Tax Reform: A Missed Opportunity for Transit?

Transit For All

800.891.0590

www.ctaa.org

1341 G Street NW
Suite 250
Washington, DC
20005

Last week the House passed by a largely party-line vote (227-205) a bill that would significantly overhaul the nation's tax code. The Senate Finance Committee — also last week and also along a party-line vote — passed its version of tax reform and sent it to the full Senate, where a vote could come soon after the Thanksgiving recess.

The bills, though different on a number of key aspects, are the same in one important way: they are a lost opportunity for public and community transit. Let's put aside the specifics of issues like the Commuter Tax Benefit, Private Activity Bonds and the future federal tax deductability of state and local taxes for a moment, because there's a bigger concern to consider.

First and primarily, neither of these bills addresses the growing shortfall in the Transportation Trust Fund. There is nothing to increase the federal gas tax in either, nor is any emerging replacement or additional revenue established for all forms of transit's main source of federal investment. That's a problem.

Right now, the FAST Act runs through 2020 and when it expires, we're now looking at a number of precarious federal transit funding years sure to be defined by short-term extensions, all leading to a new surface transportation reauthorization process that begins with the knowledge that the trust fund is about 40 percent short of merely maintaining current programs, to say nothing of addressing transit's $90 billion capital backlog.

Many transit advocates (including yours truly) had long hoped that a tax bill might just provide the ideal moment to finally address the fact that the federal gas tax has not been raised since 1993; that among a large tax bill, a minor adjustment in the federal gas tax would be easier to sell to the American public when it came along with significant, other, tax cuts.

Neither the House nor Senate bill does any such thing. In fact, trips to Capitol Hill this week have revealed many Congressional offices to believe that the only place a federal gas tax increase should be addressed is in what succeeds FAST. History, in the form of the past 24 years and the many surface transportation reauthorizations that have passed into law during those years with no increase in the federal gas tax — even with large, bi-partisan majorities — says otherwise.

Second, the reality of this tax reform process is that the two bills are not currently being used to set aside any real money for an infrastructure program to be developed in early 2018. Without real money, it will be difficult for transit to reach equal footing in an infrastructure program built around innovative finance mechanisms and public-private partnerships (PPPs). Truth is, the increases in the bus and bus facilities capital program that CTAA and its members have been working so hard to more adequately fund is impossible without real money being injected into the infrastructure program conversation.

To be sure, the Senate bill faces significant barriers to its passage in its current state and much political wrangling on the issue remains. And remember, we reached the same place (House passage and Senate consideration) of Health Care reform twice earlier this year without anything eventually being passed. But it's hard to look at what's emerged so far through a public and community transportation lens and not see a giant, missed opportunity.