

Marketplace

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McCain's gas-tax plan is on empty

Presumptive Republican presidential nominee Sen. John McCain wants to suspend the federal gas tax for the summer travel season. Truckers say they like the idea. But commentator and tax expert Len Burman says McCain's proposal won't get us where he wants to go.



Len Burman (Len Burman)

TEXT OF COMMENTARY

TESS VIGELAND: The presumptive Republican nominee for president, John McCain, wants to give Americans a gas tax holiday. The proposal would eliminate the federal gasoline tax for the summer travel season. Truckers -- not surprisingly -- have now voiced their support of the holiday.

Commentator and tax expert Len Burman says, painful as gas prices are these days, McCain's plan is running on empty.

LEN BURMAN: Senator McCain has a terrific economic team. But they must have been shut out from discussions about the gas tax holiday proposed by McCain on Tuesday. It would flunk Economics 101.

McCain proposed to waive the 18.4 percent federal excise tax on gasoline between Memorial Day and Labor Day this year. For the moment, suspend questions about whether it makes sense to encourage burning more fossil fuel during a time of global warming. And don't think about whether we should raid the highway trust fund when bridges are collapsing. Forget about all that, and just suppose we should try to lower gas prices to boost the economy.

Here's the problem: Refineries run near capacity every summer as families rack up miles on their vacations. That's one reason why gas prices always jump in the summer. If McCain's excise tax cut did translate into lower prices, we'd want to drive even more and burn more gasoline. Since the oil patch can't boost production much without building new refineries, the price has to go back up.

Higher prices could stimulate a little more production and we might import more gasoline from our neighbors, but that response will be modest. Supply constraints will push pump prices near their pre-holiday levels. If that didn't happen, there would be shortages.

Unless the goal is to temporarily boost profits for petroleum refineries and foreign producers, the proposal makes no sense. It also ignores some real administrative challenges in turning a major tax on in May and off again in September, both for the IRS and the refineries and wholesalers. And, of course, Congress would have to enact the law before Memorial Day -- warp speed in legislative terms. It's not going to happen.

So why the empty rhetoric? Because we'll need much higher gas prices, not price cuts, to fend off the enormous threat of global warming. And no politician -- not even an infamous maverick -- wants to talk about that during an election campaign.

VIGELAND: Len Burman is director of the Urban Institute's Tax Policy Center.