

## Federal Gas Tax:

### *Household Expenditures from 1965 to 1995*

The U. S. Congress passed the first federal tax on gasoline in 1932. States had been collecting taxes on gasoline since 1919, but Congress did not implement a federal gasoline tax until it identified a general revenue shortfall in 1932. Receipts from the federal tax went to the general fund until 1956, and taxes on other motor fuels were added during this period. Beginning in 1956, motor fuel taxes were earmarked for the Federal Highway Trust Fund, which provides funding for surface transportation. Several increases were enacted after 1956, with a portion going to deficit reduction beginning in 1990.

While federal motor fuel taxes increased in current dollars from 4 cents per gallon in 1965 to 18.4 cents per gallon in 1995, the impact on household expenditures, in constant dollars, has actually shown a decline. This report traces household expenditures on federal motor fuel taxes and the trends in vehicle travel and fuel economy over three decades.

- In current dollars, federal motor fuel taxes paid per household increased more than fourfold from \$32 in 1965 to \$138 in 1995. When the deficit reduction portion is excluded, the 1995 amount is reduced to \$92 (figure 1).
- However, when the effects of inflation are removed (i.e. measured in constant dollars) federal motor fuel taxes paid by the average American household, including the deficit reduction portion, actually declined 11 percent between 1965 and 1995 (figure 2).
- When the deficit reduction portion is excluded, federal motor fuel taxes paid per household declined 41 percent in constant dollars over the three decades from 1965 to 1995.

When measured in constant dollars, expenditures on federal motor fuel tax per household remained virtually unchanged until the first oil crisis in 1973-74. Fuel consumption rose in tandem with vehicle travel (figure 3), with the effects on household expenditures offset by moderate inflation. Following the oil crisis, fuel consumption remained flat even as growth in travel resumed, thanks to improved fuel economy. From 1972 to 1982, household expenditures on federal fuel taxes in constant dollars dropped with inflation and improved fuel economy. Since 1982, increased travel and higher tax rates have overcome the effects of improved fuel economy and pushed household expenditures up.

