

THE *Equalizer*

Owen: Legislature may consider tax increase for roads

DAVID LIAS
Managing Editor

David Owen, president of the South Dakota Chamber of Commerce & Industry, told members of the Vermillion Rotary Club Tuesday that South Dakota has talked about doing something about the declining conditions of its roads and highways for years.

Next January, when the South Dakota Legislature meets in Pierre, something unprecedented may happen – action may be taken to begin some significant road repair, he said.

To make that occur, citizens may see their state lawmakers do something that rarely happens – approve a tax increase.

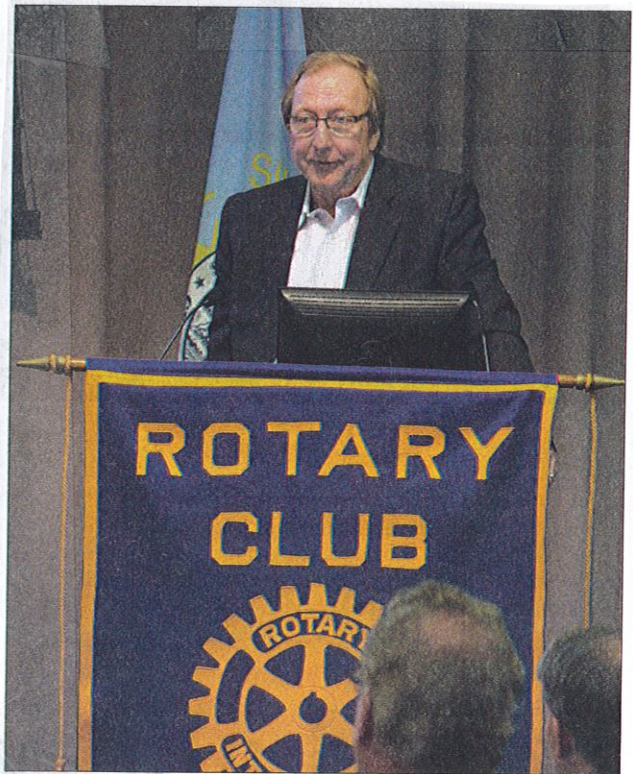
“We’ve been talking about highways for years, and here’s kind of a compelling case,” Owen said. “By 2024, using our current funding (for road repair) 25 percent of our state

pavement miles could be ranked as poor. Poor, by the way, is the point at which you dig them up. Poor isn’t just adding a little more asphalt – poor is real trouble, so suffice it to say we’ve not been maintaining roads as much as we should.”

His statistics point out just how much South Dakotans are dependent on a good system of roads. State residents drive just over 9.1 billion highway miles. There are 83,000 miles of roads in South Dakota, and among that total are 8,800 miles of state highways that are in good shape.

Seventy percent of the roads can be defined as “local,” and their maintenance depends on the narrowest of funding options available.

This summer, a legislative study committee focused on coming up with suggestions on how to fix the problem of the state’s



David Owen, president of the South Dakota Chamber of Commerce and Industry, addresses the Tuesday luncheon meeting of the Vermillion Rotary Club at the Al Neuharth Media Center on the University of South Dakota campus. (Photo by David Lias)

CONTINUED ON PAGE 5

OWENCONTINUED FROM **PAGE 2**

crumbling roads.

Owen seemed confident that many of the committee's recommendations will result in legislation that will be debated by state lawmakers during the 2015 session. He doubts, however, that everything that committee recommends – including tax and fee increases to raise more than \$100 million – will survive the legislative process.

Suggested new funding sources, Owen said, include an increase in the state gas tax of about 2.5 percent annually beginning in 2017 for nine years. Currently, that tax is at 22 cents a gallon. Should such an increase be approved, the state gas tax would increase by 28 cents by the year 2025. Each cent of the tax, he said, would raise \$6.6 million.

Also proposed is an increase in the vehicle excise tax from 3 cents to 4 cents. "We kind of think the auto dealers are supportive of this to this point as long as it's not the only tax increase," Owen said.

A new 3 percent tax has also been proposed, he added, on the wholesale price of gas.

"The advantage of this is as the price goes up, you get more (revenue)," Owen said. "One of the huge problems we have funding roads is that it's all based on gas tax, which is per gallon, and our cars are supposed to be getting better and better gas mileage.

The committee's finding also include levying a new 7-cent-per-gallon tax on dyed diesel, which is currently tax free.

"The fuel (dyed diesel) that goes into combines and tractors – you do not see a tax on it under the rationale that they are not on the roads," Owen said. "Well, nobody owns helicopters to air lift them to the fields, so they do, too (use the roads). The same goes with construction equipment, bulldozers, and excavators. They don't pay the gas tax although the construction companies do pay a sales tax on the dyed fuel."

The proposed new tax on dyed fuel

would raise an estimated \$9.1 million annually. Those revenues would be earmarked for local governments, with a majority of the funds set aside to repair or replace dilapidated local bridges.

"Ethanol – for those of you who buy that, it's only taxed at 8 cents as a subsidy. This (proposal) would move that up by 2 cents a year until it reaches 22 cents," Owen said. Each 2 cent jump, he said, would raise \$750,000; the total proposed increase over time would raise \$5.2 million.

Two years ago, vehicle registration fees were increased, and the committee is proposing they be raised again, by 10 percent. The state currently collects \$86 million annually; a 10 percent increase would generate \$8.6 million a year.

Owen said a wheel tax may also be discussed in the halls of the state Capitol during the 2015 session, with lawmakers perhaps weighing the pros and cons of making it mandatory for counties to levy them. Currently, 46 counties are collecting a wheel tax to raise funds for road repair, and the Clay County Commission has just taken action to add such a tax.

In a brief interview following his talk, Owen noted that the South Dakota Chamber of Commerce has intensely been studying the issue of road repair in the state for the past five years.

"A number of us concluded during the last legislative session that we've probably studied the roads enough," he said. "What we really need to study is tax increases and how we do this. I'm fairly optimistic that we'll have a calmer discussion about increasing total revenues by maybe \$50 million a year," he said. "The bill that's coming out of the summer committee would raise it by \$100 million. I don't see that happening, but I think you'll see a multi-front approach.

"We'll increase the gas tax by a bit; increase registration by a bit; maybe do something with the wheel tax, and perhaps apply a new tax at the wholesale level," Owen said. "It will be a multi-faceted approach, the increases will be small, and our overall taxes will stay modest."