



**Written Statement of the American Truck Dealers  
Submitted for the Hearing Record  
*“Paving the Way for Funding and Financing Infrastructure Investments”*  
House Committee on Ways and Means  
January 29, 2020**

American Truck Dealers (ATD), a division of the National Automobile Dealers Association (NADA), is pleased to submit comments for the record regarding our support for repeal of the federal excise tax (FET) on heavy-duty trucks and trailers. ATD represents over 1,800 franchised commercial truck dealerships who employ more than 125,000 people nationwide. We share the committee’s goal of modernizing and reforming the Highway Trust Fund (HTF). One aspect of the HTF that needs reexamination is the 12% federal excise tax (FET) on the retail sale of most new heavy-duty trucks and trailers, which delays the replacement of older, less environmentally clean, and less fuel-efficient trucks.

ATD looks forward to working with the committee to repeal the outdated and burdensome FET and replace it with a fairer and more consistent revenue source for the HTF. Repealing the FET will help modernize the truck fleet by encouraging the adoption of newer, cleaner, more fuel efficient and safer trucks.

**History of the Outdated FET**

The FET was first enacted in 1917 to help pay for World War I. Since its inception, the tax has been briefly eliminated, reinstated during the Great Depression, raised twice prior to World War II, increased and rolled into the HTF in 1956, repealed by the Senate in 1975, and increased to 12% in 1982. At 12%, the FET is the highest tax Congress imposes on a percentage basis on any product.

Congress has not revisited whether the FET is the most effective and efficient way to raise revenue from the commercial transportation sector since 1982. Although that was the last time Congress made structural changes to the collection and size of the tax, the FET has been extended six times since then, and it is now set to expire at the end of September 2022.<sup>1</sup>

**The FET Hurts the Deployment of More Environmentally Friendly Trucks**

Over the past two decades, the trucking industry has made strong environmental gains, and today’s heavy-duty trucks are cleaner than ever before. Cleaner fuel and engines utilizing

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<sup>1</sup> See attachment: *The History of the Federal Excise Tax on Heavy-Duty Trucks*, AMERICAN TRUCK DEALERS (American Truck Dealers, Washington, D.C.), January 2019.

advanced technology 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 1989. Diesel engine improvements to trucks manufactured since 2010 and those on the road today have reduced carbon dioxide (CO2) emissions by 43 million tons, NOx emissions by 21 million tons, and PM emissions by 1.2 million tons. Since 2010, more efficient diesel trucks have saved 101 million barrels of crude oil and 4.2 billion gallons of diesel fuel.<sup>2</sup>

However, the investments in new technologies required to fulfill these 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. Overall the FET can add an additional \$22,000 to the average cost of a new truck. This cost increase delays fleet turnover, as truck owners hold onto their trucks longer. Ultimately, this tax slows the deployment of new trucks and heavy-duty trailers that are equipped with the latest environmental advances.

### **The FET Discourages the Sale of Newer Trucks with Greater Safety Benefits**

Roadway safety and crash avoidance are top priorities for the trucking industry. Deploying new trucks with more advanced safety technologies would help prevent crashes and protect motorists. Additionally, eliminating the costs dedicated to paying the FET would free up capital and allow small businesses and fleets to invest in newer trucks and safety technologies

New trucks have several mandated safety features, such as electronic stability control (ESC) and anti-lock braking systems (ABS). Today's new truck buyers can also choose from an array of high-tech safety options, such as automatic emergency braking (AEB); adaptive cruise control, and adaptive cruise control with braking; lane departure warning, and lane-keeping assist (with intervention); blind spot warning; traction control; tire-pressure monitoring, and automatic tire inflation; automatic wipers and headlamps; and side airbags for rollovers.<sup>3</sup>

However, only one-third of heavy-duty trucks in service today are model year 2010 or newer. Repealing the FET would spur the deployment of safer heavy-duty trucks and trailers by making them more affordable.

### **Because Truck Sales are Cyclical, the FET Revenue Stream into the HTF is Volatile**

The FET has also been the most inconsistent revenue stream paid into the HTF over the past twenty years. In 2008, FET receipts contributed only 3.7% of total HTF revenue, but, in 2015, contributed 10.9% of the HTF balance. In 2017 the FET revenue as a percentage of HTF revenue dropped to 7.4%. Because FET revenue is dependent on fluctuating annual truck sales, the

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<sup>2</sup> See attachment: *Deploy Cleaner Trucks Today—Support H.R. 2381/S. 1839*, MODERNIZE THE TRUCK FLEET COALITION (Modernize the Truck Fleet Coalition, Washington, D.C.), 12 September 2019.

<sup>3</sup> See attachment: *Deploy Newer Safer Trucks on the Highways Today—Support H.R. 2381/S. 1839*. MODERNIZE THE TRUCK FLEET COALITION (Modernize the Truck Fleet Coalition, Washington, D.C.), 19 June 2019.

volatility of this revenue contributes to the overall instability of the HTF.<sup>4</sup> Repealing the FET and identifying a more consistent and reliable revenue source for the HTF will provide long-term solvency and stability for the nation's highway funding needs.

### **The FET is Complex and Creates Administrative Burdens for Small Businesses**

Additionally, the FET is a complicated and 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.

To increase various engine efficiencies, or for additional driver and highway safety purposes, truck buyers may select additional cab or engine components that are specific to the tasks for which a truck is built. As each modification is made to a truck or trailer, dealers must on a part-by-part basis determine whether the FET applies, and in turn, manage assessment of the tax for every truck sold. These custom purchase options require careful calculations and create additional burdens for dealers and truck buyers during the sales process. Repealing the FET would provide much needed relief from these administrative burdens for small businesses.

### **FET Repeal Consideration Has Bipartisan Congressional Support**

Repeal of the FET has bipartisan support in Congress. Reps. Doug LaMalfa (R-Calif.) and Collin Peterson (D-Minn.) have introduced H.R. 2381, the "Modern, Clean, and Safe Trucks Act of 2019," which would repeal the FET. This bill currently has 32 cosponsors and a companion bill has been introduced in the Senate.<sup>5</sup>

Additionally, on Dec. 19, Rep. Chris Pappas (D-N.H.) sent a letter signed by 22 House Democrats to the leadership of the House Ways and Means Committee. The letter advocated for consideration of FET phase-out/repeal in infrastructure legislation.<sup>6</sup>

Further, on Dec. 20, Sen. Joe Manchin (D-W.Va.) sent a letter 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 HTF.<sup>7</sup> The letter to the Senate Finance Committee states: "As you consider options to revitalize the HTF, I ask that you take a holistic view of all revenue and expenditures to ensure they remain relevant today. As an example, the federal excise tax on trucks and trailers was originally enacted in 1917 to help finance World War I.

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<sup>4</sup> See attachment: *Summary of Highway Trust Fund (HTF) Revenues 2005-2017*. AMERICAN TRUCK DEALERS (American Truck Dealers, Washington, D.C.) 4 December 2019.

<sup>5</sup> Modern, Clean, and Safe Trucks Act of 2019; H.R. 2381/S. 1839.

<sup>6</sup> See attachment: *Letter to House Ways and Means Committee regarding the FET on heavy-duty trucks*. Rep. Chris Pappas et al. U.S. House of Representatives. 116<sup>th</sup> Cong., 1<sup>st</sup> sess., 19 December 2019.

<sup>7</sup> See attachment: *Letter to Senate Finance Committee regarding the FET on heavy-duty trucks*. Sen. Joe Manchin, U.S. Senate. 116<sup>th</sup> Cong., 1<sup>st</sup> sess. 20 December 2019.

Today it stands at 12% and represents one of the highest excise taxes that Congress levies on any product.”

### **FET Repeal Has the Backing of the Trucking Industry**

ATD helped establish and is leading a nationwide industry coalition “Modernize the Truck Fleet”. This coalition was launched in 2018 to advocate for repeal of the burdensome FET and to help Congress identify viable options for replacement funding.<sup>8</sup>

On July 26, twenty-two organizations representing the trucking industry, the RV industry, road builders, highway users, and other sectors of the economy such as manufacturing and agricultural transportation, submitted a letter to congressional leadership advocating for FET repeal and replacing it with a more consistent revenue source to fund the HTF.<sup>9</sup>

### **Conclusion**

ATD strongly urges the Ways and Means Committee to repeal this outdated, counterproductive and burdensome tax. The FET has outlived its usefulness. It discourages the deployment of the newest, safest, and most environmentally friendly commercial trucks and trailers available, and it is an unreliable revenue source for the HTF.

We respectfully urge the committee to consider possible revenue replacements for the FET that may be paid over a vehicle’s lifetime and are based on a vehicle’s highway use. In contrast, the FET is currently paid upfront on the first retail sale of a truck, and the tax is the same whether the vehicle is driven 10,000 or 100,000 miles annually.

