TAX HIKES WILL HURT SMALL BUSINESS FAMILY TRUCK DEALERSHIPS AND WORKERS

The “Build Back Better” (BBB) bill under consideration by Congress may include punitive tax increases on small businesses and pass-through businesses, which include truck dealerships. Previous versions of this 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%. Additionally, there were proposals to: reduce the federal gift and estate tax exemption from $11.7 million for 2021 to roughly $6.2 million for 2022; eliminate stepped up basis; and tax unrealized capital gains at death.

The House-passed version of the BBB bill in November and it did not include major tax increases on pass-throughs, or significantly modify taxes on family businesses. Another scaled-back version of the BBB may reemerge later this year. Congress should preserve the Section 199A deduction and not expand taxes such as the NIIT to protect small businesses, their workers, and local communities.

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 on heavy-duty trucks is in addition to the nearly $40,000 per truck cost due to recent federal emissions and fuel-economy mandates. While new trucks have made significant environmental and safety gains, such as reducing nitrous oxide emissions by 97% and particulate matter emissions by 98% over the past three decades, the FET remains a costly barrier to the purchase of new trucks with these latest environmentally focused 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 incentivizing the replacement of 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.

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

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 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. Amid depleted inventory, truck dealers are facing massive tax bills that could otherwise be utilized to invest in replenishing inventory, EV infrastructure, and employee training.

Nearly 100 bipartisan House Members and 52 bipartisan Senators signed letters to Treasury Secretary Janet Yellen urging the Department to use its authority to grant LIFO relief for dealers because of inventory declines in the vehicle industry caused by pandemic-related “major foreign trade interruptions.” To date, Treasury has not acted. Congress should urge the Treasury Department to grant temporary LIFO relief for businesses facing difficulty replacing inventories resulting from foreign supply chain interruptions, including semiconductors, that have reduced truck production.