



COMMONWEALTH of VIRGINIA

Office of the

SECRETARY of TRANSPORTATION

***Examining the Long-term Viability of Motor the Fuels  
Tax and Possible Alternatives  
Part 2 - An Interim Option***

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# Background

- **The Virginia Transportation Research Council (VTRC) concurred with the national experts that a robust mileage-based tax is at least a decade out because of unresolved issues:**
  - **Technology**
  - **Drivers' privacy concerns**
  - **Collection costs and administrative burden**
  - **Security and enforceability**
- **Transportation construction and maintenance costs will continue to outgrow revenues**

# Objectives

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- **Provide a follow-up to the VTRC study**
- **Develop a mileage-based tax option that can be implemented in the near-term (2 to 5 years)**

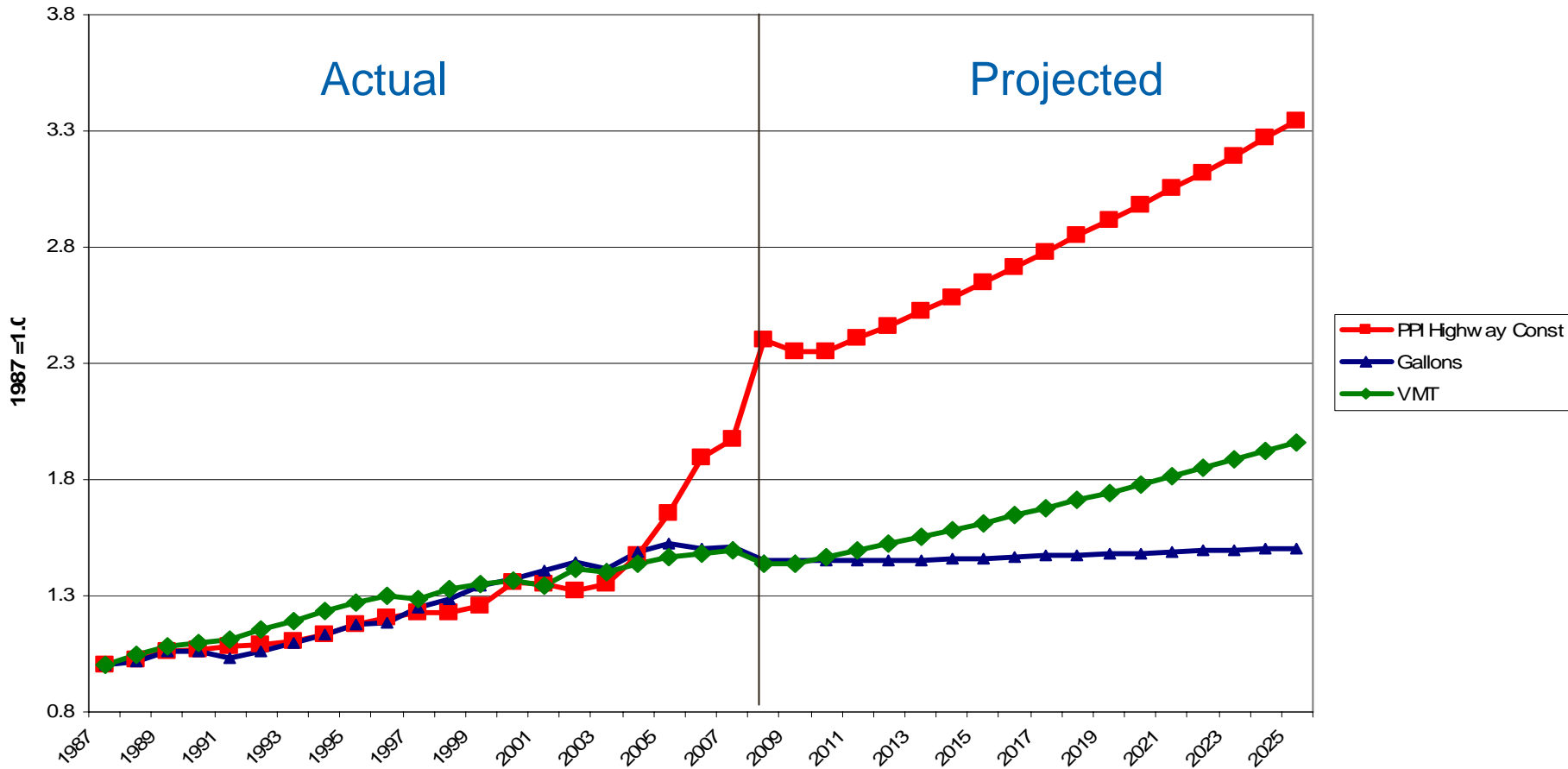
# Mileage-Based Tax Myths

- **Mileage-based taxes eliminate tax base erosion**
  - Revenue neutral mileage-based taxes will generate the same revenues same as gasoline tax\*
  - Inflation and/or periodic adjustments will be needed
- **Mileage-based taxes are not subject to economic fluctuations and fuel price increases as are fuel taxes**
  - VMT and gasoline sales declined in 2008
  - VMT is a function of gasoline prices, income, population, etc.

\* A mileage-based tax will be subject to less erosion in the future as more fuel efficient vehicles are added to the fleet

# Historical and Projected Trends

## PPI Highway Construction, Fuel Gallons and VMT



# Mileage-Based Tax Option

- Index gasoline tax rate to % change in aggregate statewide vehicle miles traveled
- Establish a VMT floor (e.g. 2000 level) \*
- Create a “mileage tax” by adjusting the gasoline tax rate on an annual basis for the % change in VMT from the base level
- Include an inflation factor

\* A VMT tax rate floor is also an option

# Mileage-Based Tax Option - Sample

<b>Baseline VMT (millions)</b>	<b>74,801 ( 2000 level)</b>
<b>Gasoline Tax Rate</b>	<b>\$0.175/gallon</b>
<b>Gallons (millions)</b>	<b>5,037</b>
<b>2007 VMT (millions)</b>	<b>82,007</b>
<b>Mileage Tax</b>	<b><math>(82,007/74,801)-1) \times \\$0.175 =</math> <b>\$0.0169/gal</b></b>
<b>Mileage Tax Adjusted for Inflation</b>	<b><math>\\$0.0169 \times (207.3/172.2) = \\$0.0203/gal</math></b>
<b>Gasoline Tax Plus Inflation Adjusted Mileage Tax</b>	<b><math>\\$0.175 + \\$0.0203 = \\$0.1953/gal</math></b>
<b>Additional Revenues</b>	<b><math>\\$0.0203/gal \times 5,037 = \\$102.2</math> million</b>

# Benefits of the Option

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- **Can be implemented in the near term (2 to 5 years)**
- **Directly related to highway use (i.e. highway use tax)**
- **Mimics tax imposed on individual mileage without privacy, technology, administrative and other concerns**
- **Minimal costs to administer**
- **Applies to both in-state and out-of-state travelers**
- **Limited public burden**



# Drawbacks to Option

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- **It is a tax increase**
- **Does not account for alternatively fueled vehicles**
  - Tension between promoting alternative fuels and funding transportation
- **Does not provide a means to tax based on location, time-of-day, etc.**

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**QUESTIONS?**