AN ANALYSIS OF INCOME DISTRIBUTION EFFECTS OF A GASOLINE TAX: EVIDENCE FROM THE U.S. MICRO-LEVEL DATA

Hyung-Gun Kim

Dr. Saku Aura, Dissertation Supervisor

ABSTRACT

This is a study of an income distributional effect of a gasoline tax, taking account of behavioral responses of households depending on income levels. We examine the price elasticities of gasoline demand and the tax burdens within income groups based on different transit services in residential areas. Empirical analyses are presented, adopting the Dubin-McFadden correction method, with the primary data drawn from the 2001 National Household Travel Survey. We find that households show different responses to higher price of gasoline based on their income and residential areas. In particular, households living in areas that have greater transit supply than the U.S. average show the responses that tend to enhance the regressivity of a gasoline tax.