

# Commission Briefing Paper 5A-03

## Evaluation of Motor Vehicle Fees as a Transportation Revenue Source

Prepared by: The Rand Corporation

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### Introduction

This paper is part of a series of briefing papers to be prepared for the National Surface Transportation Policy and Revenue Study Commission authorized in Section 1909 of SAFETEA-LU. The papers are intended to synthesize the state-of-the-practice consensus on the issues that are relevant to the Commission's charge outlined in Section 1909, and will serve as background material in developing the analyses to be presented in the final report of the Commission.

This paper presents information on the use of fees other than taxes on motor fuels as a source of revenue for transportation programs. There is an almost unlimited variety of ways in which governments charge fees or taxes related to the ownership and use of vehicles. In the US, the transportation revenue picture is dominated by direct user fees, most notably tolls and motor fuel taxes. Tolls are charges for the use of a road, levied at the time and place of use. Motor fuel taxes approximate tolls in some ways, in that they are roughly proportional to a vehicle's use of the highways, but motor fuel taxes cannot be charged at the time and place of use. In addition to tolls and fuel taxes associated with vehicle use, which are dealt with in other papers in this series, there are other fees, closely associated with vehicle ownership, that are significant transportation revenue sources and worthy of separate consideration. This paper examines vehicle fees other than tolls and motor fuel taxes.

### Background and Key Findings

Most common among such fees are vehicle and component excise taxes levied at the time of sale or transfer, and flat annual vehicle registration fees which are annual taxes based on vehicle value or weight, age, body type, and number of wheels or axles. There are also in many jurisdictions equivalent taxes charged on vehicle rentals and leases. These many different sorts of taxes and fees are levied against cars, trucks, motorcycles and even, in a few cases, bicycles (Goldman, Corbett, and Wachs, 2001).

- *The Federal government presently levies a sales tax on heavy trucks and trailers, and a tax on tires designed for heavy vehicles. It also receives income from a national heavy vehicle use tax that is analogous to State vehicle registration fees. These fees will expire in 2011 unless extended by Congress.*
- *While federal motor fuel taxes produce far more income than the vehicle related fees, the latter are growing as a share of the federal total because the truck and trailer sales taxes rise automatically with prices while gasoline taxes must be adjusted by Congress. They are also rising because goods movement is growing more rapidly than passenger movement.*

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- *At the state level, taxes and fees on vehicles raise more money than they do at the Federal level, and they produce a much higher percentage of state transportation revenue than they do of Federal transportation revenue.*
- *In the short term, revenue from vehicle fees will rise faster than revenue from motor fuel taxes.*
- *In the longer term, it is difficult to predict changes in revenue from vehicle-related fees because they are largely administered at the state and local levels, they vary dramatically from one jurisdiction to another, and they change quite a lot from time to time.*
- *Public officials should be concerned with the efficiency and equity implications as well as the revenue consequences of vehicle related fees, and they are often very consequential in terms of political implications.*
- *In the future it is likely that vehicle related fees and charges will increasingly be used to encourage behavioral and market-related changes, such as a shift to more environmentally benign vehicles and fuels.*

### **Federal Taxes on Motor Vehicles and Related Products**

The Federal government charges a sales tax of 12 percent of the retail sales price for tractors and trucks heavier than 33,000 pounds gross vehicle weight and on trailers over 26,000 pounds gross weight. It also charges a tax on tires and an annual vehicle use tax on trucks weighing more than 55,000 pounds that is graduated to charge higher rates on heavier vehicles. All the foregoing taxes will expire on September 30, 2011 unless extended by Congress, but they have been extended with the passage of earlier transportation bills.

Earlier in the life of the Federal Highway Trust Fund, there were additional federal taxes that have been repealed or allowed to expire. These included a federal sales tax on new automobiles that at different times in its life ranged from 3% to 7 % of the manufacturer's sales price, a similar tax on new motorcycles that ranged during its lifetime from 3% to 10 % of the manufacturer's price, and a sales tax on buses that also ranged between 3% and 10 % of the manufacturer's price. A similar federal parts and accessories sales tax, repealed in 1981, ranged from a low of 2 % to a high of 8 % of the manufacturer's price (FHWA. "Federal Tax Rates on Motor Vehicles and Related Products," 2006). It is not accidental that the federal taxes on motor vehicles and tires fall mostly upon the heaviest classes of vehicles. This reflects the view that heavier vehicles are responsible for higher incremental costs of highway construction and maintenance than lighter vehicles. This concept results in part from a series of "Highway Cost Allocation Studies" over the years which have estimated the costs imposed and revenues received from different classes of vehicles (March, 1998) .

In Fiscal Year 2005, while federal motor fuel taxes produced the lion's share of \$28.4 billion of the revenue to the Federal Highway Trust Fund, these other vehicle-related fees in combination produced another \$4.55 billion, a smaller but not insignificant amount of revenue. Nearly \$3 billion came from sales taxes on trucks and trailers, another billion resulted from the annual

Federal heavy vehicle use charge, and nearly half a billion resulted from the federal tax on tires rated for heavier loads (FHWA, "Federal Highway Trust Fund, Balance Sheet 2006). While the federal taxes on motor vehicles and tires are producing substantially less revenue than the federal excise taxes on motor fuels, they are growing more rapidly. The US Treasury Department estimates, for example, that revenue from taxes on gasoline and gasohol will grow between 2006 and 2009 by about 2.5% per year and that revenues from taxes on diesel fuel will grow at an annual rate of 1.1%. During the same time period, revenue from the Federal sales tax on trucks is projected to grow by 11.1% annually, the tax on tires is expected to yield revenue that is growing by 7.1% per year, and the Federal heavy vehicle use tax is expected to grow by 11.9% per year (Prisinzano, 2006). There are several reasons that the proceeds of vehicle related fees are growing faster than revenues derived from taxes on motor fuels. The Federal government has not raised motor fuel tax rates for a rather long time; the fuel tax rate has not been indexed to rise automatically as construction costs change, and the motor fuel tax rate is set per gallon while the rate on vehicles and parts is expressed as a percentage of sales prices. The second reason is that goods movement is growing more rapidly than passenger travel.

### **State Taxes on Vehicles and Related Products**

As important as taxes on vehicles and tires are for the maintenance of revenue flowing into the Federal Highway Trust Fund, this type of funding is actually more important to state and local governments. The fifty states collectively received another \$28.8 billion in transportation revenue from motor vehicle and motor carrier taxes and fees, in comparison with about \$35 billion in state motor fuel taxes and closely related receipts. It is instructive to observe that while over the past decade about 14% of Federal Highway Trust Fund revenue came from taxes and fees other than motor fuel taxes, a much more significant 45% of state transportation revenue came from taxes and fees other than those on motor fuels, most derived from taxes and fees related to vehicles. As is the case for the Federal government, over time state revenue from motor fuel taxes has been rising more slowly than income from other taxes and fees, so other taxes and fees have been increasing steadily as a proportion of total state transportation income.

