



AMERICAN
TRUCK DEALERS
A DIVISION OF NADA

**Written Statement of the American Truck Dealers
Submitted for the Hearing Record**

"Long-term Solvency of the Highway Trust Fund: Lessons Learned from the Surface Transportation System Funding Alternatives Program and Other User-based Revenue Solutions, and How Funding Uncertainty Affects the Highway Programs"

U.S. Senate Committee on Environment and Public Works

April 14, 2021

Chairman Carper and Ranking Member Capito – the American Truck Dealers (ATD) thank you for the opportunity to address the burdensome impact of the federal excise tax (FET) on fleet turnover in the heavy-duty truck industry. ATD, a division of the National Automobile Dealers Association, represents over 1,700 franchised commercial truck dealerships who employ more than 122,000 people nationwide. As Congress considers comprehensive infrastructure legislation and modernizing the Highway Trust Fund (HTF), we urge the Committee to repeal and replace the 12% FET on the retail sale of most new heavy-duty trucks and trailers, which is the most inconsistent funding source to the HTF, and delays the replacement of older, less environmentally clean and less fuel-efficient trucks.

The FET is archaic. 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 regulatory mandates, which makes it harder for small businesses to afford a new truck.

The FET helps keep older trucks on the road longer. More than half of the Class 8 trucks on the road are over 10 years old. Repealing the FET would help 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, they are not reaching the road fast enough to fully reap the benefits of these new technologies, due in part to the FET.

The FET is an inconsistent revenue source for the HTF. The FET has been the most inconsistent source of revenue to the 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. Modernize the Truck Fleet, a large nationwide industry coalition which ATD leads, supports repeal of the FET and is working to identify viable funding options to replace this burdensome tax with an equitable revenue mechanism.

The FET delays environmental benefits. FET repeal would benefit the environment by replacing older trucks with cleaner, safer and more fuel-efficient trucks. Due to recent environmental mandates coupled with industry innovation, new trucks have made significant reductions in particulate matter (PM) and nitrogen oxide (NOx) emissions. According to the EPA, heavy-duty trucks manufactured in 2010 and after reduced their PM levels by 90%. However, these environmental gains can be realized more quickly if impediments to heavy-duty fleet turnover, such as the FET, are removed.

The FET needs to be repealed and replaced. Mr. Chairman and Ranking Member, repealing the FET and replacing it with a more consistent revenue source would spur new truck sales and protect the 1.3 million U.S. manufacturing, supplier, dealership and heavy-duty trucking and trailer-related jobs.

Thank you for your consideration, and we look forward to working with the Committee to help modernize America's truck fleet and reform the Highway Trust Fund.