LEGISLATIVE PRIORITIES – November 16, 2021

PROMOTE THE ADOPTION OF ADVANCED TECHNOLOGY TRUCKS – REPEAL THE FET ON HEAVY-DUTY TRUCKS (S. 2435)

Congress should repeal the 12% federal excise tax (FET) imposed on new heavy-duty trucks. First enacted in 1917 to help fund World War I, this tax routinely adds $22,000 or more to the price of a new heavy-duty truck. The FET is an addition to nearly $40,000 in recent federal emissions and fuel-economy mandates. While new trucks have made significant environmental and safety gains, the FET remains a costly barrier to the purchase of trucks with the latest technologies. With more than half of the Class 8 trucks on the road today over 10 years old, FET repeal would immediately benefit the environment by replacing older trucks with cleaner and more fuel-efficient trucks.

Sens. Young (R-Ind.) and Cardin (D-Md.) introduced S. 2435, a bill to repeal the FET. On July 29, Rep. Pappas (D-N.H.) led 30 House Democrats in a letter to House Democratic leaders in support of repealing and replacing the FET. ATD and an industry coalition, Modernize the Truck Fleet, is working to identify viable funding options to replace this burdensome tax with a more consistent and equitable revenue mechanism to modernize and fund the Highway Trust Fund. **Congress should repeal the FET to protect U.S. jobs, replace older trucks with newer, greener trucks and promote the adoption of advanced technology trucks.**

TAX HIKES WILL HURT TRUCK SALES AND SMALL BUSINESS FAMILY TRUCK DEALERSHIPS

The tax reconciliation bill currently under consideration by Congress may include punitive tax increases on small businesses and pass-through businesses, including truck dealerships. Previous versions of the tax reconciliation bill significantly limited the Section 199A deduction for pass throughs, increased the top individual rate by 2.6% and expanded the 3.8% net investment income tax (NIIT) to include all pass-through income. If enacted, the overall tax rate on a pass through would increase from 29.6% to as high as 43.4%, giving large C corporations a significant tax advantage with a new tax rate at 26.5%.

The current 199A deduction is consistent with years of balanced tax treatment between pass-through entities and C corporations. The 199A deduction allows dealerships to retain earnings in the business, encourages increased business investment, and preserves small business jobs. Private companies provide 77% of all jobs and are spread evenly across the country, while public company jobs tend to be concentrated in a few cities and states. Overtaxing small businesses will only encourage further business consolidation and harm jobs. **Congress should preserve the Section 199A deduction and not expand taxes such as the NIIT to protect small businesses, their workers, and local communities.**

TREASURY SHOULD GRANT LIFO RELIEF DUE TO A COVID-RELATED GLOBAL INTERRUPTION OF VEHICLE PRODUCTION

Government actions to address the pandemic slowed or stopped production at vehicle assembly plants and suppliers across the globe, creating major foreign trade and supply interruptions in the U.S. vehicle industry. With historically low inventories and a semiconductor chip shortage caused by the pandemic, many truck dealers who use the Last-In, First-Out (LIFO) accounting method now face significant, unexpected tax liability due to LIFO recapture. NADA/ATD petitioned the Treasury Department to exercise its authority under Section 473 of the Internal Revenue Code to allow taxpayers to elect to replace their new-vehicle inventories over a three-year period. Since the petition was submitted, vehicle inventory constraints have worsened due to circumstances beyond the dealers' control, with no relief in sight. In the midst of depleted inventory, truck dealers are facing massive tax bills that could otherwise be utilized to invest in replenishing inventory, EV infrastructure, and employee training.

Recently, nearly 100 bipartisan House Members and 20 Democratic Senators signed letters to Treasury Secretary Janet Yellen urging the Department to use its authority to grant LIFO relief for dealers because government actions in response to the pandemic triggered a "major foreign trade interruption." **Members of Congress should urge the Treasury Department to grant temporary LIFO relief for businesses facing difficulty replacing inventories due to government and other actions that created a major global interruption of vehicle production.**