



Modernize the Truck Fleet in Comprehensive Infrastructure Bill Repeal the Federal Excise Tax on Heavy-Duty Trucks

ISSUE

Congress imposes a 12 percent federal excise tax (FET) on the retail sale of most new heavy-duty trucks which depresses new 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 for the highway trust fund (HTF) over the past 20 years. **Congress is urged to repeal the FET to modernize the truck fleet as it develops a comprehensive infrastructure bill and modernizes infrastructure financing.**

BACKGROUND

The FET on heavy-duty trucks was originally imposed in 1917 to help defray the cost of 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 discourages the sale of cleaner and safer trucks.

This 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. 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, and truck dealers incur considerable costs navigating IRS regulations and paperwork that apply to this tax. Today's heavy-duty truck, unlike a 1917 truck, is highly customizable with many different options which adds to these challenges.

A nationwide industry coalition, Modernize the Truck Fleet, was recently launched to support repeal of the FET, which is slated to expire in 2022, and to identify viable funding options that could replace this burdensome tax with a more consistent revenue mechanism to fund the HTF.

KEY POINTS

- **The outdated FET on heavy-duty trucks is hurting new truck sales and should be repealed and replaced with a more consistent revenue mechanism to fund the HTF.** Since the FET is based on annual sales, which can vary greatly, the tax fails to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 hurts heavy-duty truck sales and inhibits job growth, repealing the tax would help the economy and the 7.7 million Americans employed in trucking-related jobs.

STATUS

In the 115th Congress, Sen. Gardner (R-Colo.) and Rep. LaMalfa (R-Calif.) introduced bills to repeal the FET (S. 3052/H.R. 2946). Similar legislation is expected to be introduced this Congress. **Congress is urged to repeal the FET to spur new truck sales and promote the deployment of cleaner and safer trucks to modernize the truck fleet.**

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