

# As Biden touts gas tax pause, even some of his own officials balk

The president on Wednesday urged Congress to suspend the federal gas tax to cut prices for consumers. Privately, some officials doubted it would work.

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President Biden appealed to Congress on Wednesday to suspend the federal gas tax, saying it was critical to reduce the pain Americans are feeling at the pump. “I promise you I’m doing everything possible to bring the price of energy down,” Biden said, as images of oil pumps and gas stations flickered on the wall behind him.

But the notion of a gas tax holiday was met with instant criticism — not only from members of both parties on Capitol Hill, but even from many officials within the administration who said privately that it would probably do little to significantly lower gas prices.

Top Treasury Department officials expressed doubts about the gas tax holiday, although Treasury Secretary Janet Yellen has said publicly she supports the idea, and at least two top White House economists also privately conveyed reservations, according to two people familiar with the internal deliberations who spoke on the condition of anonymity to disclose sensitive conversations.

Biden’s determination to push ahead despite these internal concerns reflects his struggle to confront an economic landscape that, despite some signs of strength, is of deep concern to many voters. From declaring inflation “transitory” to describing a recession as “not inevitable,” White House officials have veered from one message to another.

They have also cast about urgently for policy moves to bring down Americans’ costs, despite having few obvious policy tools to dramatically reduce the price of gas. Even as Biden on Wednesday [urged Congress to pass the tax holiday](#), asked states to suspend their own gas taxes and demanded that oil refiners produce more fuel, he acknowledged the limitations of his policy prescriptions.

“I fully understand that a gas tax holiday alone is not going to fix the problem,” Biden said. “But it will provide families some immediate relief, just a little bit of breathing room, as we continue working to bring down prices for the long haul.”

Biden asked Congress to suspend the federal gas tax of 18.3 cents per gallon — and the diesel tax of 24.3 cents per

gallon — for three months, a request that comes just before July 4, when millions of Americans are expected to travel for the holiday. The average cost of a gallon of gas hit nearly \$4.955 per gallon nationally Wednesday, down from its record high of more than \$5 per gallon earlier this month, according to AAA.

But the president's request is likely to face tough opposition on Capitol Hill, including from top members of his own party who have already made it clear that they object to a gas tax suspension. It remains unclear what Biden plans to do, if anything, to corral lawmakers into supporting the policy.

Speaking to reporters Wednesday, House Majority Leader Steny H. Hoyer (D-Md.) stressed that he is “sympathetic” to the president's request and that lowering gas prices is an “good objective.” But Hoyer joined other Democrats in expressing a concern it may not “have the intended effect in terms of the retail price.”

And he said Democratic leaders “don't know” if they have the votes to advance it and haven't yet counted.

“[Rep. Peter A.] DeFazio ... [Speaker Nancy] Pelosi, myself, we've all expressed reservations about it. But the president of the United States has proposed it,” Hoyer later added. “We'll look at it. We all agree the price at the pump is hurting working Americans.”

But Biden faces the reality that the seemingly intractable problem of rising prices is threatening to eclipse his agenda and any Democratic political message. Many inside the White House have concluded that the president must at least show he understands Americans' suffering and is doing all he can to help, even if not everything works in the short term.

Some vulnerable Democrats celebrated Biden's announcement.

“I introduced my bill months ago to suspend the federal gas tax & never stopped working to bring Georgia families relief at the pump,” Sen. Raphael G. Warnock (D-Ga.), who faces a tough reelection fight in November, tweeted on Wednesday. “I'm pleased that the President supports this idea, and is finally listening to me & my colleagues about taking this crucial step.”

Still, that is not a universally held view. Eswar Prasad, an economist at Cornell University, said top officials at the Treasury Department have been clear in internal discussions that they believe Americans would probably see only limited benefits from a gas tax holiday, even if Congress were to enact one.

“Treasury has been approaching this from an analytical perspective, and people there realize that the direct economic benefits to consumers are likely to be quite limited, while the budgetary implications would be significant,” said Prasad, who served as an official at the International Monetary Fund, citing conversations with multiple senior officials.

Treasury officials “expressed concerns to the White House that this is not the optimal strategy to tackle inflation and the political benefits are likely to be quite limited,” Prasad said.

In his remarks Wednesday, Biden said that if all his recommended actions were taken together — gas tax suspensions by Congress and the states, and ramped-up production by oil refiners — it could save Americans as much as \$1 a gallon at the pump.