By repealing the FET and replacing it with a revenue source that is more equitable and reflective of a 21<sup>st</sup> century economy, Congress can also address the insolvency of the HTF while encouraging the faster deployment of safer, greener trucks. Since the FET depresses heavy-duty truck sales and inhibits job growth, repealing the tax would also help the economy and the 7.7 million Americans employed in trucking-related jobs.

Thank you for your consideration, and we look forward to working together to modernize America’s truck fleet and reform the Highway Trust Fund.

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<sup>8</sup> See attachment: Modernize the Truck Fleet Coalition Launches Press Release. 25 January 2019.

<sup>9</sup> See attachment: *Industry Stakeholders Letter to Congressional Leadership regarding the FET on heavy-duty trucks*. AMERICAN TRUCK DEALERS ET AL. (American Truck Dealers et al., Washington, D.C.) 26 July 2019.

# TIME TO MODERNIZE THE TRUCK FLEET



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.

Is the FET  
the most effective  
and efficient way  
to raise revenue  
for the highway  
trust fund?



**AMERICAN TRUCK DEALERS**

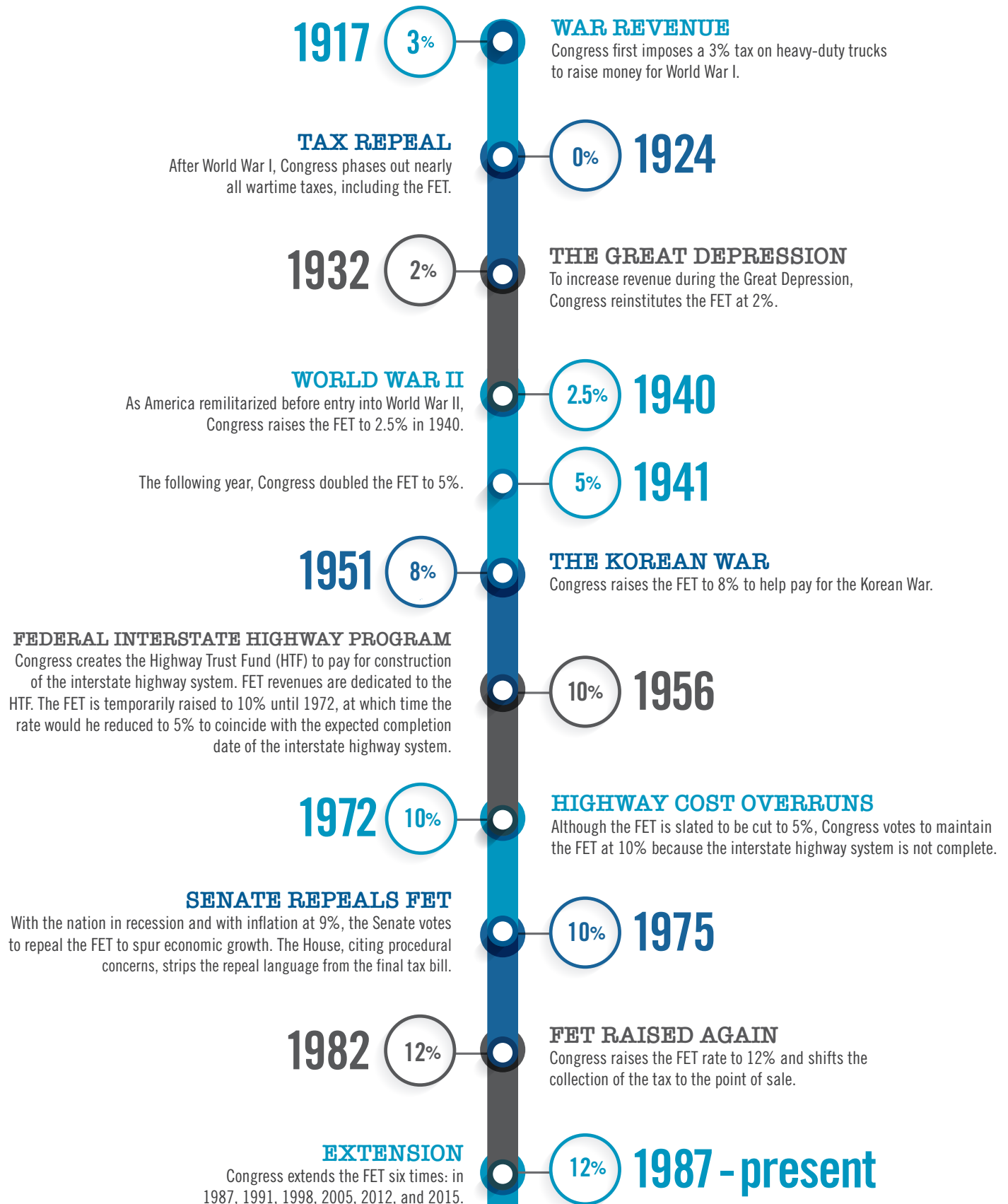
NADA Legislative Affairs

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# 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 reinstituted; 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.





## MODERNIZE THE TRUCK FLEET CLEANER • SAFER

### Deploy Newer, Cleaner Trucks and Trailers on the Highway Today—Support H.R. 2381/S. 1839

#### ISSUE

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Modern medium and heavy-duty trucks and trailers are cleaner and more fuel-efficient than ever before. Because of the development of new technology and the implementation of stringent emissions standards, new trucks are drastically reducing the transportation sector's environmental footprint.

Unfortunately, new trucks and semi-trailers are not reaching the road fast enough to reap the benefits of emerging green technologies. Only a third of medium and heavy-duty trucks on the road today are model year (MY) 2010 or newer. To reduce fuel consumption and slash emissions, Congress should pass an infrastructure bill that helps facilitate the purchase of cleaner, more efficient trucks and trailers, by eliminating the onerous, outdated 12% federal excise tax (FET) on the purchase of new trucks and trailers. Repeal of the FET would also help stimulate the economy, as new, cleaner trucks and trailers are manufactured and distributed across thousands of communities throughout America. **Congress should include H.R. 2381/S. 1839, a bill to repeal the FET, in comprehensive infrastructure legislation to help modernize America's truck fleet.**

#### KEY POINTS

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- **The commercial truck fleet has an outsized impact on the transportation sector.** Although medium and heavy-duty trucks account for only 4 percent of all vehicles on the road, they haul 70 percent of domestic freight, consuming over 20 percent of the nation's transportation fuel, or approximately 22 billion gallons of diesel fuel every year, while traveling over 200 billion miles per year. This activity means small improvements to the truck fleet can yield large results. The American Lung Association has credited fleet turnover as an integral factor in helping to improve America's air quality.
- **Technology is making trucks cleaner and more efficient.** Vehicle, fuel, and powertrain technologies are advancing rapidly. Over the past three decades, cleaner fuel and advanced engines have combined to reduce nitrogen oxide (NO<sub>x</sub>) emissions by 97% and particulate matter (PM) emissions by 98%. To put that in perspective, it would take 60 of today's new trucks to generate the same level of emissions as a **single truck** manufactured in 1989. New trucks mean a cleaner environment. For example, the owner of a heavy-duty truck powered by a modern engine can expect to save about 960 gallons of fuel each year over a 1998 MY truck.
- **New trucks have already contributed significantly to environmental quality improvements.** Diesel engine improvements to trucks manufactured since 2010 and on the road today have reduced carbon dioxide (CO<sub>2</sub>) emissions by 43 million tons, nitrogen oxide (NO<sub>x</sub>) emissions by 21 million tons, and particulate matter (PM) emissions by 1.2 million tons. Also, since 2010, new, more efficient diesel trucks have saved 101 million barrels of crude oil and 4.2 billion gallons of diesel fuel.

**New greenhouse gas (GHG) and fuel efficiency (FE) rules ensure continued progress.** The Environmental Protection Agency's and the National Highway Traffic Safety Administration's mandates, governing greenhouse gas emissions and fuel efficiency (GHG/FE) will apply to all new trucks with standards that become steadily more stringent through 2027 and beyond. Phase 1 of the program established fuel efficiency standards for model-year 2014 through model year 2018 and is expected to save 530 million barrels of oil and reduce CO<sub>2</sub> emissions by 270 million tons. Phase 2 will address model-year 2021 and beyond and will further improve upon these gains by establishing standards that will rely upon the adoption of both currently available technologies, as well as those not yet developed and widely deployed. Emissions reductions and efficiency improvement standards can be found on the next page.