Registration fees, charges associated with certificates of title, fees charged to obtain operators licenses, excise taxes on vehicle sales, personal property taxes on vehicles, and many other variations exist among the fifty states. Most states charge owners excise taxes on auto purchases and/or annual fees that reflect to some extent the value of the vehicle. Most states use formulas that include a vehicle's list price, current value (based on a published "blue book"), age or weight. In several states there are taxes that rise with list price at time of purchase and fall with vehicle age, assuming depreciation of some annual percentage of vehicle value. Most states have annual registration fees, based on vehicle weight, that are technically personal property taxes whose existence predates the introduction of state income taxes. Citizens were, a century ago, taxed on the basis of their wealth rather than their income, and vehicles were clearly major assets. When states adopted income taxes, most of them eliminated personal property taxes. But, many retained specific property taxes on motor vehicles because the transition from one tax system to the other took place in most states in the early twentieth century, just as automobile ownership was growing and highways were desperately needed.

It is difficult to predict revenue in the aggregate from such a wide variety of charges and fees beyond just a few years. Among the fifty states there are frequent changes in the tax and fee

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rates, and there is no authoritative central repository at which all the data can be certain to be current. Yet, the changes are locally highly significant. This is illustrated by recent political battles over the rates of car taxation in Virginia, California, and Washington, which captured national headlines because they were the centerpieces of political campaigns. In addition, states frequently amend laws empowering their local governments to levy additional transportation fees and taxes, and some local governments choose to enact them while others do not. Adding to the complexity of the situation, some state and local vehicle fees are “earmarked” to cover particular programmatic expenses, such as the costs of operating state departments of motor vehicles or the state highway patrol. In one state such a tax is used to fund school crossing guards while in several others some of the fees are set aside for expenditures on public transit or environmental enhancements. In other states such fees end up in the state transportation trust funds, where they are pooled with the proceeds of motor fuel taxes before being spent on a variety of transportation programs. In still other states some of these fees flow into the state general fund and at least part of the state’s transportation expenditures are funded by state general funds, while in many states this is not the case. For all these reasons, the picture is much clearer for Federal taxes and quite complex and idiosyncratic at the state level. At the state and local levels these are important sources of revenue, and debates about them are frequently politically salient. Despite this, it is much more difficult to generalize because of the wide variation and lack of centralized information (Goldman, Corbett, and Wachs, 2001).

### **Efficiency Equity and Environmental Considerations in Vehicle Fees and Taxes**

In addition to considering the revenue production potential of the broad range of alternative taxes and fees, it is critically important when developing policy recommendations to take into consideration the extent to which such fees improve or weaken the efficiency and the equitability of the operation of our transportation system. Efficiency is often measured as the cost to achieve a certain level of performance or output, or the return on a public investment in terms of output received per unit of investment. While efficiency is difficult to measure, equity is even more challenging to assess because it is concerned with the distribution or incidence of costs and benefits. Under an equitable system of transportation financing those paying fees and those receiving benefits should be aligned. If one geographical area or income group or ethnic community produces a much larger share of the revenue and receives a much smaller share of benefits than another, or if one industry bears heavier costs while another gains most of the benefits, then the distribution of costs and benefits is subject to claims that it is inequitable. A program is considered “progressive” if the costs of funding increase as a proportion of income as the income levels of those paying for the program increase. It is considered “regressive” when the opposite is true, that is, when poorer people pay a higher share of their income toward supporting a program than do richer people. Concerns over the efficiency and equity implications of various revenue programs in transportation lead to some of the most complex political battles, some of which have gone on for decades (Taylor, 2004).

The significance of efficiency in revenue collection programs might best be illustrated through a simple example. Increasing a fee on unladen truck weight could increase revenue and might be simpler to administer than a fee based on axle loads. But fees levied on unladen vehicle weight also might encourage truckers to load their trucks more heavily, resulting in damage to pavement and thus increasing costs of highway maintenance possibly even more than increasing revenue. Instead of increasing charges on unladen vehicle weight, it would appear to be wiser to increase

charges on axle loading. While perhaps more complex to administer, this might encourage truckers to carry heavier loads in vehicles that have more axles. This would in turn decrease road damage, meaning that the revenue produced by the fee is contributing to improved efficiency as well as to increasing net revenue. While many states have registration fee schedules that vary by vehicle weight, it is not clear that many of those fee schedules take axle loads into account.

A similar simple example can be used to illustrate the concept of equity, even though in reality disputes over equity are often complex. An increase in the annual vehicle registration fee might appear to be a convenient way of raising more revenue for the transportation programs of a state. And, vehicle registration fees might seem “fair” in that they typically raise more money from rich people than poor people because rich people own more vehicles per household and their vehicles in general are newer and more valuable. Yet, vehicle registration fees, when viewed differently, are quite regressive in that they charge lower income households a higher proportion of their income than they do of upper income households. This regressivity is exaggerated by the fact that vehicle registration fees are deductible on income taxes and the rich are likely to itemize their deductions, while poorer people are less likely to itemize their income tax deductions and so cannot benefit from the tax deductibility of these fees (Dill, Goldman, and Wachs, 1999).

In addition to producing revenue for public programs, vehicle fees and charges can be used as incentives to encourage certain behavior or to discourage other behavior. One example might be with respect to environmental impacts of transportation programs. Vehicle registration fees could be set lower on hybrid vehicles and set higher on gas guzzlers, for example, if there is a consensus that America wishes to dramatically lower its production of greenhouse gases. Some might argue that it is not appropriate to engage in “social engineering” by setting prices to achieve explicit societal objectives, but the obvious response is that any system of fees and charges tends to promote certain outcomes over others, whether those are intended or not.

While it is not today an explicit element of transportation finance policy, there is very high likelihood that in the coming decades charges associated with the purchase and operation of vehicles will be used to promote changes in our national vehicle fleet in order to produce greater energy efficiency, improved performance with respect to air pollutants and reductions in greenhouse gas emissions. Tax losses that result from rebates encouraging the purchase of hybrid vehicles today fall upon the general fund rather than the Highway Trust Fund. Recently, a decision was made to restore to the Highway Trust Fund tax losses that were experienced because of the tax structure on ethanol. It is important that future policymakers recognize and address the potential consequences for transportation program revenues of tax incentives intended to induce greater fuel efficiency or greater reliance on cleaner fuels.

Over the last century there has been a deep commitment to funding transportation programs through user fees, which charge road users for their travel instead of relying on general taxes or fees that are independent of the extent to which those paying have either benefited from or imposed costs upon the highway system. Tolls and electronically administered charges per vehicle mile of driving are the most direct user fees in that they are levied at the time and place of roadway use. Motor fuel taxes are indirect user fees because they are roughly proportional to

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use of the system, but are not levied at the time and place of use. The range of vehicle fees considered in this paper vary quite considerably in the extent to which they constitute user fees, and that may be of some importance to policymakers. For example, taxes levied on tires could be considered an indirect user fee, since the consumption of tires is related to road use even though the fee is not charged at the time and place of use. But, annual registration fees based upon the value of a vehicle are much more weakly related to use of the transportation system since the fee is the same whether one drives that vehicle one thousand or one hundred thousand miles per year.

