is more potholes and more traffic jams.

Many experts believe we should eliminate the fuel tax and replace it with a user fee based on the number of miles we drive.

That's easier said than done given the current political climate around taxes. So here are some ideas that add a spoonful of sugar to help the mileage user-fee go down.

The first challenge is coming up with an accurate way to determine the number of miles you drive.

You could begin with self-reporting based on a visual inspection of the odometer when you register your car. In order to discourage fraudulent reporting, public servants could compare your reported mileage with an estimate based on data from CARFAX reports, insurance companies, auto service centers and a driver profile.

More technologically advanced mileage user-fees are feasible but come with privacy and cost concerns. However, those worries are fading as automakers build cars with Internet and GPS devices and more insurance companies adopt pay-as-you-drive policies.

Therefore, it may be possible – in the not too distant future – for the government to rely on the data collected by insurance companies to implement the mileage user-fee. The most important feature of these developments is that they are driven by market forces. Therefore, making this option available to drivers on a voluntary basis should reduce privacy

and cost concerns that have plagued the idea of a mandatory mileage user fee.

Switching to a mileage user fee would provide several advantages over the current fuel tax.

First, the more drivers use roads, the more money is available to maintain them.

Second, the tax may persuade us to reduce needless trips and combine errands, car-pool or use public transportation.

Third, it's simply fairer than the current system. Drive more, pay more, and it doesn't matter whether you're behind the wheel of the latest hybrid or the oldest gas guzzling jalopy. Both chew up the roads at the same rate but, currently, their drivers don't pay the same amount of fuel tax.

Finally, a GPS-based mileage user fee allows policymakers to address multiple issues with one policy, as a GPS is able to track miles driven in real time.

For example, a surcharge could be implemented for heavier vehicles, driving during peak hours in congested areas, and driving on particular bridges or expressways — similar to a toll.

There are two more hurdles to this tax swap. Would it invade your privacy and what would it cost to implement?

Both need more study, but there is anecdotal evidence that younger people are more willing to share information about their travels. If you use "location services" on your smart phone, you're already being tracked. Having insurance companies or other third parties count the miles could also reduce the fear that Uncle Sam is watching you.

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As for the price tag, future research should focus on estimating the cost of low-tech solutions.

For example, how easy is it for motor vehicle registries to create and store driver profiles that would allow them to predict the user fee for each driver?

There is never an easy time to propose a new tax, even one that replaces an existing tax with a user-fee.

Fortunately, the ongoing fiscal debates in Congress may lead eventually to comprehensive tax reform. Such a bill could include the replacement of the fuel tax with a mileage user-fee.

The alternative is inevitably more broken roads and bumper-to-bumper traffic.

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