



Written by [Joe Wolverton, II, J.D.](#) on March 26, 2011

## CBO Recommends Taxing Drivers for Miles Traveled

The Congressional Budget Office (CBO) has a suggestion for raising money to fix the nation's highways: tax drivers based on how many miles they drive each year.

In a report written in response to a request from Senate Budget Committee Chairman Kent Conrad (D-North Dakota), the CBO laments about the shortfall in the federal budget's appropriation for highway maintenance and reckons it's time drivers start footing the bill based on how often their foot is on the gas pedal. The driver would be charged according to the number of vehicle miles traveled (VMT) above that which he is allowed under appropriately promulgated guidelines.



The 26-page [study](#) is entitled (none to cleverly) "Alternative Approaches to Funding Highways" and goes into some detail regarding the new tax scheme and the benefits and challenges thereof.

"About 25 percent of the nation's highways, which carry about 85 percent of all road traffic, are paid for in part by the federal government...." reads the opening line of the paper. In other words, why should the federal government, already so strapped for cash, keep paying so much for the highway while those who use them get a free ride?

The rest of the lead paragraph is just as baneful:

Federal spending on highways is funded primarily by taxes on gasoline and diesel fuel, but those and other taxes paid by highway users do not yield enough revenue to support either current federal spending on highways or the higher levels of spending that have been proposed by some observers. Although raising those taxes would bring in a larger amount of revenue, a more fundamental issue would remain: By themselves, fuel taxes cannot provide a strong incentive for people to avoid overusing highways — that is, to forgo trips for which the costs to themselves and others exceed the benefits. This study examines broad alternatives for federal funding of highways, focusing on fuel taxes and on taxes that could be assessed on the basis of the number of miles that vehicles travel.

As usual, the bureaucrats' tactic is to create a problem (too many people "overusing highways") then propose a solution (higher fuel taxes and taxes "assessed on the basis of the number of miles that vehicles travel").

Just to be fair, the CBO assures the Senate that it (the CBO) isn't alone in reckoning that taxing drivers for miles traveled is the most equitable method of closing the highway funding gap. They've got an impressive chorus backing up their taxing tune.

A consensus view of many transportation experts and economists is that a system of taxes on vehicle-miles traveled should be viewed as the leading alternative to fuel taxes as a source of



funding for highways.

See? Lots of people (a “consensus”) agrees with the plan so it can’t be all bad.

Within the CBO equation is an interesting factor. That is, who is to determine which of all the thousands and thousands of highway-borne trips “exceed the benefits” thereof? Anyone with any experience with bureaucrats knows the answer to that.

The CBO will gladly don the robes of jaunt judges:

Judging from estimates of the costs of highway use, a system that charged for all such costs would have most if not all motorists paying substantially more than they do now — perhaps several times more. Such a system would maximize the efficiency of highway use by discouraging trips for which costs exceed benefits. Alternatively, taxes that were set below the full costs of use but were structured to reflect those costs more closely than current taxes do could yield a portion of the efficiency gains by discouraging some high-cost trips.

Now that they’ve settled the who, what, why, and when of their new taxing scheme, the bureaucrats present the answer to the “how” these unnecessary miles will be measured and billed to the offender.

The CBO recommends that money be spent on the research and development of new technologies (or the improvement of existing apparatuses) in order to monitor just how many miles car and truck owners are traveling. We have the technology; we can tax them.

Whether charging highway users by the mile would improve efficiency would depend not only on the effects on highway use but on the costs of implementing the charges, including the capital costs for equipment and the operational costs of metering (that is, of determining what users owe), payment collection (preceded in most but not all system designs by billing), and enforcement. In the past, the efficiency costs of implementing a system of VMT charges—particularly the costs of users’ time for slowing and queuing at tollbooths— would clearly have outweighed the potential benefits from more efficient use of highway capacity. Now, electronic metering and billing are making per-mile charges a practical option.

One possibility discusses by the CBO is the “pay at the pump” option for collecting the tax.

Implementation costs of a VMT system would depend heavily on its scope and scale but also would be affected by some choices about specific technologies. For example, initial capital costs might be higher but operational costs might be lower if the VMT taxes were collected “at the pump,” the method tested in the Portland pilot study and already used for collecting fuel taxes, rather than through periodic invoicing from a central office to individual users, the approach tested in the Puget Sound study. If VMT taxes were collected at the pump, each time fuel was purchased, information would be sent from a device in the vehicle to a device at the filling station. The data would identify the accumulated charges themselves or list miles traveled (identified if necessary by times and locations) since the previous purchase. The appropriate amount of taxes would be collected as part of the fuel- purchasing transaction.

Basically, “a device in the vehicle” would send data to the gas station, then onto, one assumes, the appropriate taxing agency, and the cost per gallon would be increased according to the VMT data collected.

Check your mail for the time and place of your appointment to have your car retrofitted with the government-approved VMT monitor.



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Worried about the fact that such a program will reveal too much of your comings and goings to the never-blinking eye on the Potomac? The CBO isn't.

Although many policy issues can be analyzed primarily in terms of effects on efficiency and equity, proposals for VMT taxes may involve a third important category of effects — namely, effects on people's ability to keep information about their driving private. The type of VMT tax that provides the strongest incentive for efficient highway use could pose the greatest concerns about protecting users' privacy. Specifically, the more detailed the information a system uses — including the data on location and time of travel needed to discourage travel on congested roads — the more the information could be used to reconstruct, or even monitor in real time, a vehicle's travel.

To be fair (equitable), if you want smooth roads and you want to do the right thing and pay your fair share of the maintenance, then the least you can do is surrender your privacy and let the government strap a VMT measuring device on your car. It's the right thing.

There you have it. The CBO has dotted all the Is and crossed all the Ts. Not only have they worked out the who, what, why, when, and how of the new taxes, but they've already chosen a few choice "wheres" to test out the system.

Four studies in the United States have tested approaches to charging drivers to use highways. Three — one each in Portland, Oregon; the Puget Sound region of Washington; and Atlanta, Georgia — examined the effects of assessing drivers vehicle-miles traveled (VMT) charges. All were structured so that participants would not lose money: Each participant was given an initial cash balance based on the number of untaxed miles driven during a baseline period; the participant then kept any money that remained either at the end of a calendar quarter or at the end of the study, depending on the study.

Since the above examples were only "studies," the participants didn't have any real skin in the game. They were given what amounts to Monopoly money and told to drive as they normally would. Unfortunately, when Congress finally enacts such a revenue raising scheme (and, even if they don't, nothing seems to be able to stop the innumerable [federal agencies](#) from making the law without Congress's help), drivers won't be given a lump sum and allowed to keep whatever is left over. The charges will be real and they will be payable out of your own pocket — or else.

There is one way that perhaps we can accomplish the same end (raising revenue) using a similar distance measuring and penalty imposing system. Perhaps we can tax every congressman and senator for every mile they've driven our Republic beyond the borders of their power as on the map of the Constitution. The money owed to the American people under this project would be more than sufficient to offset the highway maintenance deficit.



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