#### BOTTOM LINE

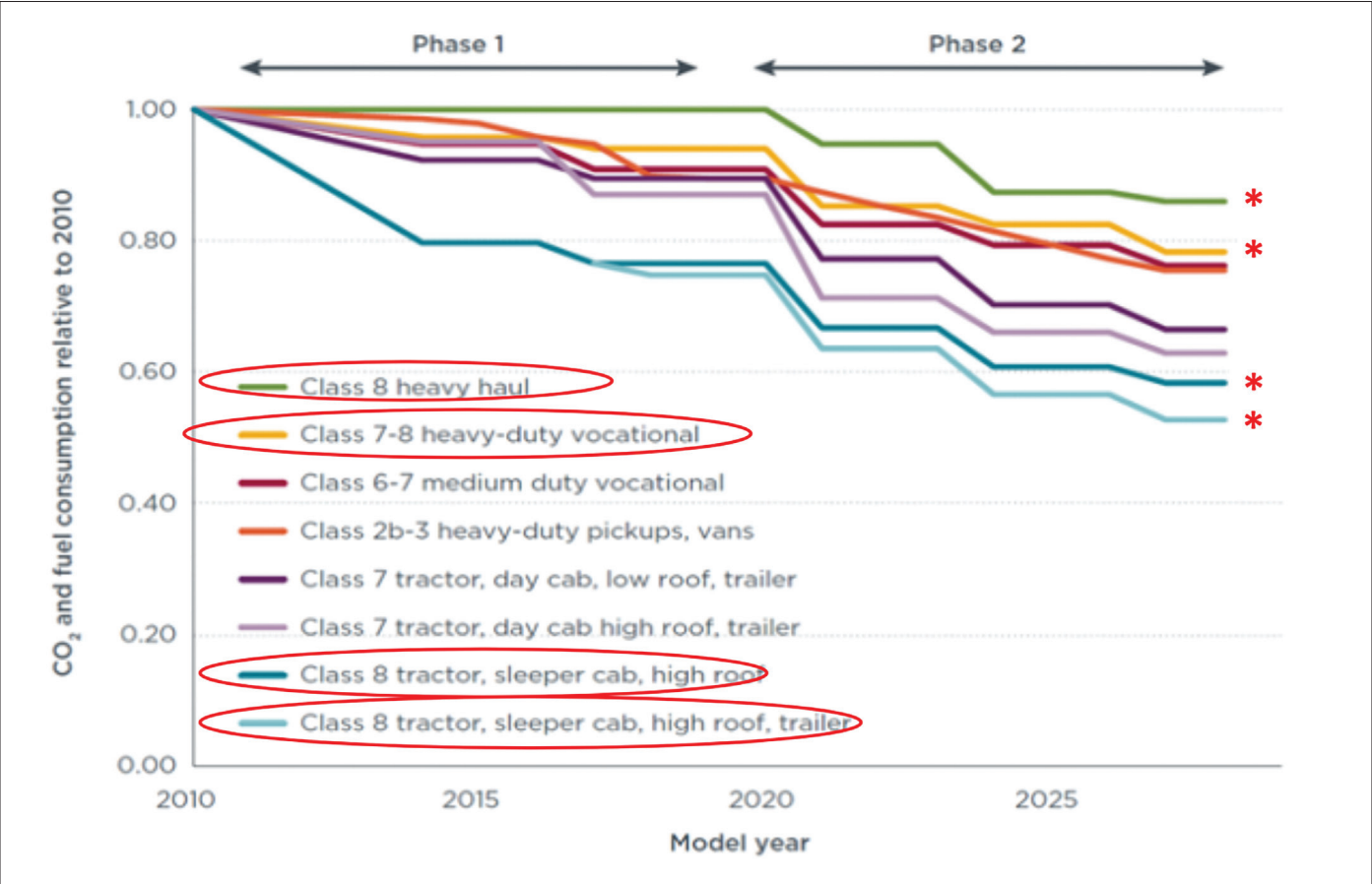
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A new truck is a clean and green truck. Congress should prioritize policies that facilitate truck fleet turnover by eliminating the burdensome upfront cost of the 12% FET. **Members are urged to cosponsor H.R. 2381/S. 1839 to spur new truck sales and promote the deployment of cleaner and safer trucks to modernize the truck fleet.** To learn more, please contact Mike Joyce at 202.423.8805 or [mjoyce@totalspectrumsga.com](mailto:mjoyce@totalspectrumsga.com).

September 12, 2019

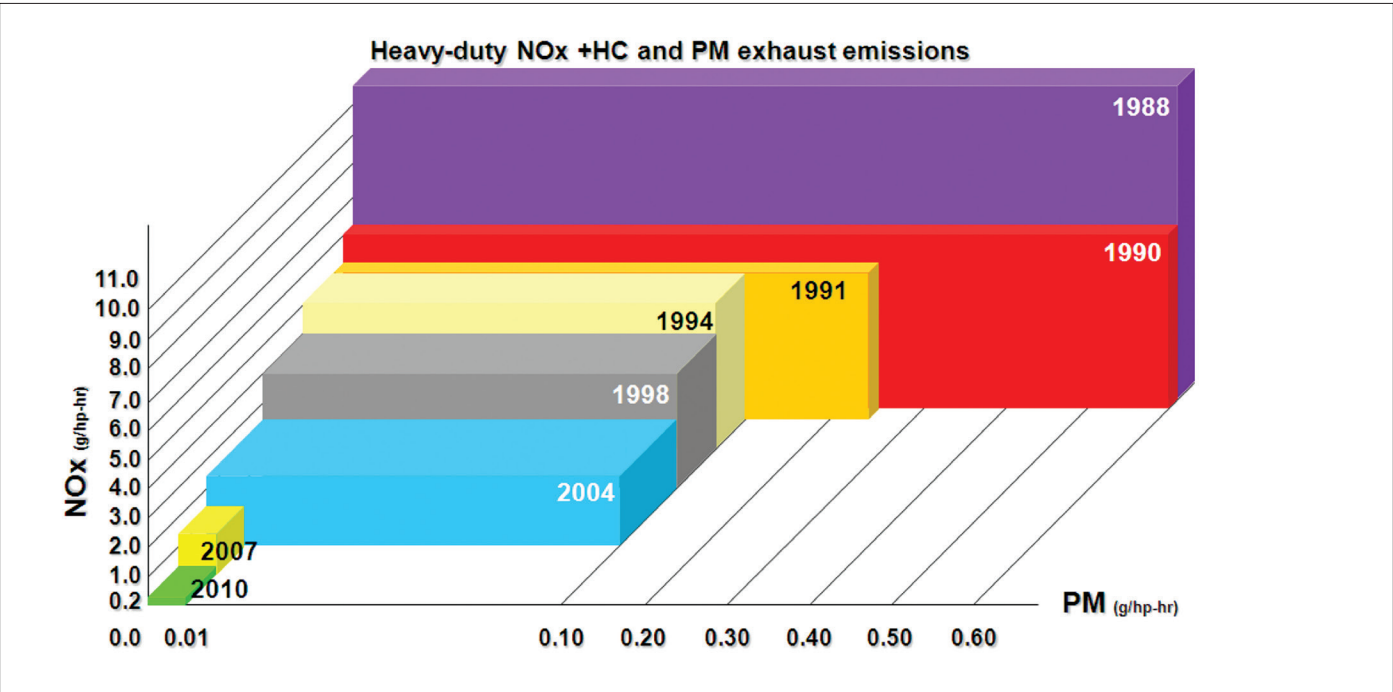


CO<sub>2</sub> AND FUEL EFFICIENCY IMPROVEMENTS FROM THE MEDIUM- AND HEAVY-DUTY VEHICLE STANDARDS



Courtesy of International Council on Clean Transportation, under a Share Alike license of Creative Commons.

NEW TRUCKS HAVE ACHIEVED NEAR ZERO EMISSIONS







## MODERNIZE THE TRUCK FLEET CLEANER • SAFER

### Deploy Newer, Safer Trucks and Trailers on the Highways Today—Support H.R. 2381/S. 1839

#### ISSUE

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Roadway safety and crash avoidance are top priorities for all of us. The trucking industry continues to deploy new safety technologies to keep drivers and other road users safe. New trucks and trailers have several, mandated safety features, such as electronic stability control (ESC) and anti-lock braking systems (ABS). Additionally, today's new truck buyers can choose from an array of high-tech safety technologies, such as automatic emergency braking (AEB); adaptive cruise control, and 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, and automatic tire inflation; automatic wipers and headlamps; and side airbags for rollovers.

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 a 12% federal excise tax (FET) that Congress levies on trucks and trailers at the point of sale. This means the FET is applied to the cost of each new safety feature the customer may decide to add to the vehicle at that point of sale. The FET routinely adds \$10,000 - \$22,000 to the price of a new truck or trailer—on top of the nearly \$40,000 in regulatory costs for recent federal emissions and fuel-efficiency mandates. Simply put, the FET constrains the ability of businesses to afford new trucks and acts as a deterrent to the selection of additional safety features that could be purchased with a new truck.

