Chairman Wyden and Ranking Member Crapo, the American Truck Dealers (ATD), a division of the National Automobile Dealers Association, appreciates the opportunity to submit comments for the record regarding our strong support for repeal of the federal excise tax (FET) on heavy-duty trucks and trailers. ATD represents over 1,700 franchised commercial truck dealerships who employ more than 122,000 people nationwide and leads the Modernize the Truck Fleet coalition.¹

As Congress considers comprehensive infrastructure legislation, ATD respectfully requests that Congress repeal the 12% FET on new heavy-duty trucks and trailers and replace it with a more consistent revenue source for the Highway Trust Fund (HTF). Repeal of the FET would immediately spur the purchase of newer, safer and cleaner heavy-duty trucks and trailers and help support the 1.3 million jobs related to Class 8 truck and trailer manufacturing and the 7.95 million Americans in trucking-related jobs.²

Repealing the FET and replacing it with a user-based revenue source relevant to today’s economy will help protect trucking-related jobs, provide environmental benefits by replacing older trucks with newer cleaner trucks, and speed the modernization of America’s truck fleet.

**FET First Imposed to Pay for World War I**

The FET was first imposed in 1917 to help pay for World War I. Originally 3%, the tax is 12% today,³ making the FET the highest tax Congress imposes on a percentage basis on any product. This tax routinely adds over $20,000 to the price of a new heavy-duty truck and is imposed on top of the nearly $40,000 in recent federal emissions and fuel-economy regulatory mandates. This tax coupled with recent regulatory costs makes it more difficult for small businesses to afford a new truck.

---

¹The Modernize the Truck Fleet coalition is a broad coalition of trade groups, equipment manufacturers and businesses representing broad sectors of the trucking industry that have come together to repeal the FET. There are six official members of the Modernize the Truck Fleet Coalition: the American Truck Dealers, National Tank Truck Carriers, National Trailer Dealers Association, The Association for the Work Truck Industry, the Truck Renting and Leasing Association, and the Truck and Engine Manufacturers Association.


³Since its inception at 3%, the tax has been briefly eliminated, raised twice prior to World War II, increased again and rolled into the Highway Trust Fund in 1956, repealed by the Senate in 1975, and increased to 12% in 1982. That was the last time Congress had any substantive debate or made any changes to this tax. See attached The History of the Federal Excise Tax on Heavy-Duty Trucks, AMERICAN TRUCK DEALERS (January 2019), https://www.nada.org/WorkArea/DownloadAsset.aspx?id=21474858078.
Congress has not revisited whether the FET is the most effective and efficient way to raise revenue from the commercial transportation sector since 1982. Since that time, the FET has been extended six times, and will expire at the end of September 2022.4

**Congressional Support Grows to Change the FET Last Year**

When heavy-duty trucks sales plummeted in the second quarter of last year due to the coronavirus pandemic, the trucking industry united behind temporarily repealing the FET, which would have brought immediate relief to the vital trucking industry. Rep. Chris Pappas (D-N.H.) spearheaded a letter signed by 54 House Democrats to House leaders requesting suspension of the FET through 2021. Included among the signers were six Democratic members of the House Ways and Means Committee. This effort was supported by ATD, the United Auto Workers, the American Trucking Associations, and over 200 other trucking-related organizations. In addition, FET suspension and repeal have received bipartisan support in Congress.5

**FET Discourages Modernizing America’s Truck Fleet**

More than half of the Class 8 trucks on the road are over 10 years old. New trucks have made significant environmental gains due to recent federal emissions and fuel-economy mandates and industry innovation. For example, cleaner fuel and engines utilizing advanced technologies 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 1988. Since 2007, new trucks have also achieved significant carbon dioxide reductions and fuel-efficiency improvements, which have saved 296 million barrels of crude oil.6

However, the investments in new technologies required to fulfill 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.7 As a practical matter, the FET taxes the environmental technologies the federal government has mandated, so its repeal would benefit the environment by ensuring speedier deployment of cleaner and more fuel-efficient trucks.