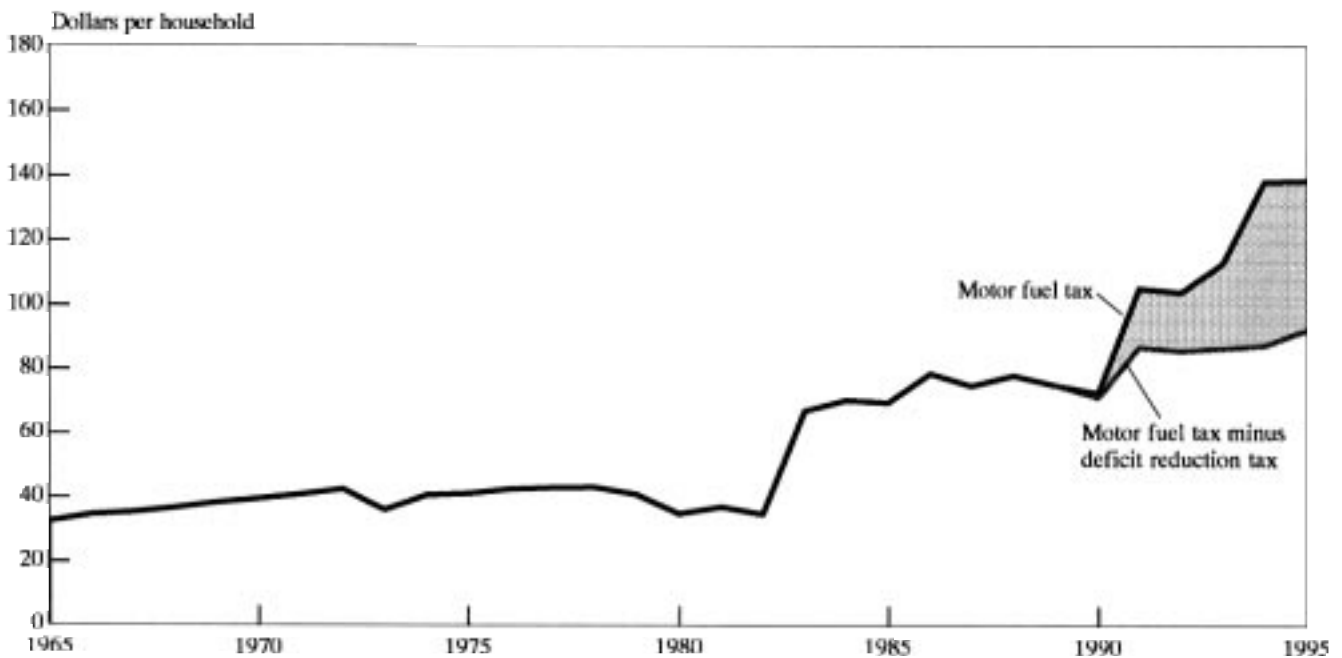
#### **Data Sources and Reliability**

These calculations are based on data from the Consumer Expenditure Survey (CES) from the Bureau of Labor Statistics, Highway Statistics by the Federal Highway Administration, and the Transportation Energy Data Book by Oak Ridge National Laboratory. Gasoline, diesel, and gasohol expenditures are differentiated. Relationships between vehicle travel, fuel consumption, and expenditures are used to estimate federal motor fuel taxes paid per household for the years prior to 1984, when annual CES data are not available.

Data from the CES are subject to sample and nonsample errors, and estimates reported in Highway Statistics and the Transportation Energy Data Book may also be subject to errors. Refer to the source publications for more information.

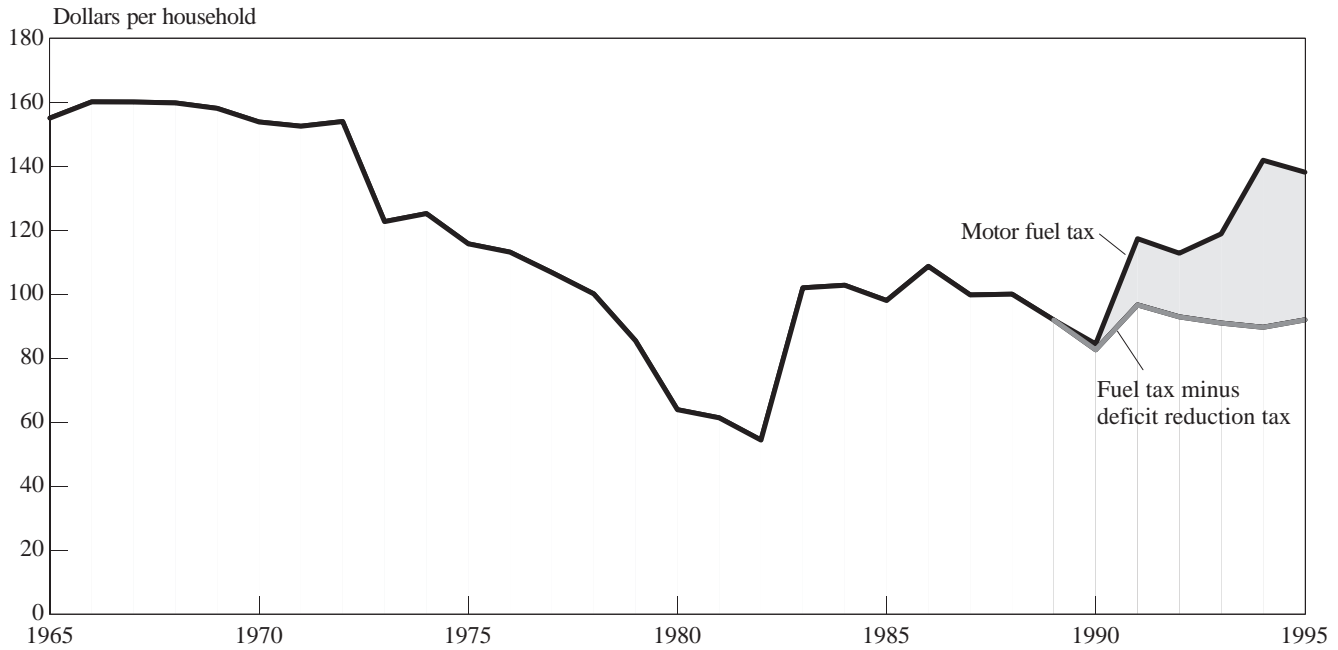
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Figure 1.  
**Federal Motor Fuel Tax per Household**  
(Based on CES estimates, current dollars)