Congress should pass H.R. 2381/S. 1839, the “Modern, Clean, and Safe Trucks Act of 2019,” to repeal the FET. Repealing this onerous tax will help spur the sale of new trucks, which offer the latest safety, fuel efficiency, and emissions performance improvements and, in turn, will help modernize the truck fleet and make our roadways safer.

#### KEY POINTS

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- **Abolishing the 12% FET, which delays the deployment of the newest, safest trucks and trailers, will help the trucking industry update their fleets and adopt safety equipment at a faster pace.** Paying the FET, which can often exceed \$20,000 per truck, discourages many fleet owners and truck drivers from purchasing new trucks. As a result, owners hold onto older trucks longer.
- **Accelerating heavy-duty truck fleet turnover will have a significant impact on highway safety.** The average age of heavy-duty trucks on the road is almost 10 years. That means that many trucks in service today lack the benefits offered by nearly a decade of safety technology advancements.
- **The federal government should encourage the sale of new heavy-duty vehicles, which represent a significant improvement from earlier generations in safety technology.** The deployment of newer, safer trucks will help reduce roadway crashes and related injuries and fatalities.

#### BOTTOM LINE

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Members are urged to cosponsor H.R. 2381/S. 1839 to spur new truck sales and promote a safer trucking fleet. To learn more, please contact Mike Joyce at 202.423.8805 or [mjoyce@totalspectrumsga.com](mailto:mjoyce@totalspectrumsga.com).

# Summary of Highway Trust Fund (HTF) Revenues 2005-2017

HTF Federal Excise Taxes	Tax Amount/Rate	Applicability	Revenue Average (2005-2017)	Average Percentage of HTF Revenue (2005-2017)
<b>Gasoline Excise Tax</b>	18.4 cents per gallon <sup>1</sup>	Most gasoline except for fuel used by rail, or off-road equipment	\$24.55 billion	64.21% <sup>2</sup>
<b>Diesel Excise Tax<sup>3</sup></b>	24.4 cents per gallon <sup>1</sup>	Most diesel except for fuel used by rail, or off-road equipment	\$9.12 billion	23.86% <sup>2</sup>
<b>Truck and Trailer Excise Tax (FET)</b>	12% of retailer's sale price	New trucks and tractors weighing greater than 33,000 lbs. GVW	\$3.11 billion	8.02%
	12% of retailer's sale price	New trailers weighing greater than 26,000 lbs. GVW		
<b>Heavy Vehicle Use Tax (HVUT)</b>	\$100 plus \$22 per 1,000 lbs. (in excess of 55,000 lbs.) annually—\$550 maximum	Trucks weighing 55,000 lbs. GVW or greater	\$1.1 billion	2.81%
<b>Tire Excise Tax</b>	9.45 cents per 10 lbs. of tire load (in excess of 3,500 lbs.)	Tires with a capacity over 3,500 lbs.	\$427.5 million	1.10%

GVW = Gross Vehicle Weight

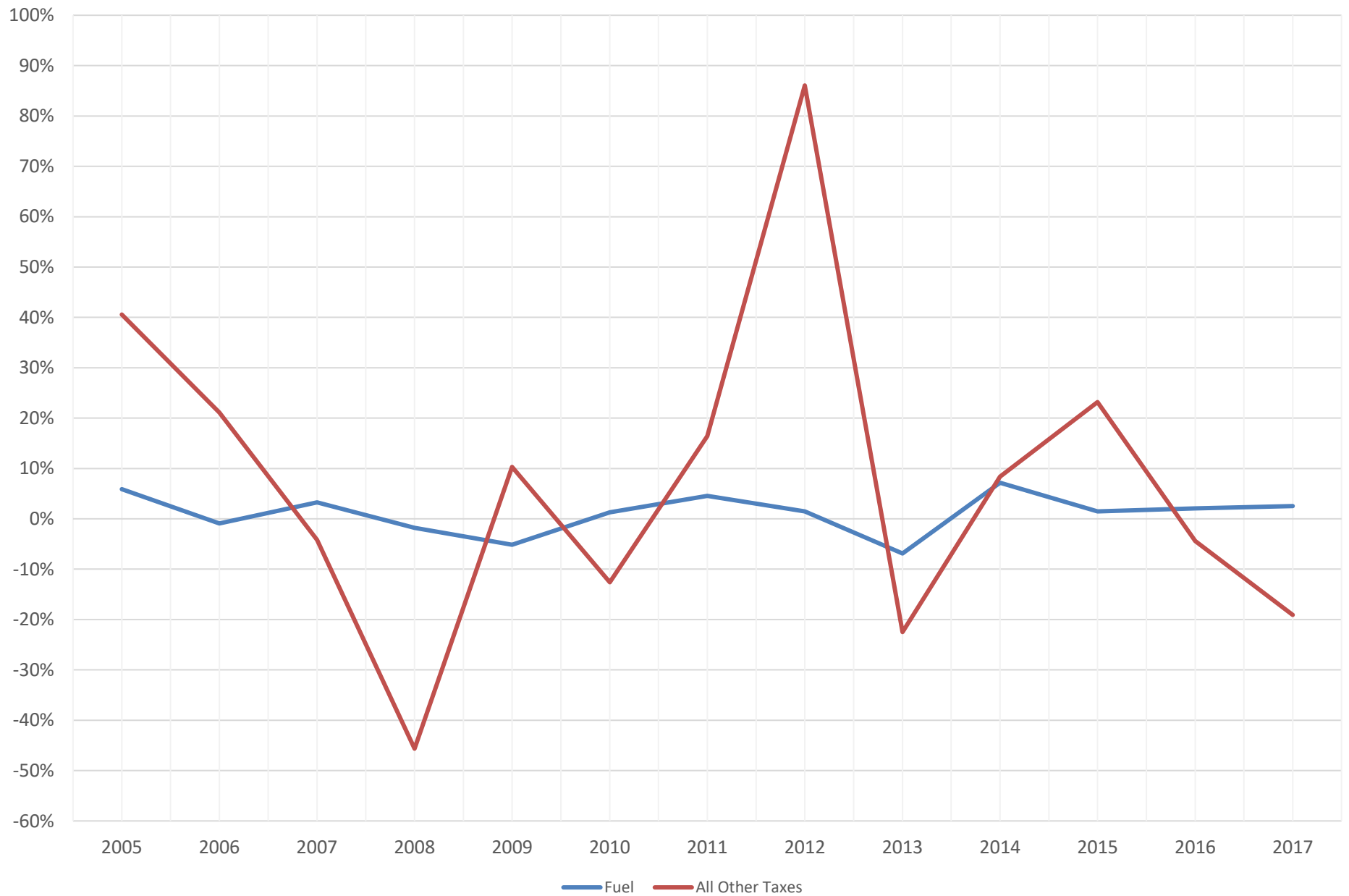
Source: Federal Highway Administration (<https://www.fhwa.dot.gov/policyinformation/statistics.cfm>) using latest available data.

<sup>1</sup> Value represents total fuel excise tax. Of this amount, 2.86 cents per gallon are transferred to the Mass Transit Account.

<sup>2</sup> Percentages and totals derived from money flowing solely to highway account and not to the Mass Transit Account.