**FET Repeal Would Spur the Sale of New Safer Trucks and Increase Highway Safety**

Roadway safety and crash avoidance are top priorities for the trucking industry. While new commercial trucks and trailers are the safest they have ever been, deployment of new safety equipment can be delayed due to the high cost of a new truck, which includes the 12% FET that Congress levies on new trucks and trailers. New trucks and trailers have several mandated safety features to help the driver maintain control of the vehicle and prevent a collision, such as anti-lock braking systems and electronic stability control. Additionally, new truck buyers can choose

---

4 P.L. 114-94.

5 Last Congress, Reps. Doug LaMalfa (R-Calif.) and Collin Peterson (D-Minn.) introduced H.R. 2381, the “Modern, Clean, and Safe Trucks Act of 2019,” which would repeal the FET. The bill had 35 bipartisan cosponsors, and a Senate companion FET repeal bill (S. 1839) was introduced by Sen. Cory Gardner (R-Colo.). Additionally, Sen. Joe Manchin (D-W.Va.) sent a letter on December 21, 2019 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 Highway Trust Fund.


7 The FET is on top of the nearly $40,000 on average per truck cost of these regulatory mandates, which include since the early 2000s tailpipe emissions rules, greenhouse gas emissions standards and fuel efficiency standards. The aggregate costs of these mandates result in an additional $4,700 FET, on average.
from an array of innovative, new safety technologies like adaptive cruise control, automatic emergency braking systems, and other advanced driver assistance systems that help reduce crashes.

The FET deters the selection of additional safety features that could be purchased because the tax is applied to the cost of each safety feature the customer may decide to add to the vehicle at the point of sale. Repealing this 12% tax through 2021 will help spur the sale of new trucks, which offer the latest safety options, such as: automatic emergency braking; adaptive cruise control with braking; lane departure warning, and lane-keeping assist (with intervention); forward collision mitigation; blind spot warning; traction control; tire pressure monitoring, automatic tire inflation; automatic wipers and headlamps; and side airbags for rollovers.

FET repeal would also help the trucking industry accelerate the purchasing cycle for heavy-duty truck fleets which will result in a faster replacement rate that will improve highway safety. Since more than half of the Class 8 trucks on the road are over 10 years old, many trucks in service today lack the benefits offered by nearly a decade of technological advancements in safety. Congress should encourage the sale of new heavy-duty vehicles, which utilize the significant improvements from earlier generations in safety technology and will help reduce roadway crashes and related injuries and fatalities.

The FET Creates Considerable Administrative Burdens and Costs for Small Businesses

The FET is a 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.

As each modification or customized truck or trailer is made, dealers must determine on a part-by-part basis whether FET applies and manage assessment of the tax for every truck sold. These custom purchase options require careful calculations when determining what is and what is not exempt from FET. For example, one dealer with truck dealerships in Alabama, Florida, and Georgia calculated that 2,820 employee-hours are spent to administer and comply with the FET, along with $200,000 IT costs annually.

As an excise tax, the FET should be a relatively straightforward levy to collect. However, with customization and a complex and vague set of rules, many truck sales need to be uniquely calculated, and it is often unclear whether certain trucks or their components are subject to FET. The complexity of this excise tax is such that one industry group, the Association for the Work Truck Industry, produces a 165-page guide for their members on how to comply with the FET. FET repeal would eliminate the administrative burden of collecting the FET, eliminate the significant financial risk if the IRS auditor disagrees with the tax liability, and allow small business dealers to hire or retrain employees for more productive pursuits.

The FET Revenue Stream into the Highway Trust Fund is Volatile

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. In 2008, FET receipts contributed 4.0% of total HTF. In 2017 FET

---

revenue as a percentage of HTF revenue dropped from 11.2% in 2015 to 7.6% and increased to 12.2% in 2019.\textsuperscript{9} Revenues for 2020, which are currently not public, are also likely to fluctuate as trucking sales essentially came to a standstill in April and May due to the pandemic.

Because FET revenue, with an average annual revenue of $3.33 billion from 2005-2019, is dependent on fluctuating annual truck sales, the volatility of this revenue contributes to the instability of the HTF.\textsuperscript{10} To establish long-term stability for the HTF, the FET should be replaced with a more consistent revenue source.

