

Excise Taxes

7a. Gasoline Tax

This plan increases the federal gasoline tax from \$0.184/gallon to \$0.50/gallon, an increase of \$0.316/gallon, brings in **\$86 billion annually**, and distributes the revenue as follows:

- \$0.20 to the Highway Trust Fund for the repair, maintenance, and construction of our Interstate Highway system.
- \$0.07 for the construction of mass transit projects.
- \$0.03 to the Leaking Underground Storage Tank (LUST) Trust Fund.
- \$0.20 for construction of the infrastructure (grid) necessary for the nationwide implementation of renewable, nonpolluting energy sources and technologies.

This revenue is specifically earmarked to upgrade our transportation system and bring us into the 21st century by transitioning our economy from polluting fossil-fuels to renewable, non-polluting energy. The critics will immediately complain that this tax will stop the public from driving because the cost of gasoline will become too high, and then they will claim it will be detrimental to our economy. In both cases they are wrong.

Since the public is currently forced to purchase gasoline at historically high prices, the addition of the \$0.316/gallon tax increase is in line with price fluctuations that have taken place over the last ten years. Motorists have seen prices climb to as high as \$5/gallon, and still continue to drive. The only difference here is that the increased cost goes to the government in the form of revenue and not to the oil companies in the form of profit. This tax will not be the deciding factor used to determine whether someone purchases gasoline, especially when the public becomes aware of the real cost of gasoline.

The real cost of gasoline

The oil industry has out-sourced to the American taxpayer some of the major expenses that should be included when determining the cost of producing hydrocarbon products and their resulting selling price. This has allowed the consumer to purchase gasoline and other oil industry products at government subsidized prices that do not reflect their true costs. The true costs include:

- **Military costs**
The military expenditures necessary to protect foreign oil fields and the shipping lanes used to transport oil to America are *not* reflected in the price we pay for the gasoline we purchase. If they were, it would add at least \$1.17¹ and perhaps as much as \$8.00² to the cost of each gallon of gasoline.
- **Health Care costs**
The burning of fossil fuels creates the pollution that poisons our population manifesting in diseases such as asthma, emphysema, and cancer. The health care costs for treating these medical conditions *not* reflected in the cost of a gallon of gasoline are approximately \$3.00 per gallon.³

¹<http://www.iags.org/n1030034.htm>

²http://www.setamericafree.org/saf_hiddencostofoil010507.pdf

³http://www.nytimes.com/2009/10/20/science/earth/20fossil.html?_r=0

<http://www8.nationalacademies.org/onpinews/newsitem.aspx?RecordID=12794>

<http://www.apha.org/NR/rdonlyres/8CB9D85D-3592-4C0B-8557-C22E925F75A7/0/FINALHiddenHealthCostsLongNewBackCover.pdf>

- **Environmental costs**

It is estimated that the cleanup costs due to damage done to our environment by the extraction of fossil fuels and their subsequent transport to refineries that are *not* reflected in the gasoline we purchase is approximately \$2.00 per gallon.⁴

When added together, **the true cost of gasoline rises by a minimum of \$9.00/ gallon.**^{5 6 7 8} So, if someone was filling up the car at the local gas station and the stated price was \$3/gallon and they put 12 gallons into the tank, the real price would not be the \$36 they were charged but \$144.

Since all hydrocarbon products are the beneficiaries of these government subsidized policies, all hydrocarbon products are similarly underpriced.^{9 10 11 12} Therefore, it is unfair to compare the current costs of alternative energy to the price of fossil-fuel energy. However, when the above facts are taken into account alternative energy is more than competitive with, and in some cases even less expensive, than fossil fuel-based products.¹³ Also, by 2020, wind and solar energy will be consistently cheaper than fossil-fuels.¹⁴

Economic implications

The claim that increasing the tax on gasoline will hurt the economy is also wrong. In fact, just the opposite is true. Since this revenue is allocated to maintain and improve our inter-state highway system, to fund mass transit projects within and between major cities, and to create the grid necessary to convert our economy to renewable, non-polluting energy sources and technologies, tens of thousands of high paying jobs will be created. So, rather than hurting the economy, it will actually expand our economy.^{15 16}

The science and technologies necessary to provide our nation with cost competitive, renewable, non-polluting energy already exist. For example, Germany, the second cloudiest country in Europe, has created over 300,000 jobs over the last 10 years from solar and renewable energies. This generates 17% of its energy requirements which is the equivalent of eight (8) nuclear power plants that did not have to be built. In comparison, the U.S. uses less than 1% of renewables to produce our energy. And, while Germany might get to 100% renewable energy by 2030,¹⁷ conservative estimates are that the United States could only get to 27% by 2030.¹⁸

⁴<http://toniroman.hubpages.com/hub/The-True-Costs-of-Pollution>

⁵<http://www.progress.org/cobb01.htm>

Depending upon which sources you site, most researchers estimate that when the above factors are taken into account, the true cost of gasoline ranges from \$10.50 to \$15.00 per gallon.

