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Whacking Groundhogs

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Debate on the mayor's congestion tax scheme is about to get into high gear. It is clear that there will be modifications to the mayor's plan. But we need to put aside those details. The main question before us is whether we are willing to open the door to the congestion tax in the first place. The details are immaterial.

I am sure that those who created the first income taxes or sales taxes to meet "emergency" needs would be horrified to see what became of their ideas years later. Tolls, imposed on bridges and roads were supposed to end once the construction bonds were retired. But tolls, like other taxes, keep going up.

Once the hand is in your pocket, the temptation to pull out another nickel turns out to be irresistible. Look at the current plan to extend the "emergency" extra penny added to the sales tax imposed during the fiscal crisis of the 1970s.

The first major modification to the congestion tax is expected to be the shifting of the northern boundary of the "congestion zone" from 86th Street to 60th Street. This changes nothing. Whatever boundary is chosen to put the plan into effect will be subject to change at any time. Once the dollars start flowing, ways will be found to squeeze more money from this new revenue stream. Open the door at 60th Street today and watch the line creep up the map until the entire island of Manhattan is engulfed.

Similarly, as prior experience in London demonstrated, the \$8 initial charge is sure to increase.

It isn't as if we're not already taxing drivers. They are already the most put upon group — save for smokers — when it comes to picking their pockets. We charge sales tax on automobiles. We charge for registration and licenses. We put a tiger of taxation in every tank of gasoline. Change is sucked out of your pocket every time you park at a meter. Should you lose track of time and forget that extra quarter, you will be hit with a substantial fine.

Even as we debate congestion pricing, government agencies are plotting to raise tolls on both the Port Authority and MTA bridges and tunnels. The city's Department of Transportation is also about to hatch another expensive tax scheme. This one is called "performance-based parking" and is designed to increase the cost of metered parking in some areas to as high as \$15 an hour.

Now that government bureaucrats have discovered that parking meters (particularly the new "muni-meters" being installed all over town) can accept credit cards, the sky is the limit.

In an earlier column I observed that nobody drives into Manhattan to take a joyride — they almost always drive in for commerce. I speculated that the congestion tax would harm businesses such as Zabar's, the gourmet emporium, on the upper west side. If the zone retreats to 60th Street, Mr. Zabar will be spared — at least for now. But who is to say that the new muni-meters, recently installed around his store, won't be raised from the current \$2 an hour, to \$5, \$10, or even \$15?

To Professor Mankiw, I say: How is Professor Pigou going have anything left over to buy some sturgeon? The entire debate is beginning to resemble the arcade game that asks you to whack the groundhogs as they pop up from their holes. Catch one, and three more pop up elsewhere.

No matter where you put the boundary, businesses on both sides will suffer, those north of the line because their usual customers will find parking more difficult and traffic more onerous, and those below because there will be an \$8 premium on getting there. Changing the boundary doesn't fix the problem, it just shifts the location. The plan, as currently conceived, will deduct the cost of tolls from the congestion levy. This is called "The-New-York-Politicians-Reward-New-Jersey-and-Punish-New-Yorkers" plan. Eventually a savvy driver from upper Manhattan or points further north will cross the George Washington Bridge into Fort Lee, fill his gas tank with lower-taxed, bargain-priced Jersey gasoline, and return to New York having saved \$10 or so.

If Jersey drivers are winners, who are the losers? According to the city's Independent Budget Office, it will be middle class residents of the city's outer boroughs, those earning in the neighborhood of \$40,000 a year. I submit that they are as entitled to shop in Manhattan as much as the smirking New Jerseyan.