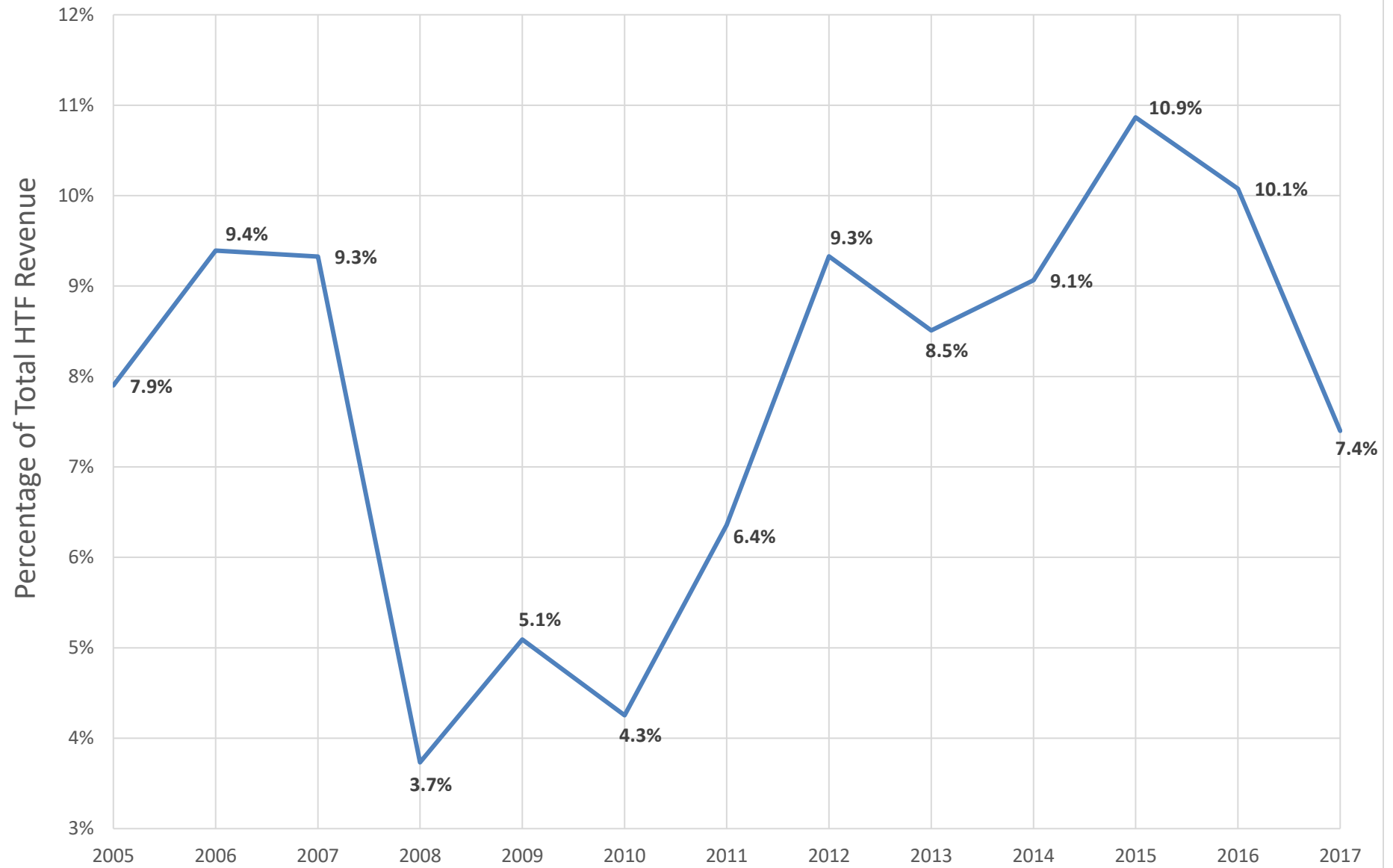
<sup>3</sup> On average, \$580 million dollars of diesel tax revenue is refunded annually to aviation users who pay diesel tax. This total reflects this refund difference.

## Annual Percent Change in Federal Highway Trust Fund Receipts from 2005-2017

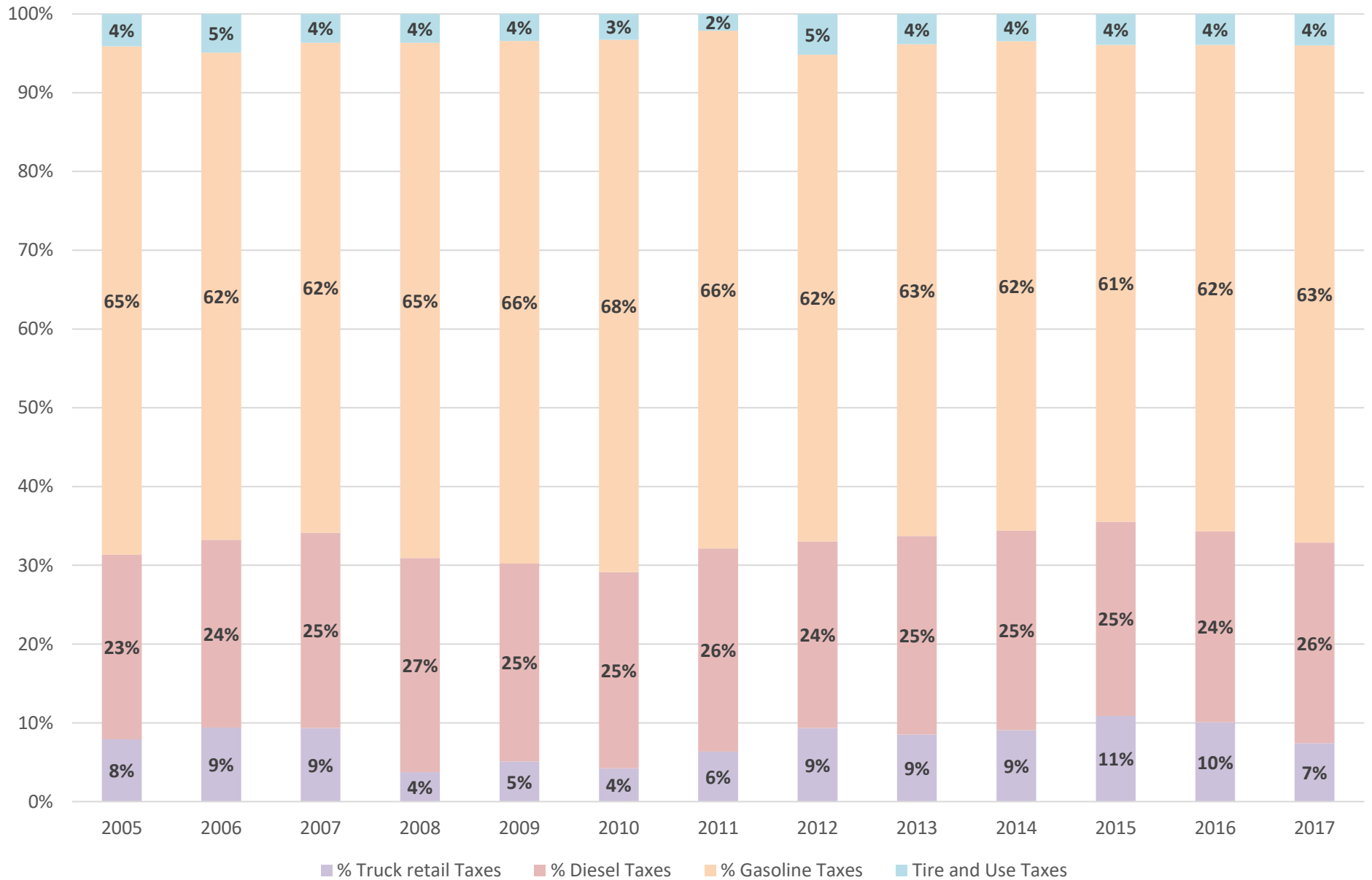


# Volatility in FET Revenue

*As a Percentage of Total HTF Revenue*



# Highway Trust Fund Revenues from 2005-2017



116TH CONGRESS  
1ST SESSION

# H. R. 2381

To amend the Internal Revenue Code of 1986 to repeal the excise tax on heavy trucks and trailers, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 29, 2019

Mr. LAMALFA (for himself, Mr. PETERSON, Mr. O'HALLERAN, Mr. PENCE, and Mr. CUELLAR) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to repeal the excise tax on heavy trucks and trailers, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Modern, Clean, and  
5 Safe Trucks Act of 2019”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds that—

8 (1) there is a 12-percent Federal retail excise  
9 tax on certain new heavy trucks, tractors, and trail-

1       ers, coupled with new regulatory mandates, signifi-  
2       cantly increasing the cost of new heavy-duty trucks,  
3       tractors, and trailers, and discourages the replace-  
4       ment of older, less environmentally clean and less  
5       fuel economical vehicles;

6           (2) this 12-percent Federal retail excise tax is  
7       the highest percentage rate of any Federal ad valo-  
8       rem excise tax;

9           (3) the Federal excise tax was first levied by  
10      Congress in 1917 to help finance America's involve-  
11      ment in World War I;

12          (4) the 12-percent Federal retail excise tax rou-  
13      tinely adds between \$12,000 and \$22,000 to the cost  
14      of a heavy truck, tractor, or trailer;

15          (5) the average in-use, heavy truck is 9.6 years  
16      old, close to the historical all-time high;

17          (6) the Environmental Protection Agency's  
18      model year 2002–2010 tailpipe emissions rules ac-  
19      count for \$20,000 of the average price of today's  
20      new heavy-duty trucks;

21          (7) according to the 2011 Environmental Pro-  
22      tection Agency and National Highway Traffic Safety  
23      Administration Regulatory Impact Analysis entitled  
24      “Final Rulemaking to Establish Greenhouse Gas  
25      Emissions Standards and Fuel Efficiency Standards



1 for Medium and Heavy-Duty Engines and Vehicles”,  
2 model year 2014–2018 EPA–Department of Trans-  
3 portation fuel economy rules will add up to approxi-  
4 mately \$6,683 to the price of new heavy-duty trucks;

5 (8) according to the 2016 Environmental Pro-  
6 tection Agency and National Highway Traffic Safety  
7 Administration Final Rule entitled “Greenhouse Gas  
8 Emissions and Fuel Efficiency Standards for Me-  
9 dium and Heavy-Duty Engines and Vehicles—Phase  
10 2”, model year 2021–2027 fuel economy rules will  
11 add up to approximately \$12,500 to the price of new  
12 heavy-duty trucks;

13 (9) the \$39,183 average per truck cost of these  
14 regulatory mandates results in an additional \$4,700  
15 Federal excise tax, on average;

16 (10) since the Federal retail excise tax on cer-  
17 tain new heavy trucks, tractors, and trailers is based  
18 on annual sales, receipts from the tax deposited in  
19 the Highway Trust Fund can vary greatly;

20 (11) Congress should consider a more reliable  
21 and consistent revenue mechanism to protect the  
22 Highway Trust Fund; and

23 (12) Congress should advance the deployment  
24 of the most modern, clean, and safe trucks through  
25 eliminating the Federal excise on trucks.

