Opinion
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Tie gas tax to price of gas

PRETTY MUCH everyone who has looked at the matter in the past few decades has concluded that South Carolina is not spending enough money to maintain its highway system, and one big reason is our gasoline tax, which is now the third lowest in the nation. A subcommittee of the Taxation Realignment Commission was no exception.

In a report to be taken up by the full TRAC today, the subcommittee recommends that the Legislature either raise the tax to 23 cents from 16.75 cents per gallon or else restructure it using a convoluted formula that would leave the tax rate where it is but allow it to be adjusted upward for inflation at least annually.

If we were simply trying to increase the amount of money the tax brings in, merely increasing the rate would do the job. For now.

But the whole idea behind the TRAC was supposed to be to fix a broken tax system. To identify and correct systematic problems. Setting the tax *rates* should be a secondary matter, and a pretty simple one once the heavy lifting is done.

Fixing the broken tax *system* means doing a better job of balancing our reliance on the income, sales and property taxes as well as excise taxes and fees, so we don't rely too heavily on any one type of tax, and parts of the system change with the economy while others provide stability — much as you would balance a stock portfolio. And it means fixing the individual taxes that are broken. For instance, fixing the broken sales tax means making it more broad-based, by eliminating exemptions and covering more services, as the TRAC also will consider today.

Fixing the broken gas tax means acknowledging that, unless you adjust it regularly, it doesn't make any sense to charge a flat, per-unit tax on much of anything, and certainly not gasoline.

The benefit of charging a flat tax on each gallon of fuel rather than a percent of the sales price is that revenue remains stable when fuel costs fall. The drawback is that revenue does not rise when fuel costs rise. This is the same problem we saw for all those years that lawmakers refused to raise the per-unit cigarette tax, even as cigarette prices soared, only it's compounded because 1) the cigarette excise tax was charged on top of the sales tax, and the gasoline excise tax is not, and 2) higher fuel costs increase the cost of building and repairing roads, which rely on petroleum-based products.

The subcommittee's proposal to implement a hybrid tax made up of a 7-cent-per-gallon tax that doesn't change and a tax that's adjusted every six to 12 months according to the average price of gas in the state is theoretically sound. What worries us is that the first time gas prices shot up again, the Legislature would respond to complaints about rising fuel costs by canceling the next adjustment ... and the next. And the effect would be as though nothing had changed.

Of course, it's better to put in place a reasonable system and hope the Legislature doesn't monkey around with it than to do nothing. But given what we know about our Legislature, it would seem that the smarter course would be to simply charge a percent of the sales price of gas and other fuels (likely less than the state sales tax), with an alternative minimum charge per gallon that would apply in the unlikely event that fuel prices ever dropped again below that point.