American Truck Dealers (ATD), a division of the National Automobile Dealers Association (NADA), is pleased to submit comments for the record regarding our support for repeal of the federal excise tax (FET) on heavy-duty trucks and trailers. ATD represents over 1,800 franchised commercial truck dealerships who employ more than 125,000 people nationwide. We share the committee’s goal of modernizing and reforming the Highway Trust Fund (HTF). One aspect of the HTF that needs reexamination is the 12% federal excise tax (FET) on the retail sale of most new heavy-duty trucks and trailers, which delays the replacement of older, less environmentally clean, and less fuel-efficient trucks.

ATD looks forward to working with the committee to repeal the outdated and burdensome FET and replace it with a fairer and more consistent revenue source for the HTF. Repealing the FET will help modernize the truck fleet by encouraging the adoption of newer, cleaner, more fuel efficient and safer trucks.

**History of the Outdated FET**

The FET was first enacted in 1917 to help pay for World War I. Since its inception, the tax has been briefly eliminated, reinstated during the Great Depression, raised twice prior to World War II, increased and rolled into the HTF in 1956, repealed by the Senate in 1975, and increased to 12% in 1982. At 12%, the FET is the highest tax Congress imposes on a percentage basis on any product.

Congress has not revisited whether the FET is the most effective and efficient way to raise revenue from the commercial transportation sector since 1982. Although that was the last time Congress made structural changes to the collection and size of the tax, the FET has been extended six times since then, and it is now set to expire at the end of September 2022.1

**The FET Hurts the Deployment of More Environmentally Friendly Trucks**

Over the past two decades, the trucking industry has made strong environmental gains, and today’s heavy-duty trucks are cleaner than ever before. Cleaner fuel and engines utilizing

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advanced technology have combined to reduce nitrogen oxide (NOx) emissions by 97% and particulate matter (PM) emissions by 98%. To put that in perspective, it would take 60 new trucks to generate the same level of emissions as a single truck manufactured in 1989. Diesel engine improvements to trucks manufactured since 2010 and those on the road today have reduced carbon dioxide (CO2) emissions by 43 million tons, NOx emissions by 21 million tons, and PM emissions by 1.2 million tons. Since 2010, more efficient diesel trucks have saved 101 million barrels of crude oil and 4.2 billion gallons of diesel fuel.\(^2\)

However, the investments in new technologies required to fulfill these new environmental and regulatory mandates have added nearly $40,000 to the price of a new truck, and these regulatory costs are also subject to the FET. Overall the FET can add an additional $22,000 to the average cost of a new truck. This cost increase delays fleet turnover, as truck owners hold onto their trucks longer. Ultimately, this tax slows the deployment of new trucks and heavy-duty trailers that are equipped with the latest environmental advances.

**The FET Discourages the Sale of Newer Trucks with Greater Safety Benefits**

Roadway safety and crash avoidance are top priorities for the trucking industry. Deploying new trucks with more advanced safety technologies would help prevent crashes and protect motorists. Additionally, eliminating the costs dedicated to paying the FET would free up capital and allow small businesses and fleets to invest in newer trucks and safety technologies.

New trucks have several mandated safety features, such as electronic stability control (ESC) and anti-lock braking systems (ABS). Today’s new truck buyers can also choose from an array of high-tech safety options, such as automatic emergency braking (AEB); adaptive cruise control, and adaptive cruise control with braking; lane departure warning, and lane-keeping assist (with intervention); blind spot warning; traction control; tire-pressure monitoring, and automatic tire inflation; automatic wipers and headlamps; and side airbags for rollovers.\(^3\)

However, only one-third of heavy-duty trucks in service today are model year 2010 or newer. Repealing the FET would spur the deployment of safer heavy-duty trucks and trailers by making them more affordable.

**Because Truck Sales are Cyclical, the FET Revenue Stream into the HTF is Volatile**

The FET has also been the most inconsistent revenue stream paid into the HTF over the past twenty years. In 2008, FET receipts contributed only 3.7% of total HTF revenue, but, in 2015, contributed 10.9% of the HTF balance. In 2017 the FET revenue as a percentage of HTF revenue dropped to 7.4%. Because FET revenue is dependent on fluctuating annual truck sales, the


volatility of this revenue contributes to the overall instability of the HTF.\(^4\) Repealing the FET and identifying a more consistent and reliable revenue source for the HTF will provide long-term solvency and stability for the nation’s highway funding needs.

**The FET is Complex and Creates Administrative Burdens for Small Businesses**

Additionally, 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.

To increase various engine efficiencies, or for additional driver and highway safety purposes, truck buyers may select additional cab or engine components that are specific to the tasks for which a truck is built. As each modification is made to a truck or trailer, dealers must on a part-by-part basis determine whether the FET applies, and in turn, manage assessment of the tax for every truck sold. These custom purchase options require careful calculations and create additional burdens for dealers and truck buyers during the sales process. Repealing the FET would provide much needed relief from these administrative burdens for small businesses.

**FET Repeal Consideration Has Bipartisan Congressional Support**

Repeal of the FET has bipartisan support in Congress. Reps. Doug LaMalfa (R-Calif.) and Collin Peterson (D-Minn.) have introduced H.R. 2381, the “Modern, Clean, and Safe Trucks Act of 2019,” which would repeal the FET. This bill currently has 32 cosponsors and a companion bill has been introduced in the Senate.\(^5\)

Additionally, on Dec. 19, Rep. Chris Pappas (D-N.H.) sent a letter signed by 22 House Democrats to the leadership of the House Ways and Means Committee. The letter advocated for consideration of FET phase-out/repeal in infrastructure legislation.\(^6\)

Further, on Dec. 20, Sen. Joe Manchin (D-W.Va.) sent a letter to the leadership of the Senate Finance Committee asking that FET repeal be considered as infrastructure funding issues are deliberated in the context of reforming the HTF.\(^7\) The letter to the Senate Finance Committee states: “As you consider options to revitalize the HTF, I ask that you take a holistic view of all revenue and expenditures to ensure they remain relevant today. As an example, the federal excise tax on trucks and trailers was originally enacted in 1917 to help finance World War I.


Today it stands at 12% and represents one of the highest excise taxes that Congress levies on any product.”

**FET Repeal Has the Backing of the Trucking Industry**

ATD helped establish and is leading a nationwide industry coalition “Modernize the Truck Fleet”. This coalition was launched in 2018 to advocate for repeal of the burdensome FET and to help Congress identify viable options for replacement funding. 

On July 26, twenty-two organizations representing the trucking industry, the RV industry, road builders, highway users, and other sectors of the economy such as manufacturing and agricultural transportation, submitted a letter to congressional leadership advocating for FET repeal and replacing it with a more consistent revenue source to fund the HTF.

**Conclusion**

ATD strongly urges the Ways and Means Committee to repeal this outdated, counterproductive and burdensome tax. The FET has outlived its usefulness. It discourages the deployment of the newest, safest, and most environmentally friendly commercial trucks and trailers available, and it is an unreliable revenue source for the HTF.

We respectfully urge the committee to consider possible revenue replacements for the FET that may be paid over a vehicle’s lifetime and are based on a vehicle’s highway use. In contrast, the FET is currently paid upfront on the first retail sale of a truck, and the tax is the same whether the vehicle is driven 10,000 or 100,000 miles annually.

By repealing the FET and replacing it with a revenue source that is more equitable and reflective of a 21st century economy, Congress can also address the insolvency of the HTF while encouraging the faster deployment of safer, greener trucks. 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.

Thank you for your consideration, and we look forward to working together to modernize America’s truck fleet and reform the Highway Trust Fund.

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