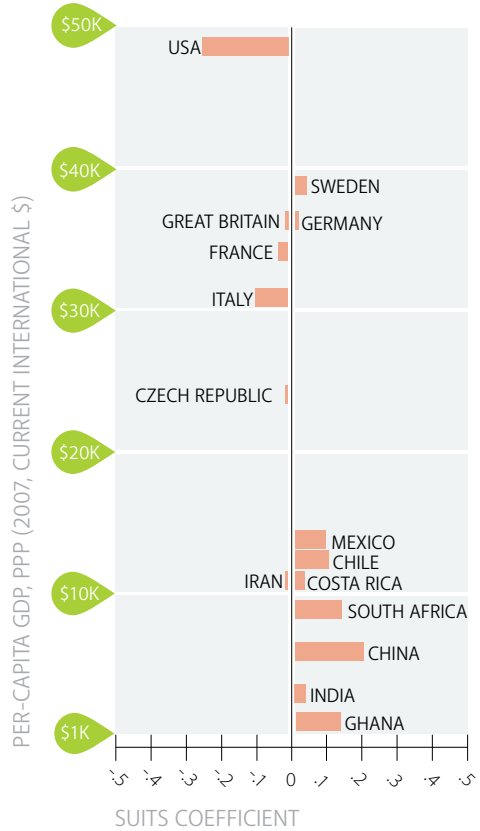


# Are Fuel Taxes Regressive?

One of the main arguments against raising fuel taxes is the popular belief that they disproportionately hurt poor people. In this context, fuel taxes are considered “regressive” because the burden of the tax as a share of income falls heavier on the poor. But RFF University Fellow Thomas Sterner and colleagues find that in years falling between 2002 and 2007, this conventional wisdom held mainly for the United States. Using a measure of regressivity known as the Suits Index—where -1 indicates a tax that the poorest person fully pays and +1 a tax the richest pays—they show that for many developing countries a fuel tax is strongly progressive, while for other developed countries it is neutral or only modestly regressive. In countries where the very poorest households cannot afford to own a car at all, fuels have more of a “luxury” character, and hence fuel taxes are progressive.



Source: World Bank Indicators and Thomas Sterner, ed., Fuel Taxes and the Poor: The Distributional Effects of Gasoline Taxes and Their Implications for Climate Policy (RFF Press, 2011), <http://www.routledge.com/books/details/9781617260926/>.