In this short paper it is simply not possible to fully develop the efficiency and equity dimensions of the many fees, charges, and taxes on vehicles that could be implemented by states and the Federal government. It is important nonetheless to state that the tradeoffs among revenue productivity, efficiency, and equity must be considered when alternative policies are weighed. One area in which this tradeoff has been deep and lasting has been the charges levied against trucks in an effort to align revenues from heavy vehicles with the costs that such vehicles impose upon the transportation system

#### **Example: Truck Weight and Distance Fees and Apportionment**

One of the most complex and politically divisive topics in all of transportation finance is the issue of charging heavy trucks for the use of roads and bridges. This arises because the heavy loads carried by trucks necessitate roadway design features - such as pavement and sub-base thicknesses and gentle grades - that are more costly to build than designs that accommodate light duty passenger vehicles alone. In addition, truck travel imposes a proportionately large share of maintenance activity. The most recent Federal Highway Cost Allocation Study showed for example that the typical over-the-road tractor-semitrailer combination registered at 80,000 pounds pays only 80 percent of its Federal highway cost responsibility. Because highway finance is based on a broad consensus that the user should pay in proportion to costs imposed and benefits received, it is appropriate to charge trucks in proportion to the extent to which their use of the roads imposes such costs on highway agencies. There is a problem reaching a consensus on how that is best achieved. The trucking industry is vital to the American economy, many trucks operate at low levels of profit, many trucks are operated by small businesses, and the industry competes vigorously for business with other modes. It is not surprising, then that the issue is complex and at times explosive. The trucking industry perceives that it already pays enough in taxes while others disagree.

Like all road users, truckers pay motor fuel taxes and trucks use more fuel per mile of driving than do lighter vehicles. This contributes toward covering the heavier costs they impose on roads. But, fuel taxes do not adequately align costs and payments; some classes of heavy trucks pay substantially less than their share of highway costs through fuel taxes than do other vehicles. State vehicle registration fees are, of course, higher for trucks than for light duty vehicles, and there is a weight-related Federal heavy vehicle registration fee while there is none for light vehicles. These charges also contribute to raising revenue toward covering the heavier costs imposed on roads by trucks. Still, they are unable to fully correct for the limitations of fuel taxes as user fees. For example, the most recent Federal Highway Cost Allocation Study, carried out nearly a decade ago, showed that the very heaviest of trucks, - those weighing over 100,000 pounds of gross vehicle weight - contributed only about 50% toward the coverage of their costs

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as did light duty vehicles (March, 1998). This is largely because the annual Heavy Vehicle Use Tax does not vary with the number of miles a vehicle drives in a year, does not vary enough with weight to reflect the added wear and tear caused by heavier vehicles, and currently reaches its maximum rate at 75,000 pounds even though many vehicles operate at heavier weights. These complications have led to some of the most contentious and continuing debates in transportation policy.

The International Registration Plan (IRP) is a cooperative agreement between states and Canadian provinces that allows heavy vehicles which operate frequently outside of the jurisdiction in which they are registered to have their registration fees apportioned among the states and provinces in which they have operated in the previous calendar year. The system is by no means perfect, but it is a step toward recognizing the need to align revenues received with costs imposed on the highway system.

It has proven to be far more difficult to allocate charges among classes and types of vehicles than among jurisdictions. While scholars have agreed that it would be useful to align vehicle charges with costs more effectively, there are few examples in practice of programs that have achieved this. Among the proposals that have been put forward are:

*Mileage-based Registration Fees:* Vehicle registration fees typically already vary by class of vehicle, with the heaviest vehicles paying more per year. The problem is that some vehicles drive many more miles than others. Applying this concept would mean that vehicle licensing and registration fees would also be prorated by vehicle mileage, so a \$600 annual license fee would become a 5¢ per mile charge for a class of vehicles operating on average 12,000 miles per year, and a \$240 annual license fee would become a 2¢ per mile charge if annual mileage were 12,000.

*Mileage-Based Vehicle Purchase Taxes:* Sales taxes on vehicle purchases are already proportional to the vehicle's value, but different trucks impose different levels of cost on the highway system by the number of miles that they operate. Sales taxes on new vehicles could, like registration fees, be converted to distance-based taxes and paid in proportion to vehicle use over an average vehicle lifetime.

*Mileage-Based Vehicle Lease Fees:* Vehicle leases (which account for approximately 30% of new vehicle acquisitions in the U.S.) and rentals could similarly be restructured to be more mileage-based. Although most leases and rentals include mileage rates for "excessive driving," this is usually set at high level and only affects a small minority of leased vehicles.

*Weight-Distance Fees:* Weight-distance fees are a mileage-based road use charge that increases with vehicle weight. This is a more equitable way to charge vehicles in order to fund roads than fuel taxes because it can more accurately represent the roadway costs imposed by individual vehicles. While scholars in large numbers and over many decades have argued that the weight-distance fee is superior for charging heavy vehicles for the use of state roads and Interstate Highways, only four states employ such a system, which is complex to administer and is vigorously opposed by the American Trucking Associations (Litman, 2005). Despite opposition to the adoption of weight-distance fees for trucks in the United States, they are much more

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common in Europe, where they have been adopted, for example, in Austria, Switzerland, and Germany.

Congress has been given ample information indicating that the current system of vehicle taxes and fees is not carefully matched with the costs imposed on the transportation system by the vehicles using it, especially among the heaviest vehicles. Despite many decades of hearings, discussions, debates, and proposals, it has been difficult to achieve fundamental changes. The trucking industry and many of its customers defend their current position, while environmentalists and academics advocate shifts in the system of user charges (Small, Winston, and Evans, 1989). There are so many contending interests that only small changes occur and they represent compromises that fail to be optimal from the perspective of any of the participating interest groups. It was, for example, possible for Congress in the Surface Transportation Assistance Act of 1982 to raise truck weight fees in the highest vehicle weight categories but only by also permitting heavier loads beyond limits that prevailed earlier and by legalizing tractors pulling double trailers on a designated national truck network. It is not clear whether such adjustments led to improvement in the efficiency and equity of the highway finance system overall. Compared to the previous structure of Federal highway use taxes, the changes in 1982 made the fees somewhat more equitable and efficient in terms of measures widely used in policy debates.

### **Possibilities for the Future**

There have in recent decades only been a few taxes and fees levied on vehicles by the Federal government for the purpose of improving upon the efficiency and equity of a transportation finance system dominated by motor fuel taxes. Because the federal sales tax on new heavy vehicles is levied as percentage rate of the sale price it is producing increasing revenue just as motor fuel tax revenues are stagnating. For practical reasons, and because there is likely to be a broad consensus in support, it seems likely that these taxes and fees will be extended beyond their current expiration date in 2011.

It is difficult to predict what will happen at the state and local levels, where there is a dizzying array of vehicle charges and fees. Because state motor fuel taxes are also stagnating, while there remains a strong commitment in principle to “user financing” of transportation systems, it would appear that states and localities will continue to expand their use of such fees. Electronic charging may make it easier to implement some of the suggestions that have been widely made for improving the equity and efficiency of local and state vehicle fees. It is reasonable, however, to expect great variation in the behavior of state and local governments in this regard. Some fees will be limited or eliminated in one jurisdiction and adopted or increased in other jurisdictions.

