

Opposition to Gas Tax Suspension and 2% Indexing Cap

We, the undersigned organizations representing citizens, businesses, employees and travelers throughout Virginia, strongly oppose the proposed suspension of the Commonwealth's gasoline tax. We also oppose the proposed permanent 2% cap on its annual indexing for inflation.

Over the last few months, we have seen firsthand the impact of the rising cost of living on Virginia citizens. We support the Commonwealth's commitment to easing that burden and helping everyday Virginians make ends meet.

However, the proposed suspension of the gasoline tax over a period of five months is not an effective way to provide needed relief to Virginia residents. Due to the lack of transparency and market fluctuations of gasoline prices, there is no way to guarantee that gasoline tax savings will be passed on to Virginia consumers. History proves gas tax changes are reflected in prices for only a few days and any price relief seen by drivers is a small fraction of what the oil companies should be giving them. Furthermore, Virginians will lose out on the significant gasoline tax revenue paid by out-of-state drivers filling up in the Commonwealth.

The gasoline tax is one of the top three dedicated sources of Virginia transportation funding. This user fee is directly reinvested into maintaining and improving our multimodal transportation system including roadways, bridges, ports, airports, rail, transit, bike, pedestrian, and transportation technology infrastructure. Capping annual indexing means the revenue source will fail to keep up with the cost of materials and services supporting maintenance and operations of the system. This is not a long-term response we should want for transportation.

Virginia's willingness over the last decade to invest in transportation has been critical to our quality of life, economic success, and prosperity. The revenues lost from suspending the gas tax significantly exceeds the amount of new federal infrastructure revenue that Virginia's transportation fund is expected to receive in FY2023. With transportation costs skyrocketing and long-term cost estimates uncertain, now is not the time to eliminate vital transportation dollars.

Permanently capping fuels tax indexing at 2% would be a step backward. Indexing was adopted in 2020 and a 2021 JLARC study found this change further diversified the state transportation revenue base and concluded that as a result "Virginia's transportation infrastructure is in better condition than most other states."

Virginia citizens rely on our transportation network daily for access to jobs, opportunities, healthcare, recreation, and more. We urge Governor Youngkin and the Virginia General Assembly to instead focus on transparent, effective ways to reduce the everyday costs of ordinary Virginians rather than causing long-term harm to our transportation system.