

Our View

Cutting the Gasoline Tax: Making Refiners Even More Profitable

Cutting the gasoline tax will not lower gasoline prices. Instead, it will earn refiners greater profits.

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President Trump told CBS News on Monday, May 11, that he would suspend the gasoline tax for “a period of time”:

“I think it's a great idea,” the president said. “Yup, we're going to take off the gas tax for a period of time, and when gas goes down, we'll let it phase back in.”¹

Upon hearing this, executives at the five US independent refining companies, which supply more than half the gasoline consumed here, must have started popping champagne corks. Gary Simmons, Valero's widely quoted Chief Operating Officer, may have even asserted that Trump just created a new **MRMP** (Make Refiners More Profitable) program.

Simmons and the other refining executives understand that cutting gasoline taxes will boost their profitability and that of firms that market gasoline. Consumers will not save a penny.

The economics are simple. Supply and demand determine consumer prices. Lower prices result when supply increases or demand falls. In this instance, the retail price will not change because the tax cut does not increase supply. It only moves money from the government to refiners.

Among others, executives at the major integrated oil companies will likely try to convince the public that it will benefit. Chevron CEO Mike Worth, for example, may do this, given that Chevron still operates refineries. The other majors, however, have sold most of those facilities to independents like Marathon, Valero, PBF, and Phillips 66. I doubt the Trump administration has their phone numbers on file.

This is not the first time a gasoline tax reduction has been proposed. When prices surged in May 1976, the Republican senator Bob Dole, then running for president, proposed it.² At the time, economists pointed out that consumers would not see lower prices because constraints on refining capacity prevented any boost in supply. The situation is the same today.

¹ Nancy Cordes, “Trump says he aims to suspend gas tax ‘for a period of time,’” CBS News, May 11, 2026 [<https://tinyurl.com/n6b8ce2v>].

² “Dole, Breaux Discuss Repealing Gas Tax Hike,” Tax Notes, April 30, 1996 [<https://tinyurl.com/432nneax>].

The only way President Trump can lower gasoline prices is by limiting US gasoline exports or negotiating a reopening of the Strait of Hormuz.

Instead, he is making refiners more profitable.