History of the Federal Excise Tax (FET) on Heavy-Duty Trucks

In 1917, the federal government began collecting a tax on almost every heavy-duty truck. Over the course of a century, the FET on heavy-duty trucks has been raised and lowered; repealed and reinstituted; dedicated and extended. Today, the tax delays the purchase of cleaner, safer and fuel-efficient trucks, and is also complex to administer. Congress has not revisited the tax since 1982 to ascertain whether this 12 percent levy is an effective and efficient means to raise revenue from the transportation sector.

1917 3%  **WAR REVENUE**
Congress first imposes a 3% tax on heavy-duty trucks to raise money for World War I.

1924 0%  **TAX REPEAL**
After World War I, Congress phases out nearly all wartime taxes, including the FET.

1932 2%  **THE GREAT DEPRESSION**
To increase revenue during the Great Depression, Congress reinstitutes the FET at 2%.

1940 2.5%  **WORLD WAR II**
As America remilitaryized before entry into World War II, Congress raises the FET to 2.5% in 1940.
The following year, Congress doubled the FET to 5%.

1941 5%  **THE GREAT DEPRESSION**
Congress raises the FET to 8% to help pay for the Korean War.

1951 8%  **FEDERAL INTERSTATE HIGHWAY PROGRAM**
Congress creates the Highway Trust Fund (HTF) to pay for construction of the interstate highway system. FET revenues are dedicated to the HTF. The FET is temporarily raised to 10% until 1972, at which time the rate would be reduced to 5% to coincide with the expected completion date of the interstate highway system.

1956 10%  **HIGHWAY COST OVERRUNS**
Although the FET is slated to be cut to 5%, Congress votes to maintain the FET at 10% because the interstate highway system is not complete.

1972 10%  **SENATE REPEALS FET**
With the nation in recession and with inflation at 9%, the Senate votes to repeal the FET to spur economic growth. The House, citing procedural concerns, strips the repeal language from the final tax bill.

1975 10%  **FET RAISED AGAIN**
Congress raises the FET rate to 12% and shifts the collection of the tax to the point of sale.

1982 12%  **EXTENSION**

1987 - present
The FET is set to expire in 2022, and Congress is expected to consider a transportation infrastructure bill later this year. This bill presents an opportunity for Congress to put cleaner, safer trucks on the road by asking whether a 12 percent excise tax on heavy-duty trucks, which was first levied at the beginning of the last century, is still the most effective and efficient way to raise revenue for America’s modern infrastructure needs.

Is the FET the most effective and efficient way to raise revenue for the highway trust fund?