

Statement of the American Truck Dealers Division
National Automobile Dealers Association
A Hearing Entitled
“Long-Term Financing of the Highway Trust Fund”
Before the House Ways and Means Committee
June 17, 2015

Mr. Chairman, thank you for the opportunity to submit the comments of the American Truck Dealers Division (ATD) of the National Automobile Dealers Association (NADA), to the hearing record. NADA is a national trade association that represents 16,000 franchised new car and truck dealers and collectively employs more than one million individuals. NADA has almost 1,800 ATD members, which represents 82 percent of commercial truck dealers.

MAP-21, the current highway authorization, will expire on July 31, 2015. While there is bipartisan support for a long-term highway bill, the biggest challenge is funding the currently insolvent Highway Trust Fund (HTF). If Congress were to maintain the Federal surface transportation program at current levels, the HTF would need an additional \$168 billion in revenue through 2025.¹

Currently, a 12 percent federal excise tax (FET) on new heavy-duty trucks contributes revenues to the HTF. Proposals have been made to increase the FET as a way to raise revenue for the depleted HTF. The FET already depresses new truck sales and increasing this tax would further slow deployment of cleaner, safer, and more fuel efficient trucks. Congress should also consider lowering or eliminating the tax to address the detrimental impacts of the tax on safety, the environment, and the truck industry.

The truck FET was originally imposed in 1917 to help defray the cost of World War I.² This tax, applicable to most new highway heavy-duty trucks, tractors, and trailers, has risen from 3 percent of the selling price to 12 percent today, **making it the highest percentage excise tax Congress levies.** With the average retail price of a new heavy-duty truck near an all-time high of \$169,000, the 12% FET costs truck customers roughly \$20,000.

Unfortunately, the FET has the effect of discouraging businesses from buying new heavy-duty trucks that are safer, cleaner, and more fuel efficient, and encourages trucking companies to hold on to their older trucks longer.

¹ “Projections of Highway Trust Fund Accounts”, CBO March 2015 Baseline, issued Jan. 26, 2015.
<http://www.cbo.gov/sites/default/files/cbofiles/attachments/43884-2015-03-HighwayTrustFund.pdf>

² FHWA, Federal Tax Rates on Motor Vehicles and Related Products, September 1999:
<http://www.fhwa.dot.gov/ohim/hs98/tables/fe101b.pdf>. In recent years, some even have suggested increasing the FET. For example, in 2013, the Senate Finance Committee included an FET increase of 1 percent (to 13 percent) in an “options paper” on infrastructure funding. Additionally, a Government Accountability Office report, “Highway Trust Fund, Pilot Program Could Help Determine the Viability of Mileage Fees for Certain Vehicles”, (December 13, 2012) concluded that Congress consider “new revenues” on commercial trucking.

An increase in the FET would be in addition to the cost of new federal emissions and fuel economy mandates that are increasing the price of new heavy-duty trucks. For example, the Owner Operator Independent Drivers Associations (OOIDA) calculated the average per truck regulatory costs associated with the Environmental Protection Agency's (EPA) MY 2004-2010 truck emissions standards to be \$20,000-30,000.³

Additionally, EPA has proposed a new set of commercial truck fuel economy/greenhouse gas rules that require fuel economy increases of up to 24% by 2027. The Obama administration estimates that its proposal, phased in between model year 2018 and 2027, will cost at least \$25 billion or some three times the estimated cost of Phase 1. According to a recent *New York Times* article, "It is expected that the new rules will add \$12,000 to \$14,000 to the manufacturing cost of a new tractor-trailer..."⁴ Together, the cost of these new standards, coupled with associated increases in the FET, will price many truck purchasers out of the market.

The complexity of assessing and remitting the FET is another major area of concern. Truck dealers spend considerable time and attention navigating the byzantine and complex IRS regulations associated with the collection of the tax. ATD continually gets questions from truck dealerships regarding how FET should be calculated and collected. In fact, ATD's guide for truck dealers on collecting and remitting the FET is over one hundred pages long. The many exceptions and gray areas related to the FET make it ripe for IRS audit and impose significant financial and administrative challenges for small business truck dealerships and customers alike to stay in compliance.

The HTF is in desperate need of reliable and consistent funding into the future. The FET fails to provide certainty and in fact is a very volatile tax. For example, the FET generated a little over \$1.4 billion in 2008 when truck sales took a hit during the recession.⁵ In 2013, on the other hand when the truck market came back \$3.2 billion was generated for the HTF.⁶ The FET is not a user fee but a tax on a product. When truck sales are down the revenue into the HTF is directly impacted.

H. Con. Res. 33

H. Con. Res. 33, introduced by Reps. Reid Ribble (R-WI) and Tim Walz (D-MN), is a bipartisan concurrent resolution that would put Congress on record in opposition to any increase in the FET on heavy-duty trucks and trailers. ATD strongly supports this bipartisan resolution which to date has 26 cosponsors. The following organizations have endorsed this concurrent resolution: American Highway Users Alliance, American Truck Dealers, Daimler Trucks North America, Mack Trucks, Inc., Meritor WABCO, NAFA Fleet Management Association, National Trailer

³ Scott Grenier (Professional driver and member of OOIDA), Testimony before the House Committee on Oversight and Government Reform, (October 12, 2011).

⁴ Aaron M. Kessler and Coral Davenport, *E.P.A. Proposal Will Put Bigger Trucks on a Fuel Diet*, The New York Times, (May 30, 2015).

⁵ FHWA, Office of Highway Policy Information, October 2007 to September 2008: http://www.fhwa.dot.gov/policyinformation/statistics/2008/fe10_2008.cfm

⁶ FHWA, Office of Highway Policy Information, October 2012 to September 2013: <http://www.fhwa.dot.gov/policyinformation/statistics/2013/fe10.cfm>

Dealers Association, Navistar, NTEA – The Association for the Work Truck Industry, Owner Operator Independent Drivers Association, Recreation Vehicle Industry Association, Truck & Engine Manufacturers Association, Truck Renting and Leasing Association, Truck Trailer Manufacturers Association and Volvo Trucks North America.

Conclusion

ATD strongly supports an equitable long-term funding solution for the HTF designed to ensure that Americans travel safely on our roads and there is a reliable roadway system for goods to travel to market in a cost effective manner. ATD believes that a user fee approach is the fairest and most efficient way to achieve these goals. Finally, Congress should not only oppose any increase in the FET, since this excise tax contradicts government mandates for a cleaner, safer, and more fuel efficient truck fleet, but it should also examine the adverse impacts of the FET policy particularly on the nearly 7 million Americans employed in the trucking industry.