Speaking to reporters this week, Treasury Secretary Janet L. Yellen offered measured support for the idea and for the notion that consumers benefit when the gas tax is suspended.

“A number of states in the U.S. have cut their gas taxes, and I think the research suggests that there is reasonably

high pass-through when a state does it to prices at the pump — not full, but reasonably high,” Yellen said. “At the federal level, we have a lower gas tax than at the state level. The evidence is more mixed.”

She added, “Consumers are really hurting from higher gas prices. It’s been a burden on American households. And I think, while not perfect, it is something that should be under consideration.”

Members of both parties have also raised concerns about the consequences of suspending the gas tax only months after Congress passed a roughly \$1.2 trillion law to improve the nation’s infrastructure. Many federal road and highway programs are funded through a trust fund that is sourced from fuel tax revenue.

“Suspending the federal gas tax will not provide meaningful relief at the pump for American families, but it will blow a multibillion-dollar hole in the highway trust fund, putting funding for future infrastructure projects at risk,” DeFazio (D-Ore.), the top lawmaker on the House’s leading transportation committee, said in a statement before the White House announced its request.

Republicans, who generally support tax reductions of all kinds, dismissed Biden’s proposal as an election-year gimmick.

“This ineffective stunt will join President Biden’s other ineffective stunt on gas prices: emptying out the Strategic Petroleum Reserve that we need in the event of a true national security crisis,” Senate Minority Leader Mitch McConnell (R-Ky.) said on the Senate floor.

Republicans may also be hesitant to give Biden a win on an economic issue of deep concern to voters five months before midterm congressional elections.

But Robert Wolf, the former CEO of UBS Americas and an Obama economic adviser, has championed the step, including during meetings last week at the White House with top officials. Wolf said he met with Ron Klain, the chief of staff, Brian Deese, the director of the National Economic Council, and Heather Boushey, a member of the Council of Economic Advisers, to discuss the gas tax holiday among other economic issues.

Wolf added that concerns about budget shortfalls for infrastructure projects could be assuaged.

“We’ve already come up with trillions for covid relief and tens of billions for the Ukraine war,” he said. “You’re telling me we can’t do something for hard-working Americans at the gas pump?”

Democratic polling experts also defended the move. Celinda Lake, a Democratic pollster who worked for Biden, said calling for a tax holiday shows “strength” and a “willingness to act on all the levers at his disposal,” although she declined to comment when asked whether she’d talked to the White House about the proposal.

Boushey, defending the policy on Twitter, cited research from the University of Pennsylvania that found that consumers benefited in states that instituted a gas tax holiday, though the impact of a suspension of the federal tax would be more limited. “A federal gas tax holiday could help — particularly if states follow suit,” she tweeted, sharing the analysis from the Penn Wharton Budget Model.

While a federal gas tax holiday might be popular with drivers and could give Biden a small political boost, economists also say it risks exacerbating the problem. Artificially bringing prices down sends a signal to consumers to drive more, which could be a problem at a time when there is still a serious fuel shortage.

“We want less people to use less gasoline because there’s a shortage of gasoline, and this would only encourage more use of it.” said Mark Zandi, the chief economist of Moody’s Analytics.

more use of it, said Mark Zandi, the chief economist of Moody's Analytics.

He said he is “sympathetic to the problem they are trying to address” but that a gas tax holiday is “very much on the margin” in terms of lowering gas prices.

It is also unclear whether gas companies, which have been a regular target of Biden’s criticism over the past few months, will eat into their own profits simply because the president says they need to give consumers relief at the pump. Energy Secretary Jennifer Granholm is scheduled to meet with oil company executives Thursday in a search of solutions for gas price increases, though Biden will not personally meet with the executives.

Biden also sought to give the issue a moral cast on Wednesday, attributing the gas price hike to Russian President Vladimir Putin’s war against Ukraine. “It wasn’t just Putin’s invasion of Ukraine — it was the refusal of the United States and the rest of the free world to let Putin get away with something we haven’t seen since World War II,” Biden said.

And even if a gas tax holiday is not highly effective, it is important for Biden to convey that empathizes with Americans’ struggles, his supporters said.

“I think they know it’s not going to have a big impact on prices,” said Dean Baker, a liberal economist and White House ally. “It looks like you’re doing something, but it’s not really — I think they know that.”