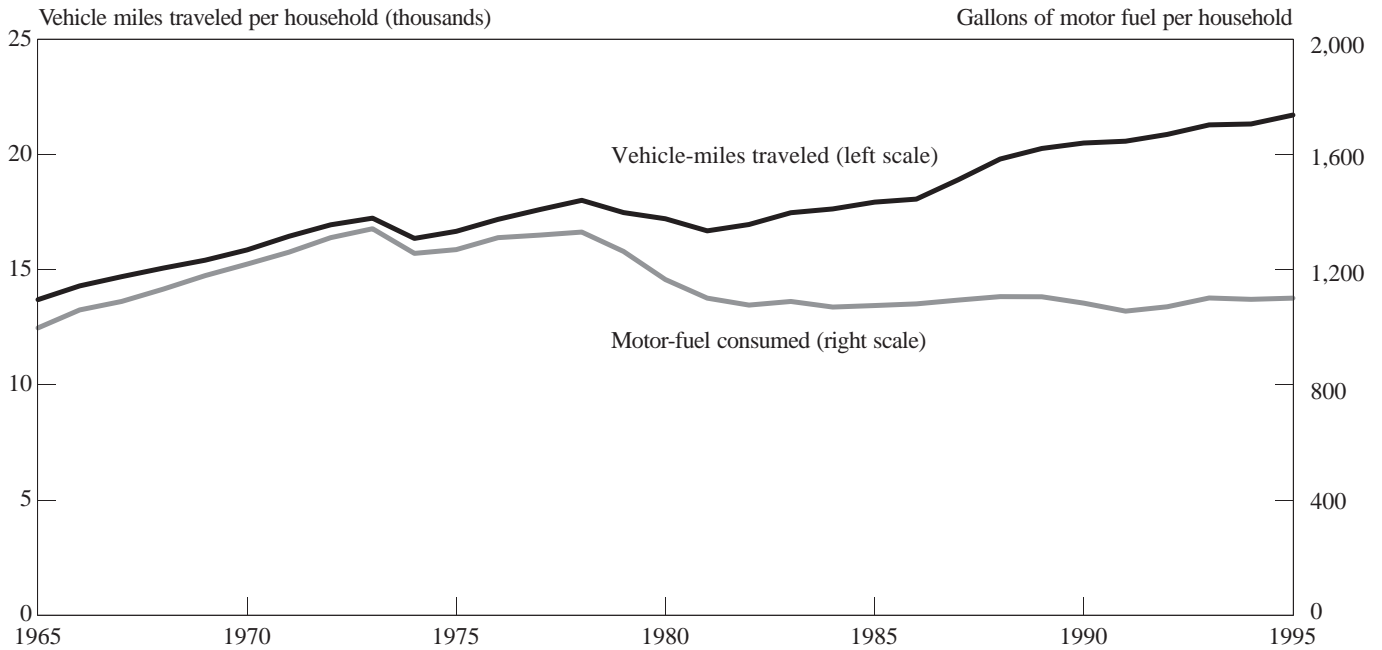
Source: U.S. Department of Transportation, Bureau of Transportation Statistics, August 1997.

Figure 2.  
**Federal Motor Fuel Tax per Household**  
 (Based on CES estimates, 1995 constant dollars)



Source: U.S. Department of Transportation, Bureau of Transportation Statistics, August 1997.

Figure 3.  
**Vehicle-Miles Traveled and Fuel Consumption per Household**



Source: U.S. Department of Transportation, Bureau of Transportation Statistics, August 1997.

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