Modernize the Truck Fleet by Repealing the Federal Excise Tax on Heavy-Duty Trucks  
Members Are Urged to Cosponsor H.R. 2381/S. 1839

ISSUE
Congress imposes a 12% federal excise tax (FET) on the retail sale of most new heavy-duty trucks. This tax depresses heavy-duty truck sales and delays the purchase of cleaner, safer and more fuel-efficient trucks. The FET has been the most inconsistent source of revenue to the highway trust fund (HTF) over the past 20 years. Congress should include legislation to repeal the FET, H.R. 2381/S. 1839, in comprehensive infrastructure legislation to help modernize America's truck fleet.

BACKGROUND
The FET on heavy-duty trucks was first imposed in 1917 to help pay for World War I. This tax on most new heavy-duty trucks, tractors and trailers was originally 3% and has grown from 3% to 12% today. The FET is the highest excise tax on a percentage basis that Congress levies on a product, and it discourages the sale of cleaner and safer trucks. The tax often adds as much as $22,000 to the price of a new heavy-duty truck. This is in addition to the nearly $40,000 in recent federal emissions and fuel-economy mandates that already make it harder for small businesses to afford a new truck. Additionally, the environmental and safety benefits of newer trucks are delayed when truck buyers and fleet owners cannot afford to purchase new equipment because of excessive taxes or burdensome regulations.

The FET is a complicated and difficult tax to administer. Truck dealers, who are responsible for collecting and remitting the tax, incur considerable costs when navigating the complex IRS regulations that apply to this tax. One challenge to administering the FET is that today's heavy-duty truck, unlike a 1917 truck, is highly customizable. These custom purchase options require careful calculations, as they may or may be not subject to the FET.

A nationwide industry coalition, Modernize the Truck Fleet (MTF), was launched to promote repeal of the FET as Congress considers infrastructure legislation this year. The MTF coalition is also meeting with members of Congress to identify viable funding options to replace this burdensome tax with a more consistent revenue mechanism to fund the HTF.

KEY POINTS
- The FET on heavy-duty trucks, a volatile revenue source, should be repealed and replaced with a more consistent revenue mechanism to fund the HTF. Since the FET is based on annual sales, which can vary greatly, the tax fails to provide certainty to the HTF and has been the most inconsistent revenue source over the past 20 years.
- Repeal of this tax would help improve the environment by ensuring quicker deployment of cleaner and more fuel-efficient trucks. New trucks have made significant environmental gains due to recent federal emissions and fuel-economy mandates and industry innovation.
- Spurring new truck sales by repealing the FET on new, modern trucks would improve highway safety and drive economic growth. Putting on the road new trucks with more advanced safety technologies would help prevent crashes and protect motorists. Since the FET depresses heavy-duty truck sales and inhibits job growth, repealing the tax would also help the economy and the 7.7 million Americans employed in trucking-related jobs.

STATUS
Recently, Rep. Chris Pappas (D-N.H.) sent a letter signed by with 22 House Democrats to the leadership of the House Ways and Means Committee, urging the Committee to consider phasing out of the FET and replacing it with a more stable funding mechanism in future highway legislation. H.R. 2381, a bill to repeal the FET was introduced by Reps. LaMalfa (R-Calif.) and Peterson (D-Minn.). The bill currently has 33 bipartisan cosponsors and was referred to the House Ways and Means Committee. S. 1839, which is similar to H.R. 2381, was introduced by Sen. Gardner (R-Colo.) and referred to the Senate Finance Committee. Members are urged to support FET repeal and cosponsor H.R. 2381/S. 1839 to spur new truck sales, promote the deployment of cleaner, safer trucks and modernize the truck fleet.

February 19, 2020