Modernize the Truck Fleet: Repeal the Federal Excise Tax on Heavy-Duty Trucks – S. 2435

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. Also, truck manufacturing and assembly employment is significant in the U.S., and the FET negatively impacts American truck industry jobs. Congress should repeal the FET in upcoming infrastructure legislation to help protect U.S. jobs, replace older trucks with newer and greener trucks, and modernize America’s truck fleet.

BACKGROUND
The FET on heavy-duty trucks was first imposed in 1917 to help pay for World War I. The FET is the highest excise tax on a percentage basis that Congress levies on a product, often adding as much as $22,000 to the price of a new heavy-duty truck. It is imposed on top of the nearly $40,000 in recent federal emissions and fuel-economy mandates, which already make it harder for small businesses to afford a new truck.

More than half of the Class 8 trucks on the road are over 10 years old. Repealing the FET would modernize the truck fleet by incentivizing the purchase of new trucks with the latest emission-reduction technology and crash avoidance advancements. While new commercial trucks and trailers are as clean and green as they have ever been, the FET has delayed the deployment of these newer trucks and they are not reaching the road fast enough to fully reap the benefits of emerging green and safety technologies.

The FET has been the most inconsistent source of revenue to the Highway Trust Fund (HTF) over the past 20 years. Because FET revenue is dependent on volatile annual truck sales, the tax has contributed to the overall instability of the HTF. To establish long-term stability for the HTF, the FET should be replaced with a more consistent revenue source.

A large nationwide industry coalition, Modernize the Truck Fleet (MTF), supports repeal of the FET. The MTF coalition is also working to identify viable funding options to replace this burdensome tax with a more consistent and equitable revenue mechanism to modernize and fund the HTF.

KEY POINTS
- **FET repeal would benefit the environment by replacing older trucks with cleaner, safer and more fuel-efficient trucks.** Due to recent federal emissions and fuel-economy mandates and industry innovation, new trucks have made significant reductions in particulate matter (PM) and nitrogen oxide (NOx) emissions. Heavy-duty trucks manufactured in 2010 and after reduced their PM levels by 90%. The EPA has projected a 90% NOx reduction efficiency for all heavy-duty trucks starting in model year 2010.
- **Repealing the FET would spur new truck sales and protect the 1.3 million U.S. manufacturing, supplier, dealership and heavy-duty trucking and trailer related jobs.** Modernize the Truck Fleet, a large coalition of industry groups and state associations, backs FET repeal because it would support workers in truck and supplier parts manufacturing and sales.
- **The FET should be repealed and replaced with a more consistent revenue source to fund the HTF.** Since the FET is based on annual truck sales, which can vary greatly, the tax has been the most inconsistent HTF revenue source over the past 20 years and fails to provide long-term stability for the HTF.

STATUS
On July 22, Sens. Young (R-Ind.) and Cardin (D-Md.) introduced S. 2435, a bill to repeal the FET. Last summer when heavy duty truck sales plummeted due to the pandemic, Rep. Chris Pappas (D-N.H.) led 54 Democrats in a letter to House leaders requesting suspension of the FET through 2021 in coronavirus legislation. To promote the deployment of cleaner, safer trucks, spur new truck sales, and modernize the truck fleet, Members are urged to repeal the FET in upcoming infrastructure legislation.

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