1 **SEC. 3. REPEAL OF EXCISE TAX ON HEAVY TRUCKS AND**  
 2 **TRAILERS.**

3 (a) IN GENERAL.—Chapter 31 of the Internal Rev-  
 4 enue Code of 1986 is amended by striking subchapter C  
 5 (and by striking the item relating to such subchapter from  
 6 the table of subchapters for such chapter).

7 (b) CONFORMING AMENDMENTS.—

8 (1) Section 4072(c) of such Code is amended to  
 9 read as follows:

10 “(c) TIRES OF THE TYPE USED ON HIGHWAY VEHI-  
 11 CLES.—

12 “(1) IN GENERAL.—For purposes of this part,  
 13 the term ‘tires of the type used on highway vehicles’  
 14 means tires of the type used on—

15 “(A) motor vehicles which are highway ve-  
 16 hicles, or

17 “(B) vehicles of the type used in connec-  
 18 tion with motor vehicles which are highway ve-  
 19 hicles.

20 “(2) EXCEPTION FOR MOBILE MACHINERY.—

21 “(A) IN GENERAL.—Such term shall not  
 22 include tires of a type used exclusively on mo-  
 23 bile machinery.

24 “(B) MOBILE MACHINERY.—For purposes  
 25 of subparagraph (A), the term ‘mobile machin-

1           ery' means any vehicle which consists of a chas-  
2           sis—

3                   “(i) to which there has been perma-  
4                   nently mounted (by welding, bolting, riv-  
5                   eting, or other means) machinery or equip-  
6                   ment to perform a construction, manufac-  
7                   turing, processing, farming, mining, drill-  
8                   ing, timbering, or similar operation if the  
9                   operation of the machinery or equipment is  
10                  unrelated to transportation on or off the  
11                  public highways,

12                  “(ii) which has been specially designed  
13                  to serve only as a mobile carriage and  
14                  mount (and a power source, where applica-  
15                  ble) for the particular machinery or equip-  
16                  ment involved, whether or not such ma-  
17                  chinery or equipment is in operation, and

18                  “(iii) which, by reason of such special  
19                  design, could not, without substantial  
20                  structural modification, be used as a com-  
21                  ponent of a vehicle designed to perform a  
22                  function of transporting any load other  
23                  than that particular machinery or equip-  
24                  ment or similar machinery or equipment

1           requiring such a specially designed chas-  
2           sis.”.

3           (2) Section 4221 of such Code is amended—

4                 (A) by striking “4051 or” in subsection  
5                 (a), and

6                 (B) by striking “and in the case of any ar-  
7                 ticle sold free of tax under section 4053(6),” in  
8                 subsection (c).

9           (3) Section 4222(d) of such Code is amended  
10          by striking “4053(6),”.

11          (4) Section 4293 of such Code is amended by  
12          striking “section 4051,”.

13          (5) Section 6416(b)(2) of such Code is amend-  
14          ed by striking “or under section 4051”.

15          (6) Section 6416(b) of such Code is amended  
16          by striking paragraph (6).

17          (7) Section 9503(b)(1) of such Code is amend-  
18          ed by striking subparagraph (B) and by redesignig-  
19          nating subparagraphs (C), (D), and (E) as subpara-  
20          graphs (B), (C), and (D), respectively.

21          (c) EFFECTIVE DATE.—The amendments made by  
22          this section shall apply to sales and installations on or  
23          after the date of the introduction of this Act.

○

116TH CONGRESS  
1ST SESSION

# S. 1839

To amend the Internal Revenue Code of 1986 to repeal the excise tax on heavy trucks and trailers, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

JUNE 13, 2019

Mr. GARDNER introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to repeal the excise tax on heavy trucks and trailers, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Modern, Clean, and  
5 Safe Trucks Act of 2019”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds that—

8 (1) there is a 12-percent Federal retail excise  
9 tax on certain new heavy trucks, tractors, and trail-  
10 ers, coupled with new regulatory mandates, signifi-

1       cantly increasing the cost of new heavy-duty trucks,  
2       tractors, and trailers, and discouraging the replace-  
3       ment of older, less environmentally clean and less  
4       fuel economical vehicles;

5           (2) this 12-percent Federal retail excise tax is  
6       the highest percentage rate of any Federal ad valo-  
7       rem excise tax;

8           (3) the Federal excise tax was first levied by  
9       Congress in 1917 to help finance America's involve-  
10      ment in World War I;

11          (4) the 12-percent Federal retail excise tax rou-  
12      tinely adds between \$12,000 and \$22,000 to the cost  
13      of a heavy truck, tractor, or trailer;

14          (5) the average in-use, heavy truck is 9.6 years  
15      old, close to the historical all-time high;

16          (6) the Environmental Protection Agency's  
17      model year 2002–2010 tailpipe emissions rules ac-  
18      count for \$20,000 of the average price of today's  
19      new heavy-duty trucks;

20          (7) according to the 2011 Environmental Pro-  
21      tection Agency and National Highway Traffic Safety  
22      Administration Regulatory Impact Analysis entitled  
23      “Final Rulemaking to Establish Greenhouse Gas  
24      Emissions Standards and Fuel Efficiency Standards  
25      for Medium and Heavy-Duty Engines and Vehicles”,

1 model year 2014–2018 EPA-Department of Trans-  
 2 portation fuel economy rules will add up to approxi-  
 3 mately \$6,683 to the price of new heavy-duty trucks;

4 (8) according to the 2016 Environmental Pro-  
 5 tection Agency and National Highway Traffic Safety  
 6 Administration Final Rule entitled “Greenhouse Gas  
 7 Emissions and Fuel Efficiency Standards for Me-  
 8 dium and Heavy-Duty Engines and Vehicles—Phase  
 9 2”, model year 2021–2027 fuel economy rules will  
 10 add up to approximately \$12,500 to the price of new  
 11 heavy-duty trucks;

12 (9) the \$39,183 average per truck cost of these  
 13 regulatory mandates results in an additional \$4,700  
 14 Federal excise tax, on average; and

15 (10) since the Federal retail excise tax on cer-  
 16 tain new heavy trucks, tractors, and trailers is based  
 17 on annual sales, receipts from the tax deposited in  
 18 the Highway Trust Fund can vary greatly.

19 **SEC. 3. REPEAL OF EXCISE TAX ON HEAVY TRUCKS AND**  
 20 **TRAILERS.**

21 (a) IN GENERAL.—Chapter 31 of the Internal Rev-  
 22 enue Code of 1986 is amended by striking subchapter C  
 23 (and by striking the item relating to such subchapter from  
 24 the table of subchapters for such chapter).

25 (b) CONFORMING AMENDMENTS.—



1           (1) Section 4072(c) of such Code is amended to  
2       read as follows:

3       “(c) TIRES OF THE TYPE USED ON HIGHWAY VEHI-  
4       CLES.—

5           “(1) IN GENERAL.—For purposes of this part,  
6       the term ‘tires of the type used on highway vehicles’  
7       means tires of the type used on—

8           “(A) motor vehicles which are highway ve-  
9       hicles, or

10          “(B) vehicles of the type used in connec-  
11       tion with motor vehicles which are highway ve-  
12       hicles.

13          “(2) EXCEPTION FOR MOBILE MACHINERY.—

14          “(A) IN GENERAL.—Such term shall not  
15       include tires of a type used exclusively on mo-  
16       bile machinery.

17          “(B) MOBILE MACHINERY.—For purposes  
18       of subparagraph (A), the term ‘mobile machin-  
19       ery’ means any vehicle which consists of a chas-  
20       sis—

21               “(i) to which there has been perma-  
22               nently mounted (by welding, bolting, riv-  
23               eting, or other means) machinery or equip-  
24               ment to perform a construction, manufac-  
25               turing, processing, farming, mining, drill-

1 ing, timbering, or similar operation if the  
2 operation of the machinery or equipment is  
3 unrelated to transportation on or off the  
4 public highways,

5 “(ii) which has been specially designed  
6 to serve only as a mobile carriage and  
7 mount (and a power source, where applica-  
8 ble) for the particular machinery or equip-  
9 ment involved, whether or not such ma-  
10 chinery or equipment is in operation, and

11 “(iii) which, by reason of such special  
12 design, could not, without substantial  
13 structural modification, be used as a com-  
14 ponent of a vehicle designed to perform a  
15 function of transporting any load other  
16 than that particular machinery or equip-  
17 ment or similar machinery or equipment  
18 requiring such a specially designed chas-  
19 sis.”.

