



The Daily Dish

There He Goes Again

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As the Gipper used to say, “there he goes again.” President Biden is indicating he is once again engaged in a dalliance with a gas tax holiday. As *Bloomberg* [reported](#): “‘Yes, I’m considering it,’ Biden said while speaking to reporters on the beach in Delaware on Monday. ‘I hope I have a decision, based on data I’m looking for, by the end of the week.’”

It is unclear what “data” he is looking for, but Eakinomics still considers this a [bad idea](#). At the most basic level, prices will decline only if the demand falls or the supply increases. A gas tax holiday will not decrease demand by a single gallon, raise supply by a gallon, or change the price of gasoline – especially because it is designed to be temporary. And it affects only gasoline when the real problem is a general rise in prices. It is empty politics.

On the other hand, there is some data that the president might want to consider. Recent [research](#) at the University of Pennsylvania has looked at the experience of three states – Maryland, Georgia, and Connecticut – that have enacted gasoline tax holidays. Per the researchers: “Maryland suspended its state tax of 36.1 cents per gallon on gasoline and 36.85 cents per gallon on diesel from March 18 to April 16 this year. Georgia lifted its state fuel taxes for 10 weeks from March 18 until May 31 including a tax of 29.1 cents per gallon on gasoline and a tax of 32.6 cents per gallon on diesel. Finally, Connecticut suspended its state tax on gasoline of 25 cents per gallon from April 1 to June 30.”

In each case, the holidays are relatively short and the taxes higher than the federal gas tax of 18.4 percent. And the researchers find something quite interesting – “...evidence that recent suspensions of state gasoline taxes in three states were mostly passed onto consumers at some point during the tax holiday in the form of lower gas prices: Maryland (72 percent of tax savings passed onto consumers), Georgia (58 percent to 65 percent) and Connecticut (71 percent to 87 percent). However, these price reductions were often not sustained during the entire holiday.” So, the good news is that prices fall after the introduction of a tax holiday. The bad news is that as the market adjusts over time, that consumer benefit fades.