



Repeal the Federal Excise Tax on New Heavy-Duty Trucks – Cosponsor H.R. 8116/S. 2435 *Promote the Transition to a Cleaner, Greener and Safer Truck Fleet*

ISSUE

Congress imposes a 12% federal excise tax (FET) on the retail sale of most new heavy-duty trucks. This tax depresses heavy-duty truck sales and delays the purchase of cleaner, safer and more fuel-efficient trucks. Truck manufacturing and assembly employment is significant in the U.S, and the FET negatively impacts American truck industry jobs.

Members of Congress are urged to cosponsor H.R. 8116/S. 2435 to protect U.S. jobs, replace older trucks with newer and greener trucks and promote the adoption of advanced technology trucks.

BACKGROUND

The FET on heavy-duty trucks was first imposed in 1917 to help pay for World War I. The 12% 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. The tax is imposed on top of the nearly \$40,000 in recent federal emissions and fuel-economy mandates, which already make it harder for small businesses to afford a new truck.

With more than half of the Class 8 trucks on the road over 10 years old, truck buyers and small businesses now hold onto their older trucks longer, or purchase used trucks, rather than investing in the latest environmental and safety technologies. Repealing the FET would immediately 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, the FET has delayed the deployment of these trucks, and they are not reaching the road fast enough to fully realize the benefits of significantly improved environmental and safety technologies. For example, the FET can add more than \$50,000 to the price of an electric or hydrogen fuel-cell truck, as these vehicles are already more than twice the price of internal combustion engine trucks.

Additionally, the FET has been the most inconsistent source of revenue to the Highway Trust Fund (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 12% FET should be replaced with a more consistent revenue source. The Modernize the Truck Fleet coalition 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 HTF.

KEY POINTS

- **FET repeal would immediately benefit the environment by replacing older trucks with cleaner and more fuel-efficient trucks.** While new trucks have made significant environmental gains, such as reducing nitrous oxide emissions by 97% and particulate matter emissions by 98%, the FET remains a costly barrier to the purchase of new trucks with the latest environmental technologies. (Fuel economy regulations for heavy duty trucks did not exist in 2010.) Half the Class 8 trucks on the road are over 10 years old and lack the markedly cleaner technologies and fuel efficiency gains of today's trucks.
- **The FET should be repealed and replaced with a more consistent revenue source to fund the HTF.** Since the FET is based on annual truck sales which can vary greatly, the tax has been the *most inconsistent HTF revenue source over the past 20 years* and contributes to the long-term instability of the HTF.
- **Repealing the FET would spur new truck sales and protect the 1.3 million U.S. manufacturing, supplier, dealership and heavy-duty trucking and trailer related jobs.** Modernize the Truck Fleet, a coalition of industry groups and state associations, backs FET repeal because it would support American workers in manufacturing and sales and drive the adoption of advanced technology trucks.

STATUS

Bills to repeal the FET have been introduced in the House (H.R. 8116) by Reps. LaMalfa (R-Calif.) and Pappas (D-N.H.), and in the Senate (S. 2435) by Sens. Young (R-Ind.) and Cardin (D-Md.). **To promote the deployment of cleaner trucks and the transition to a lower carbon future, Members are urged to cosponsor H.R. 8116/S. 2435.**