Press Release

Examining the Costs of a Federal Gas Tax Holiday

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Rising gas prices due to the ongoing conflict in the Middle East have prompted calls for a federal gas tax holiday. In a new insight, Director of Fiscal Policy Jordan Haring examines the fiscal and economic implications of a federal gas tax holiday.

Key points:

> - *President Trump has expressed support for suspending the gas tax temporarily and both Republicans and Democrats in Congress have introduced legislation to do so.*
> - *Any gas tax holiday would impose costs on the federal budget; a one-month suspension would cost $3.4 billion, a three-month suspension $10.3 billion, and a full-year suspension $41.0 billion.*
> - *Depending on the length, a gas tax holiday could push insolvency of the Highway Trust Fund up by several weeks to 18 months.*
> - *The consumer benefits of a gas tax suspension would be immediate, but modest; for example, a household that uses 50 gallons of gasoline per month would save $9.20 from a one-month suspension, $27.60 from a three-month suspension, and $110.40 from a full-year suspension.*
> - *A federal gas tax holiday could create broader economic distortions, including undermining economic incentives for fuel efficiency and energy conservation; moreover, a gas tax holiday is an ineffective anti-inflation strategy, since fuel prices are primarily driven by crude oil markets, geopolitical conditions, and refining capacity constraints rather than federal tax levels.*

Read the analysis.