

House Republican Press Release

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All the Gas Tax Pennies Add Up



By House Republican Leader Lawrence F. Cafero Jr.

If you heard that lawmakers cut the state taxes on gasoline beginning July 1, you heard wrong. It is true that Democrats who run the legislature finally succumbed to public and Republican legislative pressure to do something about runaway fuel costs and convened a special session last month

The scheduled .5 percent increase in the gross receipts tax (the effective rate is actually 7.5 percent, not the 7 percent as has been reported but we'll get to that later) was rolled back on July 1 by the legislature. But the real story is what the Democrats *refused* to do.

They didn't provide real relief for motorists. They opposed capping the state's gross receipts gas tax which means your gas taxes will continue to go up and reap windfall profits for government as wholesale prices goes higher. Over the next year it is estimated that the gross receipts tax will produce \$148 million additional profits for the state of Connecticut.

When the legislature first met back on Feb. 6 the wholesale price of gas was \$2.24 per gallon which equated to a 17-cent per gallon tax for Connecticut. On July 1, the price was \$3.56 per gallon so Connecticut then collected 27 cents a gallon at the pump. This is in addition to the 25 cent per gallon excise tax. Combined, these two taxes result in Connecticut having the highest tax on gasoline in the nation.

The fallacy promoted in Hartford by those who oppose cutting and capping the gas tax is that the revenue is targeted to dearly needed mass transit and highway projects - it isn't. Nearly 70 percent of that newly found money goes right into the general fund, or as we call it, to be spent on other programs.

Big Oil isn't the only beneficiary of windfall profits, Big Government is equally complicit in this tax scheme. Since the legislature is still technically in session, we have proposed bringing lawmakers back to Hartford to finally address the issues over which we have authority.

The gross tax rate is actually 7.5 percent not 7 percent because it amounts to a tax upon a tax. Connecticut taxes all gross receipts on suppliers which increases the overall cost at the pump.

The Republican gas tax plan for the special session is simple:

- We already eliminated the scheduled gross receipts tax after the Democrats finally agreed to it;
- Cap the wholesale price upon which we assess the gross receipts tax to prevent future tax hikes;
- Change state law so that we only tax the product (oil) and not the tax as well;
- Ensure that 100 percent of the tax goes to pay for transportation projects and not the “bottomless pit” of the general fund.

Critics, including some newspaper editorial boards, contend that our proposals will not provide meaningful relief at the pump and will encourage joyriding and additional, unnecessary car trips. Others suggest that we lack a long-term, comprehensive approach that addresses all forms of energy.

Some dismiss the idea of capping the gross receipts tax by asking how can we pay for it. Pay for what? The windfall profits were never budgeted for in the first place, that is why it is considered “found money.”

Connecticut lawmakers cannot set OPEC policy, build hydrogen-fueled cars or rid the energy delivery chain of predatory oil future speculators. But we can re-design our state’s tax structure. At the very least, we owe it to taxpayers and motorists to be honest with them and explain why they are paying the highest gas taxes in the country or take action.

People are fed up.

Connecticut is catching on to where the wind blows and the ill gotten gains of a regressive tax structure that penalizes both those who can seemingly afford out-of-control gas taxes, and those who suffer most, the poor.

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