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Report: W.Va. gas tax freeze won't help consumers

By TOM BREEN 09.25.08, 1:09 PM ET

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CHARLESTON, W.VA. -A report released Thursday contends that the temporary freeze on an increase in one of [West Virginia's](#) gasoline taxes won't save consumers much money.

The West Virginia Center on Budget and Policy argues that the Legislature's decision to block a gas tax hike scheduled for Jan. 1 is "at best a short term solution that does not guarantee West Virginians any real savings and leaves them vulnerable to high gas prices."

The group described similar freezes in Indiana and Illinois, where the bulk of savings from gas taxes went to gasoline vendors in the form of higher profits.

The report also cites a U.S. Department of Energy report that federal and state gas taxes accounted for about 15 percent of the price of gasoline in 2007.

The Legislature voted in its June special session to block an increase in the tax on the average wholesale price that would have raised it from about 11.7 cents per gallon to 16.7 cents. Overall, West Virginia's gas taxes total 32.2 cents per gallon.

"Our economy and our people are struggling with these high gas prices, and we wanted to avoid adding to that burden if we could," Manchin spokeswoman Lara Ramsburg said Thursday.

The center also warns that the freeze further weakens the State Road Fund, already ailing from reduced driving brought on by high prices at the pump.

West Virginia expects to raise \$638 million for its road fund during the budget year that began July 1. The projected revenue is \$23.8 million less than what the fund raised last year, when state highway officials were already complaining that needs had outstripped available dollars.

The state is counting on its per-gallon tax on gasoline and diesel to provide nearly 60 percent of this year's road fund revenues. But the tax failed to reach last year's estimate, partly because high prices reduced consumption.

To offset losses from the tax freeze, the Legislature set up a \$40

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million special fund, enabled by flush state revenues this year. But while the tax freeze was set to start next year, the state has already dipped into that fund to the tune of about \$1.9 million to make up for revenue losses.

In the report, the center endorses a number of fixes, including the development of mass transit in the state, tax credits for the purchase of hybrid cars and similar fuel-efficient vehicles and allowing "pay as you go" auto insurance, which charges drivers based on their mileage.

Ramsburg agreed systemic changes are needed to stabilize the state's road fund, since it seems high gas prices are here to stay.

"When the road fund was established, nobody thought we would get to \$4-a-gallon gas," she said. "The whole system needs to be looked at now."

Similar problems have hit other states and the federal government, which this month saw its highway trust fund - replenished with the federal gas tax - run out of money for the first time, making necessary a \$8 billion congressional bailout.

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