20 (2) Section 4221 of such Code is amended—

21 (A) in subsection (a)—

22 (i) by striking “(or under subchapter  
23 C of chapter 31 on the first retail sale)”,  
24 and

25 (ii) by striking “4051 or”,

1 (B) in subsection (c), by striking “and in  
2 the case of any article sold free of tax under  
3 section 4053(6),” and

4 (C) in subsection (d)(1), by striking “,  
5 and, in the case of the taxes imposed by sub-  
6 chapter C of chapter 31, includes the retailer  
7 with respect to the first retail sale”.

8 (3) Section 4222(d) of such Code is amended  
9 by striking “4053(6),”.

10 (4) Section 4293 of such Code is amended by  
11 striking “section 4051,”.

12 (5) Section 4483(g) of such Code is amended  
13 by striking “section 4053(8)” and inserting “section  
14 4072(c)(2)”.

15 (6) Section 6416(b)(2) of such Code is amend-  
16 ed by striking “or under section 4051”.

17 (7) Section 6416(b) of such Code is amended  
18 by striking paragraph (6).

19 (8) Section 9503(b)(1) of such Code is amend-  
20 ed by striking subparagraph (B) and by redesignig-  
21 nating subparagraphs (C), (D), and (E) as subpara-  
22 graphs (B), (C), and (D), respectively.

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to sales and installations on or  
3 after the date of the introduction of this Act.

○

**Congress of the United States**  
**Washington, DC 20515**

December 19, 2019

The Honorable Richard Neal  
Chair  
Committee on Ways and Means  
1102 Longworth House Office Building  
Washington D.C. 20515

The Honorable Kevin Brady  
Ranking Member  
Committee on Ways and Means  
1139 Longworth House Office Building  
Washington D.C. 20515

Dear Chairman Neal and Ranking Member Brady,

As the committee considers funding sources for the highway trust fund, we ask that you consider phasing out the 12 percent federal excise tax (FET) on heavy-duty trucks and replacing it with alternative sources of revenue while ensuring all users pay their fair share.

As you know, the FET on heavy-duty trucks was first implemented to help fund World War I. Because the FET is based on annual sales of heavy-duty trucks, the amount of revenue provided to the Highway Trust Fund (HTF) can vary annually. According to the American Truck Dealers, the FET on heavy-duty trucks is the most volatile source of funding to the HTF over the last 20 years. This inconsistency will continually make it harder to provide sustainable and predictable funding to the Highway Trust Fund.

The FET on heavy-duty trucks may also cause truck owners to delay upgrading to newer, more fuel-efficient trucks that have the latest emissions control technology. Additionally, new features such as automatic emergency braking and lane departure warning improve highway safety but add additional costs. The FET is therefore also a tax on the newest environmental and safety technologies.

For these reasons we urge the Committee to consider phasing out the FET and replacing it with a more stable funding mechanism that ensures all users pay their fair share and that the HTF maintains consistent revenue. Thank you for your consideration.

Sincerely,



Chris Pappas  
Member of Congress



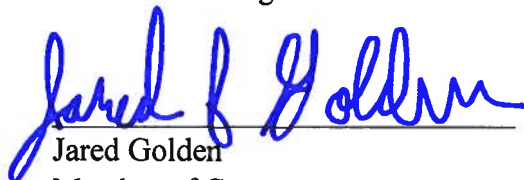
Tom O'Halloran  
Member of Congress



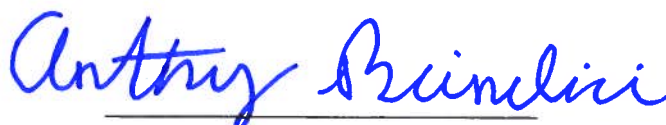
Salud Carbajal  
Member of Congress



Vicente Gonzalez  
Member of Congress



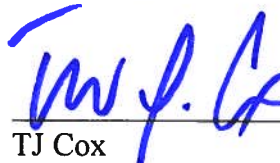
Jared Golden  
Member of Congress



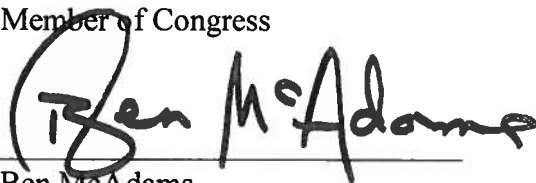
Anthony Brindisi  
Member of Congress



Collin C. Peterson  
Member of Congress



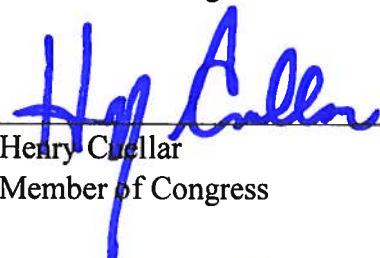
TJ Cox  
Member of Congress



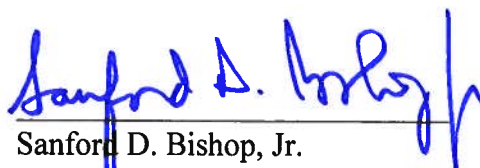
Ben McAdams  
Member of Congress



David Scott  
Member of Congress



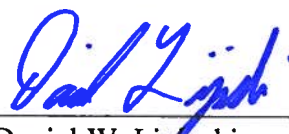
Henry Cuellar  
Member of Congress



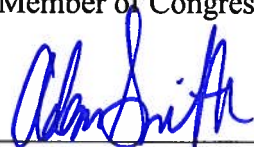
Sanford D. Bishop, Jr.  
Member of Congress



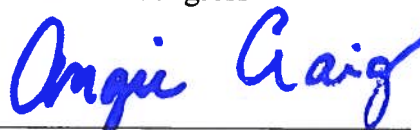
J. Luis Correa  
Member of Congress



Daniel W. Lipinski  
Member of Congress



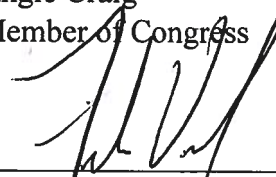
Adam Smith  
Member of Congress



Angie Craig  
Member of Congress



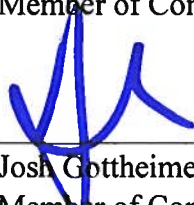
Cindy Axne  
Member of Congress



Filemon Vela  
Member of Congress



Marc A. Veasey  
Member of Congress



Josh Gottheimer  
Member of Congress



Ann McLane Kuster  
Member of Congress



Joyce Beatty  
Member of Congress



JOE MANCHIN III  
WEST VIRGINIA

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## United States Senate

WASHINGTON, DC 20510-4804

COMMITTEES  
APPROPRIATIONS  
ARMED SERVICES  
ENERGY AND NATURAL RESOURCES  
VETERANS' AFFAIRS

December 20, 2019

The Honorable Charles E. Grassley  
Chairman  
Committee on Finance  
United States Senate  
Washington, D.C. 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
United States Senate  
Washington, D.C. 20510

Dear Chairman Grassley and Ranking Member Wyden:

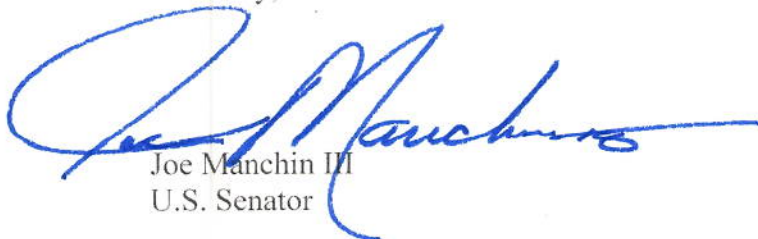
As you draft the revenue title for the transportation reauthorization bill, S. 2302, "America's Transportation Infrastructure Act of 2019," I respectfully urge you to examine ways to modernize the Highway Trust Fund (HTF) and identify consistent and sustainable funding for our nation's infrastructure needs.

My home state of West Virginia is blessed with immense natural beauty that can best be seen along the roads that traverse its steep hills and valleys. But our roads and bridges need significant investments. According to the American Society of Civil Engineers, 17% of our bridges have been deemed structurally deficient and 31% of our roads are in poor or mediocre condition. To fix our roads, we first need to fix the HTF. Every year since 2008, Treasury general fund transfers have been required to keep the HTF solvent. That is unsustainable.

