

## Would plan to suspend gas tax help?

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Gas prices had risen 67 percent in 12 months.

They were within spitting distance of a level long thought unreachable.

The spike caused Illinois lawmakers to temporarily slash the state's sales tax on gasoline to give motorists summer relief.

That was in 2000, when gas prices were \$1.80 a gallon in Rockford. Now, prices are twice as high and some lawmakers want to cut the tax again.

It's unclear whether they'll succeed. It's even more unclear how much money consumers would save.

The average Illinois motorist saved only \$20 from the tax break, or about the price of a tank of gas back then, according to a report by the American Road & Transportation Builders Association. While the state eliminated 7.5 cents a gallon in taxes, prices only fell about 4 cents per gallon on average.

David Bauer, the group's senior vice president for government affairs, said gas prices aren't significantly affected by tax rates, because they make up a fraction of the overall price. Prices dropped immediately after the Illinois tax break went into effect, but then people started driving more and prices rose back up.

"I think the economics are still the same," Bauer said. "The price of something is where it is because of the laws of supply and demand, and the laws of supply and demand are going to be in effect whether or not you take away the sales tax or the gas tax."

A similar study by the National Bureau of Economic Research found the moratorium caused a 3 percent drop in state gas prices compared with surrounding states.

That was for a six-month moratorium on the sales tax. The current proposal — stalled in the Illinois House — is for a three-month moratorium so, with gas prices twice as high, the savings could be similar.

But even a small savings would help, proponents say.

U.S. Rep. Don Manzullo, R-Egan, said Monday he supports both a three-month moratorium on the 18.4-cent federal gas tax and cuts to the state taxes (his Democratic challenger, Bob Abboud, also supports a short-term break on the federal tax but doesn't have a position on state taxes). Manzullo said the cuts could help Illinois motorists afford a summer vacation.

Local residents are mixed on whether cuts would help.

Machesney Park resident Scott Roach drives every day to jobs as an independent contractor. He said he supports anything that could reduce gas prices, even if only partial savings are passed on to consumers.

"I would be more willing to take jobs out of town," he said. "I would be able to go to Beloit or the suburbs of Chicago or Freeport."

But Lowanda McNeely of Rockford agrees with Democratic presidential candidate Barack Obama, who said cutting gas taxes would help oil companies, not consumers.

"People would drive more and it would cause gas prices to go up more," she said.

Illinois House Republicans have proposed a bill to cut 5 percent of the Illinois sales tax on gasoline for the summer.

U.S. Rep. Dave Winters, R-Shirland, said that's a better way to give motorists relief at the pump than cutting either the federal or state excise tax, which are flat taxes that fund highway projects. The state sales tax instead goes into the general fund.

But Steve Brown, spokeswoman for Democratic House Speaker Michael Madigan, called it a "gimmick".

"It sounds like a great idea, but in Illinois we already tried this and it's been an absolute failure," Brown said.

In 2000, the state lost about \$147 million in tax proceeds, according to the Illinois Economic and Fiscal Commission. Brown said Illinois can't afford to lose that kind of money again, especially when it's paying for high fuel costs itself.

David Sykuta, executive director of the Illinois Petroleum Council, said the reason the Democrats oppose a moratorium is because the tax is making

much more money than expected, due to high gas prices.

"The state would be in much worse fiscal shape if they had to rebate some of that money," he said.

Sykuta supports the Illinois moratorium, and disagrees with studies that say the last one didn't help motorists.

"The overall price didn't go down because the wholesale price went up. Taxes are only one factor in the price, the tax portion did go down," Sykuta said.

"If they didn't take the sales tax off, the price would have gone up even higher."

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