

Obama proposes \$478B transportation bill

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President Obama is proposing legislation that would spend \$478 billion over the next six years to boost the nation's infrastructure.

Lawmakers have been discussing ways to pay for widespread improvements, including the possibility of increasing the 18.4 cents per gallon federal gas tax, to help fund new construction projects.

The White House said Monday that Obama's transportation proposal could be paid by requiring companies who have investments overseas to return the money to the U.S.

The proposal, known as "repatriation," would allow companies to bring back earnings to the United States at a 14 percent tax rate, generating an estimated \$238 billion in revenue for the government that could be used to pay for infrastructure improvements, officials said.

The White House said Obama's plan would keep the Department of Transportation's Highway Trust Fund, which is currently scheduled to run out of money in May, solvent for the next six years without asking drivers to pay more at the pump.

"The budget proposes to invest in infrastructure through a comprehensive six-year surface transportation reauthorization proposal, as well as tax incentives for State and local infrastructure investment, a new Infrastructure Bank, and other initiatives," the White House said in its budget document. "The federal government plays a vital role in infrastructure investment, and the nation's roads, bridges, and other surface transportation infrastructure systems are badly in need of upgrades and repairs."

Obama's transportation proposal calls for spending \$317 billion on U.S. roads and bridges over the next six years, including \$94.7 billion during the 2016 fiscal year. The plan also includes \$143 billion on federal transit projects and \$18 billion on freight improvements over six-year period.

The infrastructure plan is included in Obama's \$4 trillion 2016 budget, which was released on Monday.

Transportation advocates have argued that raising the gas tax, which has not been increased since 1993, would be the easiest way to close the funding shortfall since prices at the pump have fallen to their lowest levels in years.

The gas tax, which predates the highway system by about 20 years, has struggled to keep pace with infrastructure expenses in recent years as cars have become more fuel efficient.

The tax at the pump brings in about \$34 billion per year. The federal government typically spends about \$50 billion per year on road and transit projects, and transportation advocates have maintained that the larger figure is only enough to maintain the current state of U.S. infrastructure.

Critics have said the repatriation plan would cost the federal government more in the long run than it brings in for transportation projects.

"Tax holiday proposals designed to pay for the transportation bill sound great until you look at the details," Senate Finance Committee Chairman Orrin Hatch (R-Utah) said last week after Sen. Rand Paul (R-Ky.) and Barbara Boxer (D-Calif.) released a plan that was similar to Obama's.

"After all, the Joint Committee on Taxation (JCT) has clearly detailed how a stand-alone temporary tax holiday would end up costing the government in the end," Hatch continued. "Saying you're going to use something that loses money to pay for anything is just wrong."

The nonpartisan JCT has said that a tax holiday would generate about \$20 billion in revenue initially. The analysis said the plan would ultimately cost the federal government about \$96 billion, as companies would have more incentive to keep their profits abroad and wait for another tax holiday.

Supporters of the repatriation-for-roads plan see it as more politically viable than increasing the nation's the gas tax, despite the record low prices that drivers are currently paying when they fill up.

"The interstate highway system is of vital importance to our economy," Paul, a likely 2016 GOP presidential candidate, said in a statement last week about his transportation plan, which would be optional unlike Obama's proposal.

"All across the country, bridges and roads are deficient and in need of replacement," Paul continued. "We can help fund new construction and repair by lowering the repatriation rate and bringing money held by U.S. companies back home. This would mean no new taxes, but more revenue, and it is a solution that should win support from both political parties."

Tax and budget groups in Washington seem to share Sen. Hatch's skepticism about the idea of using repatriation to close the gap.

"A repatriation tax holiday would boost revenues in the first couple of years, as companies rushed to take advantage of the temporary low rate. But it would bleed revenues for years and decades after that," the Center on Budget and Policy Priorities said in a blog post.

“As JCT explained, the biggest reason is that a second holiday would encourage companies to shift more profits and investments overseas in anticipation of more tax holidays, thus avoiding taxes in the meantime,” the post continued.

The current transportation funding bill, which spends about \$11 billion and authorizes the collection of the gas tax at its current rate, is scheduled to expire on May 31.