In the longer term, many have advocated that a wider array of fees and charges be levied against vehicles, fuels, and travel in order to promote a variety of social and environmental objectives, such as energy efficiency and a reduction in the production of greenhouse gases. The notion of a carbon tax, for example, is widely discussed as a strategy by which our society might address the goal of reducing greenhouse gases. Research shows that consumers do respond by changing their behavior in response to such fees and charges (Flamm, 2006). Those concerned with the production of adequate revenues for highway and transit programs will carefully monitor and analyze such proposals in order to assess their potential implications for transportation finance.

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American citizens and businesses already face a wide array of local, state, and federal taxes and charges related to their ownership of vehicles. These taxes and fees are not necessarily coordinated with one another, nor are they often considered as an integrated system of charges and fees. While it is relatively easy to raise a particular charge or fee in order to enhance income for a program in the short term, this must be done very carefully because the potential is high for unintended outcomes, including possibly perverse impacts on the efficiency and equity of the entire transportation finance system.

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## **Supporting Materials**

FEDERAL HIGHWAY-USER FEES, 2005 1/

SEPTEMBER 2006

TABLE FE-21B

USER FEE	TAX RATE	DISTRIBUTION OF TAX				
		EFFECTIVE DATE	HIGHWAY TRUST FUND		LEAKING UNDER-GROUND STORAGE TANK TRUST FUND	GENERAL FUND
			HIGHWAY ACCOUNT	MASS TRANSIT ACCOUNT		
Fuel Taxes (Cents per Gallon)						
Gasoline	18.3	01/01/96	12	2	-	4.3
	18.4	10/01/97	15.44	2.86	0.1	-
Gasohol 2/	18.4	01/01/05	15.44	2.86	0.1	-
Diesel and Kerosene fuel	24.3	01/01/96	18	2	-	4.3
	24.4	10/01/97	21.44	2.86	0.1	-
Special fuels 3/ 4/ Liquefied Petroleum Gas Liquefied Natural Gas Other Special Fuels	18.3	01/01/96	12	2	-	4.3
	13.6	10/01/97	11.47	2.13	-	-
	11.9	10/01/97	10.04	1.86	-	-
	18.4	10/01/97	15.44	2.86	0.1	-
Neat alcohol (85% alcohol) 4/ 5/	9.25	10/01/97	7.72	1.43	0.1	-
Compressed natural gas 6/	4.3	10/01/93	-	-	-	4.3
	4.3	10/01/97	3.44	0.86	-	-
Other Taxes - All Proceeds to Highway Account						
Tires	Tax is imposed on tires sold by manufacturers, producers, or importers at the rate of \$.0945 (\$.04725 in the case of a bias ply or super single tire) for each 10 pounds of the maximum rated load capacity over 3,500 pounds.					
Truck and trailer sales 7/	12 percent of retailer's sales price for tractors and trucks over 33,000 pounds gross vehicle weight (GVW) and trailers over 26,000 pounds GVW. The tax applies to parts and accessories sold in connection with the vehicle sale.					
Heavy vehicle use	Annual tax: Trucks 55,000-75,000 pounds GVW, \$100 plus \$22 for each 1,000 pounds (or fraction thereof) in excess of 55,000 pounds; trucks over 75,000 pounds GVW, \$550					
<p>1/ Source: Office of Highway Policy Information, Federal Highway Administration.</p> <p>2/ Section 301 of the Jobs Creation Act of 2004 eliminated the gasohol blend taxes effective January 1, 2005. Prior to the Act, three blends of gasohol paid different tax rates. These blends are now defined as gasoline and pay the gasoline tax rate. An alcohol fuel tax credit has been developed to encourage gasohol production, but cost of the credit is not lost revenue to the Highway Trust Fund.</p> <p>3/ Special fuels include benzol, benzene, naphtha, liquefied petroleum gas, casing head and natural gasoline, or other liquid used fuel in a motor vehicle except diesel, kerosene, gas oil, fuel oil, or a product taxable under the gasoline tax provisions. Prior to October 1, 1997, most special fuels were taxed at a single rate. Exceptions were LPG, which was not subject to the LUST tax, and neat alcohols, which are taxed at various rates depending on type and source of alcohol. Beginning October 1, 1997, LPG and LNG are taxed based on their energy content relative to gasoline. Other special fuels, with the exception of neat alcohols, are taxed at the basic special fuels rate.</p> <p>4/ Neat alcohol made with alcohol derived from petroleum products (M85) is taxed as a special fuel.</p> <p>5/ Only small amounts of revenue are collected by Internal Revenue Service for taxes on neat alcohol and some other miscellaneous sources. There is no accurate way to distribute miscellaneous taxes to specific funds or accounts.</p> <p>6/ Compressed natural gas is taxed 48.54 cents per thousand cubic feet (MCF), with the Mass Transit Account receiving 9.7 cents per MCF and the Highway Account receiving 38.83 cents per MCF. Roughly converting these amounts to cents per gallon results in the entries in the table above.</p> <p>7/ Section 1401 of the Taxpayer Relief Act of 1997 replaced a mechanism by which the fair market value of tires exceeding 40 pounds was deducted from the fair market value of a truck and replaced it with a credit for the excise tax paid. This provision was effective January 1, 1998.</p>						

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**STATE MOTOR-FUEL TAXES AND RELATED RECEIPTS - 2005 1/**

OCTOBER 2006

(THOUSANDS OF DOLLARS)

