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 percent 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 H.R. 2381/S. 1839, legislation to repeal the FET, 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 has grown from 3 percent to 12 percent 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 new 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, and truck dealers, who are responsible for collecting and remitting the tax, incur considerable costs when navigating IRS regulations that apply to this tax. Today’s heavy-duty truck, unlike a 1917 truck, is highly customizable with many options that add to these challenges.

A nationwide industry coalition, Modernize the Truck Fleet, was launched to support repeal of the FET and to identify viable funding options to replace this burdensome tax with a more consistent revenue mechanism to fund the HTF.

KEY POINTS
- The outdated FET on heavy-duty trucks should be repealed and replaced with a more consistent revenue mechanism to fund the HTF.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.
- Spurring new truck sales by repealing the FET on new, modern trucks would improve highway safety and drive economic growth. Putting new trucks on the road 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
H.R. 2381 was introduced by Reps. LaMalfa (R-Calif.) and Peterson (D-Minn.) on April 29. The bill currently has 22 bipartisan cosponsors and was referred to the House Ways and Means Committee. Sen. Gardner (R-Colo.) introduced S. 1839, which is similar to H.R. 2381, on June 13. This legislation was referred to the Senate Finance Committee. Members are urged to cosponsor H.R. 2381/S. 1839 to spur new truck sales, promote the deployment of cleaner, safer trucks and modernize the truck fleet.

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