⁶<http://green.autoblog.com/2011/06/20/video-true-cost-of-gas-in-us-is-closer-to-15-a-gallon/#continued>.

⁷<http://www.dylanratigan.com/2011/08/03/whats-the-real-cost-of-gas-in-america/>

⁸http://www.huffingtonpost.com/2011/06/22/true-cost-of-gas-video_n_882323.html

⁹<http://newclimateeconomy.report/energy/>

¹⁰<http://tckctck.org/2015/01/renewable-energy-cost-competitive-fossil-fuels-shows-study/>

¹¹<http://www.bloomberg.com/news/articles/2015-04-14/fossil-fuels-just-lost-the-race-against-renewables>

¹²<http://meic.org/issues/montana-clean-energy/cost-of-wind-vs-fossil-fuels/>

¹³ <https://www.lifegate.com/people/lifestyle/wind-solar-cheaper-fossil-fuels>

<https://qz.com/1125355/solar-and-wind-are-now-the-cheapest-energy-around-unless-you-need-to-store-it/>

<https://www.ecowatch.com/solar-cheaper-than-fossil-fuels-2167117599.html>

¹⁴<https://www.forbes.com/sites/dominicdudley/2018/01/13/renewable-energy-cost-effective-fossil-fuels-2020/#3e2b5c264ff2>

¹⁵See Section 7.a. Gasoline Tax

¹⁶<http://www.renewableenergyworld.com/rea/news/article/2014/01/new-solar-job-statistics-released-but-other-renewables-are-growing-too>

¹⁷https://www.youtube.com/watch?v=BfRmxdukN1I&feature=player_embedded#at=102

<http://www.technologyreview.com/review/419464/the-german-experiment/page/2/>

¹⁸<http://cleantechnica.com/2015/01/14/us-renewable-energy-jump-7-5-27-market-2030/>

The reason the United States lags behind Germany and other countries in the utilization of alternative energies is due to the lack of a cohesive national energy policy. This is due to cultural, ideological, economic, as well as governmental differences.¹⁹ The pragmatic solution is to enact this tax which will cut through the current barriers and give us the revenue and mandate necessary to transition our economy to the use of renewable, non-polluting energy and technologies. This tax will help our economy and society in many ways. For example:

- Since this tax increases the budget for the Highway Trust Fund by 37.55%, increases the budget for mass transit projects by 144.76%,²⁰ and funds the construction of the grid necessary for the nationwide implementation of renewable, non-polluting energy sources and technologies, tens of thousands of high paying jobs will be created. This puts money in the pockets of consumers which will then be spent on products and services, expanding the economy while generating more tax revenue for the government.
- The fact that major components of these new technologies, such as, high speed rail systems, turbine engines, and solar panels are required to be manufactured in the United States will help rebuild our manufacturing base (Section 7.a.iv.1).
- The burning of fossil fuels and the use of nuclear energy creates the pollution that poisons our population manifesting in diseases such as asthma, emphysema, and cancer. Transitioning to renewable, non-polluting energy sources and technologies will decrease the number of people afflicted with these diseases, and therefore reduce the medical costs associated with their care.
- Converting to renewable, non-polluting renewable energy sources found within the United States will end our dependence on foreign suppliers for our energy needs. Spending our tax dollars in America, on our own resources, will stop enriching foreign countries at the expense of the American economy and reduce the "need" to engage in foreign wars to secure the energy resources necessary to run our economy.
- The federal government could increase the amount of solar powered homes by guaranteeing low cost loans banks would make to residential home owners who agree to update their homes with solar panels. The utility companies would be required to buy back the surplus energy at the highest market rate and this income would then be used by the home owner to pay back the bank. This win-win scenario will decentralize the power grid and lower our need for fossil fuel-based power plants.
- The federal government could encourage the states to require all new office buildings be constructed with solar panels on their roofs. Sensible exceptions would include buildings over 10 stories tall, buildings with less than 2,000 square feet, and buildings covered in shade. This policy would reduce our dependence on fossil fuels and decentralize our energy grid.
- The conversion from fossil fuels to renewable, non-polluting energy will reduce the emissions that produce global warming and damage our environment. Helping to save our planet from global warming is a contribution of great magnitude.