TABLE MF-1

STATE	RECEIPTS FROM TAXATION OF MOTOR FUEL 3/							OTHER RELATED RECEIPTS					ADJUSTED NET TOTAL RECEIPTS
	GROSS TAX COLLECTIONS 2/	DEDUCTIONS BY DISTRIBUTORS FOR EXPENSES	GROSS RECEIPTS BY STATE	REFUNDS PAID	NET RECEIPTS BY STATE	DEDICATED REVENUE FROM NONHIGHWAY GASOLINE 4/	ADJUSTED NET VOLUME TAX RECEIPTS	DISTRIBUTOR AND DEALER LICENSES	INSPECTION FEES 5/	FINES AND PENALTIES	MISCELLANEOUS RECEIPTS	TOTAL	
Alabama	619,403	2,040	617,363	295	617,068	3,765	613,303	1,209	-	14	1,479	2,702	616,005
Alaska	33,058	-	33,058	337	32,721	1,225	31,496	-	-	-	-	-	31,496
Arizona	689,780	1,627	688,153	2,672	685,481	9,829	675,652	-	-	648	1,443	2,091	677,743
Arkansas	443,666	-	443,666	-	443,666	-	443,666	-	-	-	-	-	443,666
California	3,404,279	-	3,404,279	-	3,404,279	104,597	3,299,682	-	-	-	2,584	2,584	3,302,266
Colorado	524,465	2,116	522,349	3,781	518,568	-	518,568	-	-	-	159	159	518,727
Connecticut	477,060	-	477,060	3,591	473,469	-	473,469	309	-	-	88	397	473,866
Delaware	113,215	-	113,215	271	112,944	-	112,944	6	-	29	39	74	113,018
Dist. of Col.	25,913	-	25,913	-	25,913	-	25,913	-	-	-	-	-	25,913
Florida	2,054,680	1,670	2,053,010	12,325	2,040,685	11,859	2,028,826	-	10,843	-	116	10,959	2,039,785
Georgia	508,739	4,376	504,363	1,206	503,157	-	503,157	-	-	-	-	-	503,157
Hawaii	80,083	-	80,083	190	79,893	945	78,948	-	-	340	-	340	79,288
Idaho	223,475	1,567	221,908	4,190	217,718	2,503	215,215	-	-	-	-	-	215,215
Illinois	1,382,577	18,730	1,363,847	15,212	1,348,635	46,773	1,301,862	-	-	-	-	-	1,301,862
Indiana	896,776	9,414	887,362	1,542	885,820	99	885,721	-	-	-	2,600	2,600	888,321
Iowa	443,063	-	443,063	16,116	426,947	2,738	424,209	-	-	-	146	146	424,355
Kansas	435,148	-	435,148	1,662	433,486	-	433,486	8	948	-	-	956	434,442
Kentucky	478,827	8,107	470,720	1,098	469,622	-	469,622	-	-	-	-	-	469,622
Louisiana	595,713	701	595,012	18,599	576,413	-	576,413	-	4,894	436	153	5,483	581,896
Maine	223,302	-	223,302	922	222,380	5,103	217,277	-	-	-	-	-	217,277
Maryland	764,491	1,298	763,193	5,691	757,502	3,663	753,839	-	-	358	-	358	754,197
Massachusetts	689,199	-	689,199	2,317	686,882	1,419	685,463	-	-	-	435	435	685,898
Michigan	1,081,524	-	1,081,524	14,200	1,067,324	18,552	1,048,772	28	-	-	-	28	1,048,800
Minnesota	660,551	-	660,551	8,823	651,728	15,933	635,795	17	4,225	-	437	4,679	640,474
Mississippi	402,305	-	402,305	37	402,268	5,842	396,426	-	-	-	-	-	396,426
Missouri	714,399	-	714,399	4,056	710,343	-	710,343	-	-	-	174	174	710,517
Montana	194,518	3,740	190,778	6,540	184,238	12,681	171,557	-	-	-	-	-	171,557
Nebraska	317,163	5,816	311,347	8,027	303,320	115	303,205	-	-	33	99	132	303,337
Nevada	451,582	7,132	444,450	1,525	442,925	3,025	439,900	-	640	989	12,519	14,148	454,048
New Hampshire	156,686	-	156,686	-	156,686	2,468	154,218	-	-	257	117	374	154,592
New Jersey	563,756	-	563,756	-	563,756	-	563,756	-	-	-	749	749	564,505
New Mexico	249,869	-	249,869	281	249,588	580	249,008	-	-	135	201	336	249,344
New York	1,582,472	-	1,582,472	15,342	1,567,130	-	1,567,130	-	2,866	-	508	3,374	1,570,504
North Carolina	1,425,135	-	1,425,135	69,076	1,356,059	1,617	1,354,442	-	30,392	-	-	30,392	1,384,834
North Dakota	110,282	1,763	108,519	1,849	106,670	854	105,816	-	-	-	2,640	2,640	108,456
Ohio	1,843,786	41,399	1,802,387	14,307	1,788,080	16,787	1,771,293	-	-	-	-	-	1,771,293
Oklahoma	440,646	4,692	435,954	1,424	434,530	-	434,530	-	-	-	267	267	434,797
Oregon	402,175	-	402,175	689	401,486	10,220	391,266	-	-	357	-	357	391,623
Pennsylvania	1,918,428	4,466	1,913,962	2,785	1,911,177	233	1,910,944	-	-	1,149	719	1,868	1,912,812

**This paper represents draft briefing material; any views expressed are those of the authors and do not represent the position of either the Section 1909 Commission or the U.S. Department of Transportation.**

**STATE MOTOR-FUEL TAXES AND RELATED RECEIPTS - 2005 1/, continued**

OCTOBER 2006

(THOUSANDS OF DOLLARS)

TABLE MF-1

STATE	RECEIPTS FROM TAXATION OF MOTOR FUEL 3/							OTHER RELATED RECEIPTS					ADJUSTED NET TOTAL RECEIPTS
	GROSS TAX COLLECTIONS 2/	DEDUCTIONS BY DISTRIBUTORS FOR EXPENSES	GROSS RECEIPTS BY STATE	REFUNDS PAID	NET RECEIPTS BY STATE	DEDICATED REVENUE FROM NONHIGHWAY GASOLINE 4/	ADJUSTED NET VOLUME TAX RECEIPTS	DISTRIBUTOR AND DEALER LICENSES	INSPECTION FEES 5/	FINES AND PENALTIES	MISCELLANEOUS RECEIPTS	TOTAL	
Rhode Island 6/	148,955	-	148,955	465	148,490	-	148,490	-	-	-	68	68	148,558
South Carolina	515,461	2,855	512,606	3,314	509,292	3,154	506,138	-	8,902	-	-	8,902	515,040
South Dakota	134,869	2,035	132,834	1,493	131,341	2,438	128,903	-	-	20	-	20	128,923
Tennessee	773,747	9,122	764,625	-	764,625	-	764,625	-	63,649	-	-	63,649	828,274
Texas	3,001,098	46,271	2,954,827	14,013	2,940,814	16,563	2,924,251	-	-	-	-	-	2,924,251
Utah	349,061	-	349,061	3,803	345,258	10,110	335,148	-	-	-	205	205	335,353
Vermont	86,304	-	86,304	-	86,304	1,024	85,280	-	-	-	711	711	85,991
Virginia	904,359	6,040	898,319	8,434	889,885	7,799	882,086	-	-	527	37,384	37,911	919,997
Washington	931,022	-	931,022	7,788	923,234	11,550	911,684	-	-	-	61	61	911,745
West Virginia	296,999	1,700	295,299	8,496	286,803	103	286,700	-	-	-	1,423	1,423	288,123
Wisconsin	966,682	-	966,682	11,134	955,548	18,071	937,477	-	-	-	-	-	937,477
Wyoming	100,360	418	99,942	693	99,249	2,224	97,025	25	-	-	-	25	97,050
<b>Total</b>	<b>35,831,106</b>	<b>189,095</b>	<b>35,642,011</b>	<b>300,611</b>	<b>35,341,400</b>	<b>356,461</b>	<b>34,984,939</b>	<b>1,602</b>	<b>127,359</b>	<b>5,292</b>	<b>67,524</b>	<b>201,777</b>	<b>35,186,716</b>
Percentage	100.0	0.5	99.5	0.8	98.6	1.	97.6	-	-	-	-	-	-

1/ This table includes the revenues from State taxes on all motor-vehicle fuels and related receipts in connection with motor-fuel taxation and administration. In many States, however, the tax on special fuels (fuels other than gasoline and gasohol) is applicable only to the amount used on the highways. For the States that apply the tax to all fuel sold, the revenue and refunds covering the non-highway portion of these special fuels have been excluded. All data are subject to further review and revision.

2/ Includes, in some States, receipts in the form of tax credits for refund claims accepted by distributors acting as agents of the State and refund credits to users who are licensed as distributors.

