

## **Gas tax pandering has no merit**

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During the last couple weeks, we have watched both Hillary Clinton and John McCain propose a holiday for the summer from the federal gas tax. McCain wants the break just to provide relief over the summer. On the other hand, Clinton wants to enact a "windfall profits tax" on oil companies to make up for the lost revenue (more on that in a moment).

Barack Obama correctly said the ideas proposed by Clinton and McCain were "pandering" to voters, though it is hypocritical considering his own pandering on issues like trade and taxes, but I digress.

Economists say that the proposed holiday would offer very little to no relief to consumers and could potentially drive up gas prices due to increased demand since the supply of gas is already fixed for the next few months. In fact, more than 200 economists signed a letter opposing any holiday from the gas tax. Also, the Tax Foundation pointed out that such a holiday would not even apply in Nevada, California, Oklahoma and Tennessee, noting that these states have "a provision in the state's tax law which states that if the federal gas tax is lowered, that state's own gas tax will increase by some amount."

As I mentioned above, Clinton's plan is to shift the bill from consumers to oil companies. She recently told a crowd in North Carolina that, "We can choose to have you continue to pay the federal gas tax this summer, or we can choose to try to make the oil companies pay it out of their record profits."

I realize that class warfare and populism are irresistible to most politicians, but it is intellectually dishonest to assert that oil companies are raking in obscene profits when the profit margins are at the market average.

The profit margins, after tax income divided by sales, of oil companies are the guideline. ConocoPhillips has one of the lowest profit margins at 6.75 percent. BP's profit margin is 7.66 percent, Shell is at 8.35 percent, Chevron is at 8.44 percent, and Exxon Mobil has a profit margin of 10.82 percent, which is slightly above the market average. To break it down even more, these oil companies average about 8.5 cents on the dollar in profit.

Let's contrast the 8.5 cents in per dollar in profit the oil companies make to the amount of taxes that federal and state governments take in on a gallon of gas. According to the Energy Information Administration, in March, the most recent statistics available, federal and state taxes account for an average of almost 39 cents per gallon, and this does not include corporate income taxes paid by oil companies, and corporate income taxes are simply passed on to the consumer.

A windfall profits tax would increase oil imports and discourage domestic production. The National Center for Policy Analysis found that the 1980 Crude Oil Windfall Profits Tax, signed into law by then President Jimmy Carter, caused domestic oil production to fall by as much as 6 percent and imports to increase up to 16 percent - so much for independence from foreign oil. It also resulted in higher prices at the pump because of decreased production.

Any windfall profits tax would also discourage investment and research of renewable and alternative energy sources by oil companies, something that oil companies are actively pursuing currently.

Among the reasons for high gas prices are increased demand thanks in part to economic expansion in China, turmoil in the Middle East caused by our misguided foreign policy, and the lack of refining capacity due to environmental regulations put on the industry by busy-body bureaucrats and members of Congress.

We would not need a federal gas tax at all if members of Congress would spend tax dollars wisely instead of wasting it on pork barrel projects. Privatization of new roads or expansion of existing roads and perhaps turning over transportation issues to the states are policy changes that should be considered.

No one likes paying more at the pump, myself included, and I know it upsets some Americans to see other people make money, though I'd like to believe that we live in a country where hard work and success are rewarded. But with the constant pandering to voters and the rise of populism, you cannot help but wonder when Atlas will finally shrug.