



Lone Star State  
Considers Plans to  
Monitor Vehicle  
Miles and Fuel Use

# Big-Brother Fuel Tax Coming to Texas?

By Alan Lammey

Nothing is certain in life except death and taxes, right? And with the launch of new federal taxes in recent years, coming atop large doses of state, county, and city taxes, it seems the tax man cometh more and more frequently. But hold on to your wallet! Atop it all, a new “fuel tax” concept is gaining steam throughout the United States—and it’s now on the radar screen in Texas.

For the last several decades, tax revenue from fuel purchases at the pump has been a lucrative, steady income stream for federal, state, and city governments across the United States, including Texas. However, over the last ten years, many vehicles have become notably more fuel efficient. Vehicles that run on electricity or other fuel sources have also become more popular. As gasoline fuel usage begins

to drop across the board, so are billions of dollars in tax revenue. But never fear: governments are already finding new ways to replace those dollars. The latest idea, which is gaining some real traction, is called the “Vehicle Miles Traveled” (VMT) tax. It’s essentially a tax on the number of miles you drive in a year, and if implemented in the Lone Star State it could impact Texas business on multiple levels.

## THE PUBLIC WILL BE PAYING A PREMIUM FOR FUEL EFFICIENCY

According to a recent study published by the Institute on Taxation and Economic Policy (ITEP), the federal gasoline tax has been stuck at the rate of 18.4 cents per gallon for nearly 20 years. Since 1997, when the federal government has been using a majority of its gasoline-tax revenues

for transportation projects, the average fuel efficiency of a passenger vehicle on America’s roads has increased by 1.7 miles per gallon (MPG), from 19.7 to 21.4 MPG. The average driver is able to wear down the roadways with an extra 25 miles of driving before he has to stop, refuel, and pay anything in gasoline taxes. Multiply that by 254 million vehicles, and over a year it’s the equivalent of almost 205 billion tax-free miles of travel on U.S. roads, including roads and highways located in Texas. In short, the efficiency rise means that the federal and state fuel-tax coffers aren’t as full as they used to be. Keep in mind that with Texas’s healthy and rapidly growing business economy, the state is attracting more and more residents—which means significantly more vehicles on the road. Texas state officials believe the expanded population should be paying more in

fuel taxes to accommodate current and future transportation initiatives.

The push to implement a nationwide VMT tax could happen much faster than most of us realize. Why? In late August 2013, the Obama administration issued a final version of “new rules” that require automakers to nearly double the average fuel economy of new cars and trucks by 2025.

The standards, which mandate an average fuel economy of 54.5 miles per gallon for the 2025 model year, will increase the pressure on auto manufacturers to step up the development of electrified vehicles while sharply improving the mileage of their mass-market models through techniques like more efficient engines and lighter car bodies.

More immediately, current rules for “corporate fleets,” also known as the “Corporate Average Fuel Economy” (CAFE) program, mandate an average of about 29 MPG, with gradual increases to 35.5 MPG by 2016. This shift means that federal and state governments will be working double-time to implement ways to increase the amount of fuel-tax revenue lost due to the new fuel-efficiency standards.

The Texas Transportation Commission (TTC) has directed a relatively new study of the VMT tax idea—and it is not alone in doing so. Numerous pilot projects are in place in other states across the nation to gauge how such a tax would work.

The VMT tax concept in Texas is no doubt controversial, but it is nonetheless being considered because revenue from the state’s main source of transportation funding, the motor fuels tax, is declining. In Texas, the gasoline tax has not been raised since the early 1990s.

The tax will be based on both number of miles driven and vehicle weight. This pairing will constitute an extra penalty on drivers of larger, fuel-guzzling vehicles such as SUVs, large trucks, and muscle cars; heavier vehicles are perceived to do more damage to roads while also using more gasoline.

## TEXAS EYES ARE WATCHING YOUR MILEAGE AND DRIVING HABITS

Officials in Texas and many other states are studying different ways to track drivers’ movements electronically.

“Opponents contend that, with VMT technology, the government is violating the privacy rights of its citizens by tracking their movements at almost any given time.”

The TTC will soon be enacting a “pilot program” based on similar programs, already set in motion in Minnesota and Oregon, which track drivers and tax them per mile.

During the pilot program, which is essentially a test run for the real thing, participants will choose from a couple of options for keeping track of miles driven.

1) Basic mileage meters that would keep count of the miles driven using a car’s odometer and would be monitored by a private company.

2) Advanced metering devices that would implement the use of GPS technology, which will electronically monitor how far and where vehicles travel. These devices will ensure that drivers will not be charged for out-of-state trips, unless of course similar VMT programs have been implemented in the states where these vehicles travel.

The mileage meters would be linked to vehicles’ fuel gauges and odometers to measure and report how much gasoline motorists used and how many miles were driven. Once the data is compiled, the participating states would calculate how much money is owed in mileage taxes—and the vehicle owner would be billed accordingly.

## OPPONENTS, PROPONENTS AT ODDS OVER IMPLEMENTATION

Opponents contend that, with VMT technology, the government is violating the privacy rights of its citizens by tracking their movements at almost any given time. These folks also argue that the VMT will hurt Texas’s business commerce and revenue, as the potential for increased taxes might cut into household discretionary incomes.

Proponents such as environmentalist groups applaud the efforts, saying that the VMT could curb excessive fuel use and thereby benefit the environment, as well

as tax those who drive more while providing a financial break to those who drive less.

The Texas VMT tax might still be a few years down the road; the initiative will require some lead time to prepare for a mass implementation to the general public. But technology marches on: given that real-time electricity smart meters have been installed on multiple millions of residences and businesses over the past few years, it appears that it’s only a matter of time before vehicles are metered in real time as well. **N**

*Alan Lammey has 15 years’ experience as an oil, natural gas, and power-markets analyst and journalist; he is best known for his forward-thinking energy-market analysis. Alan has also hosted an energy-market-themed radio program for eight years. He can be reached via [www.TexasEnergyAnalyst.com](http://www.TexasEnergyAnalyst.com) or at [alammey@TexasEnergyAnalyst.com](mailto:alammey@TexasEnergyAnalyst.com).*