3/ For tax rates as of January 1, 2004 and rate changes during the year, see table MF-121T. States with variable rates are also identified in table MF-121T.

4/ These are proceeds from taxes on nonhighway uses of gasoline dedicated for the improvement of facilities other than highways. They are generally revenues from taxes on gasoline for aviation and motorboat use, but in some States, include taxes on gasoline used in off-highway recreational vehicles and snowmobiles. In California, receipts from the tax on gasoline used for agricultural purposes are included.

5/ These are fees for inspection of motor-vehicle fuel. Insofar as possible, fees for inspection of fuels not used on highways have been eliminated.

6/ Rhode Island data is for 2004. State did not submit 2005 data.

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FEDERAL HIGHWAY TRUST FUND

(Current Dollars)

FY	HIGHWAY ACCOUNT																INTEREST	TOTAL	OUTLAYS	BALANCE
	NET INCOME																			
	MOTOR FUEL				EXCISE TAXES						USE	LUBRI-CATING OIL	PARTS AND ACCES-SORIES	TOTAL						
	GASOLINE	GASOHOH	DIESEL AND SPECIAL FUELS	TOTAL	TIRES	INNER TUBES	TREAD RUBBER	TRUCKS, BUSES AND TRAILERS												
1957	1,295,070,395.38	0.00	30,475,089.29	1,325,545,484.67	82,181,853.47	0.00	11,273,518.77	34,408,545.52	25,498,818.10	0.00	0.00	1,478,908,220.53	3,094,002.40	1,482,002,222.93	965,666,733.85	516,335,489.08				
1958	1,548,106,078.86	0.00	49,783,079.61	1,597,889,158.47	256,305,546.11	17,374,263.40	10,813,762.17	110,505,918.68	33,226,553.07	0.00	0.00	2,026,115,201.90	17,686,110.43	2,043,801,312.33	1,511,602,876.26	1,048,533,925.15				
1959	1,605,691,302.28	0.00	50,955,262.84	1,656,646,565.12	247,254,375.63	14,874,490.85	14,101,846.99	107,386,479.09	33,852,363.52	0.00	0.00	2,074,116,121.20	13,583,651.19	2,087,699,772.39	2,612,576,423.10	523,657,274.44				
1960	1,962,135,471.87	0.00	81,628,340.91	2,043,763,812.09	281,100,480.12	18,830,208.73	15,675,917.71	141,944,042.39	37,712,114.49	0.00	0.00	2,539,026,575.53	(3,211,903.40)	2,535,814,672.13	2,940,251,130.14	119,220,816.43				
1961	2,275,755,123.87	0.00	84,904,510.13	2,360,659,634.00	245,984,158.23	14,714,182.36	13,813,641.49	115,598,157.43	46,768,007.38	0.00	0.00	2,797,537,780.89	1,474,261.18	2,799,012,042.07	2,619,170,183.37	299,062,675.13				
1962	2,267,642,446.71	0.00	105,776,246.66	2,373,418,693.37	327,005,927.44	17,546,761.71	22,900,805.78	127,973,553.26	79,844,386.66	0.00	0.00	2,948,690,128.22	6,772,167.11	2,955,462,295.33	2,783,864,409.00	470,660,561.46				
1963	2,347,524,952.50	0.00	114,441,361.28	2,461,966,313.78	365,346,331.73	18,890,971.80	24,056,397.93	311,120,185.18	97,317,555.78	0.00	0.00	3,278,697,756.20	14,268,227.04	3,292,965,983.24	3,016,700,500.24	746,926,044.46				
1964	2,514,699,750.16	0.00	128,105,009.59	2,642,804,759.75	369,520,086.50	21,796,211.92	21,929,800.44	357,344,905.96	106,760,878.29	0.00	0.00	3,519,156,642.86	20,361,229.42	3,539,517,872.28	3,645,013,031.88	641,430,884.86				
1965	2,592,797,828.71	0.00	143,675,108.28	2,736,472,936.99	381,539,560.92	23,752,914.01	24,160,662.81	393,304,162.28	99,278,933.75	0.00	0.00	3,658,509,170.76	11,034,928.41	3,669,544,099.17	4,026,117,471.91	284,857,512.12				
1966	2,682,671,527.13	0.00	163,565,795.27	2,846,237,322.40	442,154,291.32	30,175,548.96	24,283,699.86	441,968,806.75	101,983,249.79	23,000,000.00	7,000,000.00	3,916,802,919.08	7,305,145.43	3,924,108,064.51	3,965,430,752.46	243,534,824.17				
1967	2,934,311,729.00	0.00	190,006,073.95	3,124,317,802.95	481,951,255.36	33,282,230.13	28,043,311.10	524,548,804.19	111,534,136.61	68,029,600.09	69,155,006.11	4,440,862,146.54	14,225,035.15	4,455,087,181.69	3,973,425,968.47	725,196,037.39				
1968	2,902,874,513.60	0.00	208,173,260.33	3,111,047,773.93	468,283,423.70	18,604,464.92	25,362,170.98	509,957,905.14	98,494,868.50	81,713,505.99	80,519,582.45	4,393,983,695.61	33,502,526.99	4,427,486,222.60	4,171,110,449.64	981,571,810.35				
1969	2,961,907,625.87	0.00	218,905,812.73	3,180,813,438.60	551,425,182.08	28,284,935.23	30,107,889.59	540,846,459.59	129,319,715.63	82,841,734.62	93,536,699.73	4,637,176,055.07	52,654,293.03	4,689,830,348.10	4,150,575,300.25	1,520,826,858.20				
1970	3,429,362,571.19	0.00	263,164,835.27	3,692,527,406.46	588,478,594.86	26,126,234.47	28,031,575.42	699,926,670.44	136,805,692.16	94,521,306.07	87,209,453.00	5,353,626,932.88	115,409,814.76	5,469,036,747.64	4,378,252,905.47	2,611,610,700.37				
1971	3,640,149,255.05	0.00	294,207,514.20	3,934,356,769.25	576,445,734.19	22,909,460.10	30,391,885.08	692,459,037.10	148,029,971.06	51,789,575.42	85,173,443.65	5,541,555,875.85	5,725,433,175.35	5,725,433,175.35	4,685,348,326.54	3,651,699,549.18				
1972	3,601,356,081.49	0.00	291,857,503.43	3,893,213,585.02	381,746,410.89	23,820,423.35	26,816,913.56	436,490,093.93	150,506,546.76	73,135,256.07	86,693,376.83	5,322,422,606.41	205,629,972.49	5,528,052,578.90	4,690,217,383.15	4,489,530,744.93				
