SOY TRANSPORTATION COALITION

NEWS RELEASE

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Soybean Farmers Explore Alternative, Sustainable Approach to Fuel Tax

Ankeny, Iowa – Many interest groups, including soybean farmer organizations, have proposed raising the tax on gasoline and diesel fuel in order to pay for needed repairs to our surface transportation system. Despite the aversion of many to higher taxes, many believe doing so would be reasonable and would provide sizable enhancement to the economies of individual states and the nation. However, many continue to agree that increasing the federal or state gasoline and diesel tax remains a challenging prospect.

A recent study funded by the soybean checkoff examines the impact of a proposed legislative concept introduced on a federal and individual state level that would primarily make the following adjustments: 1.) Immediately reduce the gasoline and diesel tax by one cent and 2.) Immediately index the gasoline and diesel tax to inflation.

"One of the most frequently expressed criticisms of the financing approach used by our nation and many states to maintain and improve our roads and bridges is that it is not sustainable," says Patrick Knouff, a soybean farmer from Minster, Ohio, and chairman of the Soy Transportation Coalition. "The costs of steel, concrete, labor, machinery, etc. go up over time, yet our nation and many states rely on a fuel tax that is fixed and does not adjust. As the cost to maintain and improve roads and bridges increases, the country and those states that utilize a fixed cent per gallon fuel tax are experiencing funding shortfalls between the needs of the surface transportation system and the revenue to address them."

The study was performed by Indiana University's School of Public and Environmental Affairs and focused on three key questions:

1.) What would be the effect on the nation and on the twelve individual states* that comprise the Soy Transportation Coalition of a one cent reduction in gasoline and diesel taxes?
2.) What would be the effect on the nation and on the twelve individual states of linking the gasoline and diesel tax to inflation in 2014 in terms of annual state fuel tax revenue through 2025?
3.) How much additional revenue could have been generated in the nation and in the twelve individual states from linking the gasoline and diesel tax to inflation the last time fuel taxes were adjusted?

Upon initial examination, the prospect of reducing our gasoline and diesel tax by any amount appears misguided given the dilapidated condition of our surface transportation system. Many believe we need more funding, not less. However, the proposal approaches this issue from a perspective of what is possible, not what is ideal. Many transportation stakeholders have concluded that the ideal has proven to be elusive up to this point and that this will likely continue into the future.

One of the widely expressed concerns with our nation's tax on gasoline and diesel fuel is that it is not sustainable due to not being indexed to inflation. While many policymakers acknowledge the need to remedy this problem, many also desire to provide some sort of concession, albeit modest, to the taxpayer when addressing the fiscal challenges confronting the surface transportation system. The one cent reduction in the fuel tax is an example of such a concession to the taxpayer. The proposal is not an attempt to rectify all the nation's transportation challenges. Rather, the proposal was developed to present a more realistic chance to introduce some sustainability to our transportation financing. If achieved, many would regard this as a significant step forward.

"The research highlights that, upon implementing this proposal, the initial revenue foregone by the immediate one cent reduction can be quickly recovered," explains Mike Steenhoek, executive director of the Soy Transportation Coalition. "For the nation and the individual states analyzed, it requires four to five years before the cumulative loss of the one cent reduction would be fully recovered. Therefore, in four to five years, fuel tax revenues would be in positive territory and increasing with each succeeding year. As a result, the need for the decision makers to routinely debate and consider adjusting the fuel tax will be significantly reduced because of the index to inflation."

*The following twelve member states of the Soy Transportation Coalition were analyzed in the research:

- Illinois
- Indiana
- Iowa
- Kansas
- Kentucky
- Michigan
- Minnesota
- Nebraska
- North Dakota
- Ohio
- South Dakota
- Tennessee

The full results of the study can be accessed at www.soytransportation.org.

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Established in 2007, the Soy Transportation Coalition is comprised of twelve state soybean boards, the American Soybean Association, and the United Soybean Board. The goal of the organization is to position the soybean industry to benefit from a transportation system that delivers cost effective, reliable, and competitive service.