



## An Idea: Repeal or Amend the US Gas Guzzler Tax

Posted by [Gail the Actuary](#) on May 25, 2009 - 9:29am

Topic: [Economics/Finance](#)

*This post is a guest post by [Morgan Downey](#). Morgan is a commodities trader and author of the recent book [Oil 101](#).*

The US gas guzzler tax was created in the Energy Tax Act of 1978 and designed to discourage the purchase of inefficient vehicles. It had precisely the opposite effect.

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The tax is paid by a vehicle buyer at the point of purchase and not by the manufacturer. The tax is posted on the same window sticker as the EPA MPG rating at a new vehicle dealership. The gas guzzler tax only applies to cars. As SUVs and light trucks are not affected, the tax has created a major incentive since 1978 to purchase a heavy vehicle. Light truck and SUV sales have gone from around 20% of total non-commercial vehicles sold in the US in 1978 to around 50% today (other factors have also played a part, but these have not been government related).

Gas guzzler taxes apply to cars that get less than 22.5MPG, with taxes beginning at \$1,000 and increasing to \$7,700 for cars which get 12.5MPG or less.

Amend the gas guzzler tax to eliminate the exemption for non-commercial light trucks and SUVs or repeal the law entirely and replace with a [Vehicle Efficiency Market](#). This would immediately improve the incentive to become more efficient.



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