1973	3,821,527,842.53	0.00	337,138,521.61	4,158,666,364.04	720,770,690.09	28,803,074.46	31,483,217.71	380,395,250.42	161,582,832.78	80,024,633.37	103,727,656.07	5,665,453,718.94	246,740,126.02	5,912,193,844.96	4,811,036,161.18	5,590,688,428.71				
1974	3,906,612,567.21	0.00	394,681,829.88	4,301,294,397.09	837,716,336.09	33,382,760.00	24,130,781.15	614,132,357.91	225,192,735.56	94,004,224.73	130,455,216.00	6,260,308,808.53	414,667,245.00	6,674,976,053.53	4,599,012,719.50	7,666,651,762.74				
1975	3,937,822,256.62	0.00	402,338,663.25	4,340,160,919.87	744,306,224.00	32,813,987.00	20,355,554.00	601,623,192.00	221,458,833.78	84,286,867.50	143,167,371.00	6,188,172,949.15	585,654,147.38	6,773,827,096.53	4,843,089,343.06	9,597,389,516.21				
1976	3,872,095,476.64	0.00	346,509,091.00	4,218,604,570.64	545,922,236.00	24,965,931.00	23,351,843.00	219,228,765.00	209,271,007.35	55,964,641.69	115,840,991.00	5,613,149,985.68	586,713,896.28	6,200,603,881.96	6,520,603,489.92	9,076,649,908.25				
TQ	1,109,769,669.45	0.00	115,770,261.00	1,225,539,930.45	210,906,729.00	8,438,871.00	6,952,057.00	10,877,220.34	25,557,977.94	39,427,017.00	1,676,060,454.73	13,372,306.22	1,689,432,761.67	1,757,560,165.82	9,008,572,504.10	10,163,645,957.79				
1977	4,253,583,912.84	0.00	453,814,451.00	4,707,398,363.48	757,994,796.00	30,059,082.00	24,916,362.00	708,127,031.00	239,699,940.00	76,321,234.48	164,713,781.00	6,709,230,589.96	593,068,331.84	7,302,298,921.80	6,147,175,468.11	10,163,645,957.79				
1978	4,237,755,784.70	0.00	484,611,259.72	4,722,367,044.42	761,476,190.00	31,453,708.00	25,423,617.00	850,518,948.00	245,545,736.86	80,180,529.57	187,468,642.00	6,904,434,415.85	662,159,976.98	7,566,594,392.83	6,057,737,190.92	11,672,503,159.70				
1979	4,337,089,597.79	0.00	497,259,547.00	4,834,349,144.79	808,760,071.00	37,732,793.00	20,456,658.00	943,579,447.00	235,332,571.00	83,871,569.00	224,730,056.00	7,188,812,309.79	857,285,830.44	8,046,098,140.23	7,154,140,900.81	12,664,460,399.12				
1980	3,897,059,460.13	0.00	522,553,394.00	4,419,612,854.13	633,298,105.00	26,238,020.00	21,094,289.00	912,200,403.00	277,419,075.00	76,901,423.00	253,061,739.00	6,619,825,908.13	1,027,483,810.77	7,647,309,718.90	9,212,310,599.76	10,999,459,518.26				
1981	3,889,051,681.26	0.00	560,971,859.00	4,450,023,540.26	599,418,474.00	25,965,511.00	19,093,944.00	664,227,822.00	236,653,939.00	75,832,376.00	233,710,542.00	6,304,926,148.26	1,128,819,104.52	7,433,745,252.78	9,173,761,959.70	9,259,442,811.34				
1982	4,120,014,073.00	0.00	594,082,636.00	4,714,096,709.00	625,895,891.00	22,551,899.00	23,401,874.00	724,563,163.00	332,813,058.00	76,180,670.00	224,175,771.00	6,743,679,035.00	1,078,501,606.75	7,822,180,641.75	8,035,206,021.98	9,046,417,431.11				
1983	5,612,639,522.00	27,573,000.00	889,972,886.00	6,503,185,408.00	577,310,677.00	19,001,223.00	338,403,366.00	235,883,304.00	47,825,569.00	7,777,015,540.00	7,777,015,540.00	1,075,821,372.30	8,852,836,912.30	8,837,636,816.88	9,061,617,526.53	10,210,492,723.44				
1984	7,561,658,970.00	137,282,000.00	1,470,063,597.00	9,169,004,567.00	319,747,257.00	8,052,049.00	3,800,744.00	864,823,533.00	178,665,220.00	(10,155,221.00)	(28,359,147.00)	10,506,579,002.00	1,026,534,769.33	11,533,117,771.33	10,384,235,574.42	12,109,492,723.44				
1985	7,463,817,437.00	123,805,000.00	2,224,846,615.00	9,812,469,052.00	223,650,891.00	(860,528.00)	(780,953.00)	1,395,706,427.00	378,591,528.00	(9,746,582.00)	965,343.00	11,799,995,178.00	1,106,451,412.74	12,906,446,590.74	12,756,149,125.79	10,360,790,188.39				
1986	7,655,588,661.69	145,523,000.00	2,452,925,357.00	10,254,037,018.69	319,544,836.00	685,746.00	(237,569.41)	1,144,459,575.00	532,790,783.00	(622,119.00)	756,969.00	12,251,415,239.28	1,054,143,137.41	13,305,558,376.69	14,180,359,086.60	9,485,989,478.48				
1987	7,407,187,712.50	129,786,000.00	2,621,397,821.00	10,158,371,533.50	291,668,875.00	(1,784.00)	(84,237.00)	723,730,783.00	620,196,652.00	47,252.50	(430,855.50)	11,793,498,219.50	933,909,494.35	12,727,407,713.85	12,801,838,207.71	9,411,558,984.62				
1988	7,933,879,474.04	155,997,000.00	2,557,281,690.00	10,647,158,164.04	334,074,174.00	0.00	0.00	1,277,156,455.00	581,292,710.00	0.00	(3,254,393.00)	12,836,427,110.04	808,983,509.51	13,645,410,619.55	14,037,861,947.55	9,019,107,656.62				
1989	7,996,279,921.97	153,080,000.00	4,045,919,654.00	12,195,279,575.97	316,044,395.00	0.00	0.00	1,239,536,143.00	608,314,063.00	0.00	(716,187.00)	14,358,457,989.97	775,913,312.61	15,134,371,302.58	13,602,479,989.28	10,550,998,969.92				
1990	7,471,795,501.42	153,539,000.00	2,896,262,292.00	10,521,596,793.42	254,793,400.00	0.00	0.00	1,112,260,431.00	583,715,541.00	0.00	(287,716.00)	12,472,078,449.42	981,070,586.17	13,453,149,035.59	14,375,193,897.76	9,628,954,107.85				
1991	9,140,467,950.00	231,415,000.00	3,141,894,160.00	12,513,777,110.00	357,070,000.00	0.00	0.00	1,074,422,000.00	574,926,220.00	0.00	515,000.00	14,493,710,330.00	809,773,418.54	15,303,483,748.54	14,686,495,107.95	10,245,942,748.44				
1992	10,245,604,703.10	395,496,000.00	3,271,660,889.00	13,912,761,592.10	256,683,000.00	0.00														