I believe we need a comprehensive solution that will provide consistent funding for our nation's infrastructure needs. As you consider options to revitalize the HTF, I ask that you take a holistic view of all revenue and expenditures to ensure they remain relevant today. As an example, the federal excise tax (FET) on trucks and trailers was originally enacted in 1917 to help finance World War I. Today it stands at 12% and represents one of the highest excise taxes that Congress levies on any product. As the tax is tied to the annual sales of the heavy-duty truck market, its revenues can vary greatly from year to year and may even discourage the adoption of cleaner, more fuel efficient, and safer trucks.

With that being said, any changes to the financing of the HTF must be deficit neutral. Since 2008, Congress has transferred \$144 billion from the General Treasury to the HTF. We cannot afford to continue spending in this way. I remain committed to working with you to identify sustainable funding sources that promote the long-term solvency of the HTF.

Sincerely,



Joe Manchin III  
U.S. Senator

## **‘Modernize the Truck Fleet’ Coalition Launches**

### ***Industry alliance formed to advocate for repeal of the outdated federal excise tax on heavy-duty trucks***

SAN FRANCISCO (Jan. 25, 2019) – Trade groups, equipment manufacturers and businesses representing broad sectors of the trucking industry announced the launch of a new coalition, Modernize the Truck Fleet (MTF).

The industry group will work to repeal the 102-year old federal excise tax (FET) levied on heavy-duty trucks originally imposed to help defray the cost of World War I. The FET discourages new heavy-duty truck sales and delays the deployment of cleaner, safer and more fuel-efficient trucks.

“This year, we have a unique opportunity to make the FET repeal a reality,” said Jodie Teuton, chairwoman of the American Truck Dealers (ATD), in keynote remarks today at the ATD Show in San Francisco.

“It has been 37 years since Congress changed the FET on trucks ... it’s time for Congress to take the FET off cruise control,” added Teuton, vice president of Kenworth of Louisiana and Hino of Baton Rouge.

MTF members, a broad expanse of trucking industry leaders whose customers are negatively impacted by the FET include:

- ATD;
- NTEA – The Association for the Work Truck Industry;
- Truck Renting and Leasing Association (TRALA); and
- Truck and Engine Manufacturers Association (EMA).

MTF has two goals: Repealing the FET, and identifying an acceptable replacement to sustain the highway trust fund.

Jed Mandel, president of EMA, expressed strong support for the MTF coalition, stating, “The FET increases the cost of purchasing new, modern heavy-duty trucks, and as such we endorse repealing the FET to lower barriers to deploying the cleanest and safest trucks available. We are enthused to help lead this important effort to modernize the truck fleet.”

Steve Carey, president and CEO of NTEA, said, “Working to repeal the FET and stabilize the highway trust fund revenues will serve the needs of the nation’s economy and speed the integration of the latest safety and emissions technologies into the truck fleet.”

Jake Jacoby, TRALA president and CEO, said, “TRALA is excited to be part of the Modernize the Truck Fleet coalition. With an infrastructure bill as likely to pass as any

piece of legislation in 2019, this is the time to put all of our combined energy into finding a way to replace the onerous FET. We are excited to be a part of such a collaborative effort working with truck companies, manufacturers, dealers and end users who all want to put the cleanest, most technologically advanced trucks onto our highways immediately.”

“As Congress moves forward with legislation addressing infrastructure needs, now is the time to ensure the outdated FET is repealed,” Teuton added.

For more information about efforts to repeal the FET, [click here](#), or contact Mike Joyce at 202.423.8805 or [mjoyce@totalspectrumsga.com](mailto:mjoyce@totalspectrumsga.com).

July 26, 2019

The Honorable Mitch McConnell  
Majority Leader  
U.S. Senate  
S-230, The Capitol  
Washington, D.C. 20510

The Honorable Nancy Pelosi  
Speaker of the House  
U.S. House of Representatives  
H-232, The Capitol  
Washington, D.C. 20515

The Honorable Charles E. Schumer  
Minority Leader  
U.S. Senate  
H-221, The Capitol  
Washington, D.C. 20510

The Honorable Kevin McCarthy  
Minority Leader  
U.S. House of Representatives  
H-222, The Capitol  
Washington, D.C. 20515

Dear Leader McConnell, Leader Schumer, Speaker Pelosi and Leader McCarthy:

As you consider comprehensive infrastructure legislation, we are writing to urge your support for repeal of the burdensome 12% federal excise tax (FET) on the purchase of heavy-duty trucks and trailers. Repealing the tax would deploy new, cleaner and safer heavy-duty trucks and trailers by making them more affordable – particularly for small businesses. In addition, the FET has been the most inconsistent revenue source for the highway trust fund (HTF) over the past 20 years. We respectfully urge your support for legislation to repeal the outdated FET, modernize the truck fleet and provide a more consistent revenue source to fund the HTF.

First imposed in 1917 to help fund World War I, the FET is the highest excise tax, on a percentage basis, levied by the federal government. The FET has risen 300% since then and now increases the cost of new heavy-duty trucks and trailers by \$22,000 on average. This tax, coupled with an estimated \$40,000 in new federal environmental and safety mandates per vehicle, discourages the purchase of new, cleaner and safer heavy-duty trucks and trailers.

Modern heavy-duty trucks and trailers are cleaner and more fuel efficient than ever. Although medium and heavy-duty trucks account for only 4% of all vehicles on the road, they haul 70% of domestic freight, consume over 22 billion gallons of diesel and travel over 200 billion miles per year. This activity means small improvements to the truck fleet can yield large results. Over the past three decades, cleaner fuel and advanced engines have combined to reduce emissions of oxides of nitrogen (NOx) by 97% and particulate matter (PM) emissions by 98%. And trucks manufactured since 2010 have reduced carbon dioxide emissions by 43 million tons, NOx emissions by 21 million tons, and PM emissions by 1.2 million tons. It would take 60 of today's new trucks to generate the same level of emissions as a single truck manufactured in 1989. Since 2010, new, more efficient diesel trucks have saved 101 million barrels of crude oil.

Furthermore, America's heavy-duty trucking fleet is nearly 10 years old on average. The trucking industry, over the past decade has developed sophisticated new technologies to keep drivers and other road-users safe. New truck buyers can choose from an array of high-tech safety technologies, such as

automatic emergency braking (AEB); 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, and automatic tire inflation; automatic wipers and headlamps; and side airbags for rollover.

While new commercial trucks are the safest they have ever been, these new safety systems are expensive. And the 12% federal excise tax (FET), levied on certain trucks and trailers at the point of sale, is a major disincentive for new truck buyers looking to adopt these advanced safety technologies.

One measure Congress should consider in the infrastructure debate is legislation, namely H.R. 2381/S. 1839, introduced by Reps. LaMalfa (R-Calif.), Peterson (D-Minn.) and Sen. Gardner (R-Colo.), that would repeal the FET. This legislation is a good step forward. In place of the FET, Congress should adopt funding alternatives that are user-based and provide more consistent revenue to fund the HTF.

As an industry, we strongly urge you to end the burdensome FET in a potential infrastructure bill or reauthorization of the surface transportation act (FAST Act). Repeal of the FET will spur the deployment of cleaner and safer trucks.

We stand ready to work with you to modernize infrastructure and the truck fleet and to enact reliable and sufficient funding options to replace the FET.

Thank you for your consideration.

Sincerely,

Agriculture and Food Transporters Conference of the American Trucking Association  
American Highway Users Alliance  
American Trucking Associations  
Associated Equipment Distributors  
American Road and Transportation Builders Association  
American Truck Dealers – a division of the National Automobile Dealers Association  
Automobile Carriers Conference of the American Trucking Associations  
Baker Commodities Inc.  
Motor and Equipment Manufacturers Association  
NAFA Fleet Management Association  
National Association of Chemical Distributors  
National Private Truck Council  
National Renderers Association  
National Retail Federation  
National Tank Truck Carriers  
National Trailer Dealers Association  
Recreation Vehicle Dealers Association  
RV Industry Association  
The Association for the Work Truck Industry (NTEA)  
Truck and Engine Manufacturers Association  
Truck Renting and Leasing Association

Truck Trailer Manufacturers Association

cc:

The Honorable Charles Grassley, Chairman, Senate Committee on Finance

The Honorable Ron Wyden, Ranking Member, Senate Committee on Finance

The Honorable John Barrasso, Chairman, Senate Committee on Environment and Public Works

The Honorable Thomas Carper, Ranking Member, Senate Committee on Environment and Public Works

The Honorable Richard Neal, Chairman, House Committee on Ways and Means

The Honorable Kevin Brady, Ranking Member, House Committee on Ways and Means

The Honorable Peter DeFazio, Chairman, House Committee on Transportation and Infrastructure

The Honorable Sam Graves, Ranking Member, House Committee on Transportation and Infrastructure