

Federal Excise Tax on Trucks, Truck Bodies and Trailers

The federal excise tax (FET) is a 12% sales tax imposed on the first retail sale of truck, trailer, and semitrailer chassis and bodies, and tractors (trucks over 33,000 lbs. GVWR, tractors with a GVWR over 19,500 lbs. **and** have a gross combined weight, in combination with a trailer or semitrailer, of 33,000 lbs. or less and trailers over 26,000 lbs). The funds derived from the FET are deposited in the Highway Trust Fund HTF).

The highway trust fund collects revenue from fuel taxes, the FET, a tax on tires and an annual heavy vehicle use tax. The tax on gasoline provides the greatest revenue share for the HTF. The FET provides approximately 4.5% to 8.5% to the HTF depending on annual truck sales.

Federal Highway User Taxes (source FHWA)

Fuel Type	Effective Date	Tax Rate (cents per gallon)	Distribution of Tax		
			Highway Trust Fund		Leaking Underground Storage Tank Trust Fund
			Highway Account	Mass Transit Account	
Gasoline	10/01/1997	18.4	15.44	2.86	0.1
Diesel	10/01/1997	24.4	21.44	2.86	0.1
Gasohol	01/01/2005	18.4	15.44	2.86	0.1
Special Fuels:					
General rate	10/01/1997	18.4	15.44	2.86	0.1
Liquefied petroleum gas	10/01/1997	13.6	11.47	2.13	-
	10/01/2006	18.3	16.17	2.13	-
Liquefied natural gas	10/01/1997	11.9	10.04	1.86	-
	10/01/2006	24.3	22.444	1.86	-
M85 (from natural gas)	10/01/1997	9.25	7.72	1.43	0.1
Compressed natural gas (cents per thousand cu. ft.)	10/01/1997	48.54	38.83	9.71	-
	10/01/2006	TBD	TBD	9.71	-
Truck Related Taxes – All Proceeds to Highway Account					
Tire Tax	9.45 cents for each 10 pounds so much of the maximum rated load capacity thereof as exceeds 3,500 pounds				
Truck and Trailer Sales Tax	12 percent of retailer's sales price for tractors and truck over 33,000 pounds GVW and trailers over 26,000 pounds GVW				
Heavy Vehicle Use Tax	Annual tax: Trucks 55,000 pounds and over GVW, \$100 plus \$22 for each 1,000 pounds (or fraction thereof, in excess of 55,000 pounds. Maximum tax: \$550				

Recent (2005 – 2010) HTF Revenue Collection Stability:

<u>Tax</u>	<u>Hi/Low</u>	<u>Variance</u>
FET	\$3.5b/\$1.6b	55%
Tires	\$503m/\$365m	27%
HVUT	\$1.08b/\$933m	14%
Diesel	\$9.76b/\$8.49b	13%
Gasoline	\$25.772b/25.068b	2.7%

General FET Concerns:

- The 12% retail FET tax is a deterrent to new vehicle sales. The heavy vehicle fleet is aging and the cost of new trucks with cleaner engines is already an impediment to new vehicle sales. The 12% tax makes it more difficult for customers to buy a new truck (100% of 2012 heavy duty trucks were manufactured in North America).
- This federal excise tax is complex and difficult to administer. Both industry and the IRS spend an inordinate amount of time administering and enforcing a tax that in a given year could bring in less than 5% of what is brought in by the fuel taxes with minimal compliance issues.
- The byzantine and often ambiguous language of the regulations, letter rulings and technical advice memoranda of the FET often result in a 12% competitive disadvantage for sellers that make conservative decisions on the taxability of a vehicle combination.
- Incorrect or inaccurate taxability decisions and calculations concerning vehicle combinations result in lost revenue for the highway trust fund.
- The FET does not necessarily represent a fair user fee. For instance, a heavy truck with complex machinery and chassis customization may be very expensive and pay 12% on the high purchase price but drive very few miles because it operates costly mounted machinery at a jobsite all day.
- The FET is an unstable source of revenue as it is based strictly on the sale of new trucks.

We recognize that while the revenues collected from the FET represent only a small portion of the Highway Trust Fund they are nonetheless important to our nation's infrastructure. It would be in the best interest of the Highway Trust Fund and all those involved to repeal the FET and replace with funds with a simpler, more efficient and more stable revenue source.

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