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An International Perspective on Gasoline Taxes

By Sonya Hoo and Robert Ebel

In the wake of Hurricane Katrina, much attention has been paid to rising gas prices in the United States. While U.S. gasoline prices were indeed at a historical high after Katrina, they are both declining and much lower than gas prices in other countries. In the second quarter of 2005, gasoline prices internationally varied from an average of \$2.01 per gallon in the United States to \$6.77 per gallon in Turkey. Those numbers take into account both excise taxes on motor fuel and, in the United States, the state and local general sales taxes, and in the other OECD countries the value added tax.

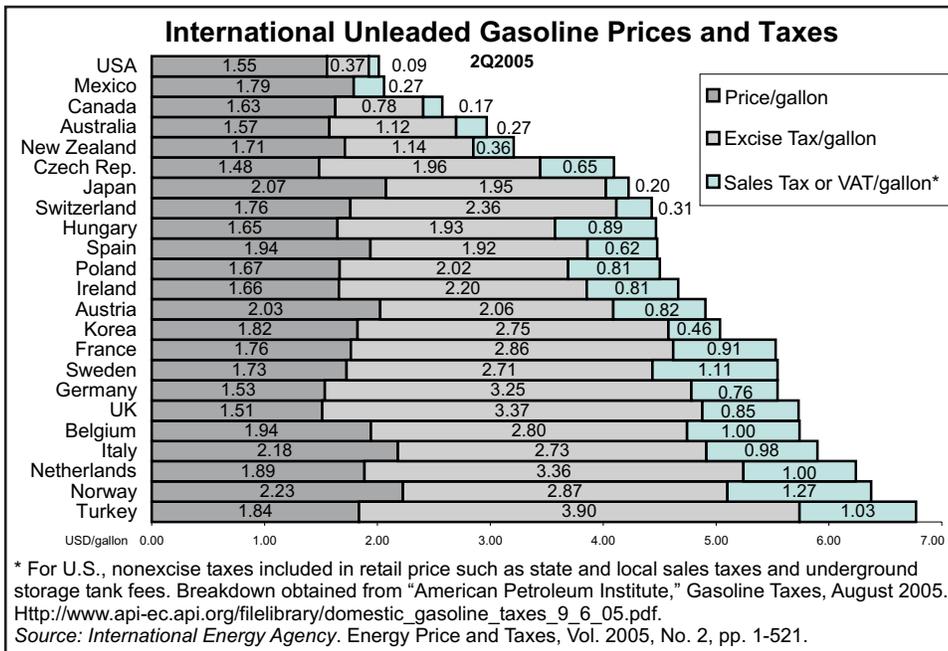
While part of that difference in prices is due to relatively low U.S. pretax gas prices, pretax price differ-

entials are small compared to the total price differential. Pretax prices vary from \$1.51 in the United Kingdom to \$2.23 in Norway (see figure below). Thus, the price differential between the United States and the rest of the world can be attributed almost entirely to differential taxation. For example, the tax differential between Norway and the United States is more than five times the price differential. That means that even if pretax gas prices in the United States were as high as Norway's, Norway's gas would still be almost four dollars more expensive. Moreover, most of the tax differential can be attributed to differences in excise taxes rather than the difference between other countries' VATs and the United States' sales taxes. Excise taxes range from twice as much in the next highest country (Canada) to 10 times as much in the highest country, Turkey.

There is also an interesting regional variation in prices and taxes. The United States, Mexico, and Canada are the

countries with the lowest overall prices and taxes. Across the Atlantic, European countries, along with Korea and Japan, have higher overall prices, largely due to higher taxes. While some European countries (Norway) have much higher pretax gas prices than the United States, others (United Kingdom, Germany, and Czech Republic) have much higher overall prices despite having lower pretax gas prices than the United States.

For more information on U.S. federal and state gas taxes, see Sonya Hoo and Kim Rueben, "Gasoline Taxes and Rising Fuel Prices," *Tax Notes*, July 18, 2005, p. 345.



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