¹⁹https://www.cov.com/files/publication/ce0ce0e2-1d8b-4ef4-8dd9-5bffa4af86f8/presentation/publicationattachment/5b91deeb-1583-46b7-a048-624472b2d90f/why_the_united_states_does_not_have_a_renewable_energy_policy.pdf

²⁰ Section 8.k.iii., also directs the states to spend 65% of their reimbursement money from their Federal Reimbursement Account #1 on existing infrastructure, light rail, and other mass transit projects.

- Converting to renewable, non-polluting energy sources and technologies will create a new energy model for other countries to emulate, and this model will lead the world away from its current dependence on fossil fuels. This has enormous implications for world peace.

As you can see this small, dedicated tax will have enormous and profound effects. It will wean America and the world off the use of fossil-fuels. It will lead America and the world into a new age of non-polluting energy sources and technologies. It will do all this and at the same time promote economic prosperity for America and the rest of the world.

Authors note: The public has always been forced to pay higher and higher prices for gasoline because the oil companies have a domestic monopoly on the production and distribution of gasoline. They decide the amount of refined oil products they want to sell on the world market and how much they want to sell into our domestic market. Under these circumstances, the public is forced to pay whatever price the oil companies determine it to be.

The price of gasoline is also determined by Wall Street speculators. The speculation in oil futures increases the cost of a barrel of oil between 15% ²¹ and 40% ²², and while this helps enrich Wall Street traders, it harms the American public by increasing not only the price of gasoline, but all products made from hydrocarbons. This damaging behavior can be stopped in several ways.

First, the laws governing the purchase of futures contracts could require the buyer to actually take possession of the commodity. Second, the percentage used to leverage the purchase of futures contracts could be increased by a factor of five. And third, a tax could be placed on the transactions pertaining to the purchase of futures contracts. These regulations would effectively end the manipulation of the futures market for oil, and therefore reduce the cost of a barrel of oil between 15% and 40%.

Once speculation in oil options is eliminated, gasoline prices will fall. Motorists will be astonished to learn that even though this plan increases the tax on gasoline by \$0.316 per gallon, it will be more than offset by eliminating the speculation in oil futures. This reform will reduce gasoline prices by at least \$0.45/gallon, and possibly as much as \$1.20/gallon (based on gasoline costing \$3.00/gallon). And, since \$0.20 of this tax goes directly to construct the grid necessary to convert our economy to renewable, non-polluting energy sources and technologies, our country will be the direct beneficiary of a cleaner environment, reduced health care costs, and a safer world.

²¹http://www.huffingtonpost.com/2012/03/20/wall-street-speculation-oil-price_n_1367896.html

²²http://www.salon.com/2012/05/04/wall_streets_oil_scam/

7b. Natural Resources Royalty Tax

For far too long the public has not received fair compensation from the royalty agreements made between our government and the corporations that exploit the natural resources found on federal land. By definition, natural resources found on federal land belong to the people. Therefore, it is only right that the people be fairly compensated for the exploitation of these resources. Section 7.b. addresses this problem by requiring all corporations who exploit resources found on federal land to pay realistic royalties. This will bring in \$5 billion annually. (see Appendix F)

In the 95 years since the Mineral Leasing Act set the federal royalty rate for oil and gas at 12.5%, oil and gas revenue policies have remained firmly fixed in the past while state governments and private landowners have, time and again, updated the terms for development on their lands.²³

To remedy this situation, this plan sets royalty rates for oil and gas and at a minimum of 18.5%, and, depending on market conditions, up to 25%. This is in line with what states like Texas charge, and in line with royalties paid in European countries.²⁴

For various reasons, the coal industry has been able to underpay royalties owed. This has been addressed by raising the royalty rate from 12.5% to 15%, and valuing coal using the gross market value—meaning transportation costs are no longer deductible expenses.

Currently, the federal government does not collect royalties from gold, silver, copper, and other minerals extracted from public land. This denies the public revenue it is rightfully entitled to. Therefore, this plan places a 12.5% royalty on all hard rock minerals extracted from federal lands.

It is important to point out that imposing royalties on our natural resources that had not been taxed before, and raising overall royalties does not constitute an undue burden to industry. However, if a corporation feels that paying a royalty is not in its' best interest, or that the royalty rate is now too high, they are under no obligation to continue with their operations. They should simply move on to other endeavors. From the public perspective, this reform simply remedies an unreasonable situation by collecting a fair return on the exploitation of our natural resources.

The Natural Resources Royalty Tax will bring in **\$5 billion annually**.

²³<https://www.americanprogress.org/issues/green/report/2015/06/19/115580/federal-oil-and-gas-royalty-and-revenue-reform/>

²⁴Ibid