Another drawback of the FET is that it is not equitable, as it is not based on road usage. Unlike a fuel- or vehicle miles travelled tax, the FET is a flat rate, meaning the purchaser is taxed the same amount whether the vehicle is driven 500 or 50,000 miles. Modernize the Truck Fleet, a large nationwide industry coalition led by ATD, is working to identify viable funding options to replace the FET with an equitable revenue source, with a preference that the amount of the tax is based on actual road usage.

**Conclusion**

We urge Congress to repeal the 12% FET on heavy-duty trucks and trailers and replace it with a more consistent revenue source for the Highway Trust Fund to protect trucking-related jobs, provide environmental benefits by replacing older trucks with newer cleaner trucks, and modernize America’s truck fleet. Over the past few decades, the trucking industry has made significant strides in green technology and safety that make new heavy-duty trucks cleaner and safer than ever before. With an aging fleet, FET repeal would help speed the replacement of older trucks with new green trucks.

Additionally, heavy-duty trucks and trailers are almost entirely made in North America and these trucks and trailers are designed, tested, and assembled across the U.S. Repeal of the FET would also help protect the 1.3 million American manufacturing, dealership, supplier and heavy-duty trucking and trailer-related jobs nationwide.

ATD stands ready to work with Congress to modernize our nation’s truck fleet, and to replace the FET with user-based funding options that will provide long-term solvency for the Highway Trust Fund. Thank you again for the opportunity to submit testimony.


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.
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 reinstated; 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 reinstates the FET at 2%.

1940 2.5%  WORLD WAR II
As America remilitarized before entry into World War II, Congress raises the FET to 2.5% in 1940.

1941 5%  The following year, Congress doubled the FET to 5%.

1951 8%  THE KOREAN WAR
Congress raises the FET to 8% to help pay for the Korean War.

1956 10%  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.

1972 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.

1975 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.

1982 12%  FET RAISED AGAIN
Congress raises the FET rate to 12% and shifts the collection of the tax to the point of sale.

1987 - present 12%  EXTENSION
## ATTACHMENT A

### Summary of Highway Trust Fund (HTF) Revenues 2005-2019

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline Excise Tax</td>
<td>18.4 cents per gallon(^{1})</td>
<td>Most gasoline except for fuel used by rail, or off-road equipment</td>
<td>$24.75 billion</td>
<td>63.61%(^{12})</td>
</tr>
<tr>
<td>Diesel Excise Tax(^{13})</td>
<td>24.4 cents per gallon(^{1})</td>
<td>Most diesel except for fuel used by rail, or off-road equipment</td>
<td>$9.27 billion</td>
<td>23.84%(^{2})</td>
</tr>
<tr>
<td><strong>Truck and Trailer Excise Tax (FET)</strong></td>
<td>12% of retailer’s sale price</td>
<td>New trucks and tractors weighing greater than 33,000 lbs. GVW</td>
<td>$3.33 billion</td>
<td>8.57%</td>
</tr>
<tr>
<td></td>
<td>12% of retailer’s sale price</td>
<td>New trailers weighing greater than 26,000 lbs. GVW</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$100 plus $22 per 1,000 lbs. (in excess of 55,000 lbs.) annually—$550 maximum</td>
<td>Trucks weighing 55,000 lbs. GVW or greater</td>
<td>$1.1 billion</td>
<td>2.84%</td>
</tr>
<tr>
<td><strong>Heavy Vehicle Use Tax (HVUT)</strong></td>
<td>9.45 cents per 10 lbs. of tire load (in excess of 3,500 lbs.)</td>
<td>Tires with a capacity over 3,500 lbs.</td>
<td>$442.09 million</td>
<td>1.14%</td>
</tr>
</tbody>
</table>

\(^{1}\) GVW = Gross Vehicle Weight

\(^{11}\) Value represents total fuel excise tax. Of this amount, 2.86 cents per gallon are transferred to the Mass Transit Account.

\(^{12}\) Percentages and totals derived from money flowing solely to highway account and not to the mass transit account.

\(^{13}\) On average, $580 million dollars of diesel tax revenue is refunded annually to aviation users who pay diesel tax. This total reflects this refund difference.
Annual Change in Federal Highway Trust Fund Receipts

- Fuel
- All Other Taxes