**FEDERAL TAX RATES ON MOTOR VEHICLES  
AND RELATED PRODUCTS 1/**

SEPTEMBER, 2006

TABLE

EFFECTIVE DATE OF NEW TAX OR REVISION OF EXISTING TAX	AUTOMOBILES (PERCENT OF MANUFACTURER'S SALES PRICE)	MOTORCYCLES (PERCENT OF MANUFACTURER'S SALES PRICE)	BUSES (PERCENT OF MANUFACTURER'S SALES PRICE)	TRUCKS 2/	TRAILERS 2/	PARTS & ACCESSORIES (PERCENT OF MANUFACTURER'S SALES PRICE)	TIRES 3/	TUBES 3/	TREAD RUBBER (CENTS PER POUND) 4/	USE
October 4, 1917	3 percent	3 percent	3 percent	3 percent	↓	↓	↓	↓	↓	↓
January 1, 1919	↓	↓	↓	↓	↓	↓	↓	↓	↓	Automobiles for hire \$10 for fewer passengers; \$20 for 7 passengers
February 25, 1919	5 percent	5 percent	5 percent	↓	↓	5 percent	5 percent	5 percent	↓	↓
July 3, 1924	↓	↓	↓	Exempted truck chassis sold for \$1,000 or less and truck bodies for \$200 or less	↓	2.5 percent	2.5 percent	2.5 percent	↓	↓
February 26, 1926	↓	↓	↓	Repealed	↓	Repealed	Repealed	Repealed	↓	↓
March 29, 1926	3 percent	3 percent	3 percent	↓	↓	↓	↓	↓	↓	↓
June 30, 1926	↓	↓	↓	↓	↓	↓	↓	↓	↓	Repealed
May 29, 1928	Repealed	Repealed	Repealed	↓	↓	↓	↓	↓	↓	↓
June 21, 1932	3 percent	3 percent	3 percent	2 percent	↓	2 percent	2.25¢ per pound	4¢ per pound	↓	↓
July 1, 1940	3.5 percent	3.5 percent	3.5 percent	2.5 percent	↓	2.5 percent	2.5¢ per pound	4.5¢ per pound	↓	↓
October 1, 1941	7 percent	7 percent	5 percent	5 percent	House trailers, 7 percent; others, 5 percent	5 percent	5¢ per pound	9¢ per pound	↓	↓
February 1, 1942	↓	↓	↓	↓	↓	↓	↓	↓	↓	All motor vehicles, \$
June 30, 1946	↓	↓	↓	↓	↓	↓	↓	↓	↓	Repealed
November 1, 1951	10 percent	10 percent	8 percent	8 percent	8 percent 5/	8 percent	↓	↓	↓	↓
September 1, 1955	↓	Repealed	↓	↓	↓	↓	↓	↓	↓	↓
July 1, 1956	↓	↓	10 percent	10 percent	10 percent 5/	↓	8¢ per pound	↓	3¢	Annual tax on motor vehicles over 26,000 pounds gross weight, \$1.50 per 1,000 pounds 6/
July 1, 1961	↓	↓	↓	↓	↓	↓	10¢ per pound	10¢ per pound	5¢	Annual tax on motor vehicles over 26,000 pounds gross weight, \$3 per 1,000 pounds
June 22, 1965	7 percent 7/	↓	10 percent 5/	10 percent 5/	↓	↓	↓	↓	↓	↓
January 1, 1966	6 percent	↓	↓	↓	↓	8 percent 8/	↓	↓	↓	↓
March 16, 1966	7 percent	↓	↓	↓	↓	↓	↓	↓	↓	↓
August 16, 1971	Repealed	↓	↓	↓	↓	↓	↓	↓	↓	↓
November 10, 1978	↓	↓	Repealed 9/	↓	↓	8 percent 9/ 10/	10¢ per pound 9/	10¢ per pound 9/	5¢ 9/	↓
January 1, 1981	↓	↓	↓	↓	↓	↓	9.75¢ per pound 9/ 11/	↓	↓	↓
January 7, 1983	↓	↓	↓	10 percent 12/	10 percent 5/ 12/	Repealed	↓	↓	↓	↓
April 1, 1983	↓	↓	↓	12 percent 12/	12 percent 5/ 12/	↓	↓	↓	↓	↓
January 1, 1984	↓	↓	↓	↓	↓	↓	15¢ per pound over 40 to 70 pounds; \$4.50 plus 30¢ per pound over 70 to 90 pounds; \$10.50 plus 50¢ per pound over 90 pounds 9/	Repealed	Repealed	↓

**This paper represents draft briefing material; any views expressed are those of the authors and do not represent the position of either the Section 1909 Commission or the U.S. Department of Transportation.**

**FEDERAL TAX RATES ON MOTOR VEHICLES  
AND RELATED PRODUCTS 1/, continued**

SEPTEMBER, 2006

TABLE

EFFECTIVE DATE OF NEW TAX OR REVISION OF EXISTING TAX	AUTOMOBILES (PERCENT OF MANUFACTURER'S SALES PRICE)	MOTORCYCLES (PERCENT OF MANUFACTURER'S SALES PRICE)	BUSES (PERCENT OF MANUFACTURER'S SALES PRICE)	TRUCKS 2/	TRAILERS 2/	PARTS & ACCESSORIES (PERCENT OF MANUFACTURER'S SALES PRICE)	TIRES 3/	TUBES 3/	TREAD RUBBER (CENTS PER POUND) 4/	USE
July 1, 1984	↓ ↓ ↓ ↓	↓ ↓ ↓ ↓	↓ ↓ ↓ ↓	↓ ↓ ↓ ↓	↓ ↓ ↓ ↓	↓ ↓ ↓ ↓	↓ ↓ ↓ ↓	↓ ↓ ↓ ↓	↓ ↓ ↓ ↓	Annual tax on motor vehicles 55,000 TO 75,000 pounds weight, \$100 plus \$22 per pounds over 55,000 pounds 75,000 pounds, \$550
January 1, 2005	↓ ↓ ↓ ↓	↓ ↓ ↓ ↓	↓ ↓ ↓ ↓	↓ ↓ ↓ ↓	↓ ↓ ↓ ↓	↓ ↓ ↓ ↓	9.45¢ per 10 pounds max. rated load capacity over 3,500 pounds, (4.725¢ in the case of bias ply or super-single tires	↓ ↓ ↓ ↓	↓ ↓ ↓ ↓	↓ ↓ ↓ ↓
Scheduled change under existing laws	↓ ↓	↓ ↓	↓ ↓	Termination Sept. 30, 2011	Termination Sept. 30, 2011	↓ ↓	Termination Sept. 30, 2011	↓ ↓	↓ ↓	Termination Sept. 30, 2011

1/ The focus of this table is on the Federal taxes on motor vehicles and related products used on highways. The detail provided for other uses is incomplete. Most of the revenue raised by the taxes described is dedicated to the Federal Highway Trust Fund for the financing of highway and transit programs.

2/ Percent of manufacturer's sales price through March 31, 1983; percent of retailer's sales price thereafter.

3/ Percent of manufacturer's sales price to February 26, 1926; re-enacted effective June 21, 1932, on a cents-per-pound basis, but applicable to all tires and tubes, not limited to those for automotive vehicles. Tires and tubes for toys exempted effective November 1, 1951. The additional 3 cents per pound, effective July 1, 1956, and 2 cents per pound, effective July 1, 1961, apply to tires for highway vehicles only. Laminated tires are taxed 1 cent per pound effective July 1, 1965. Effective January 1, 1984, tires of 40 pounds or less are exempt.

4/ Applies to tires "of the type used on highway vehicles."

5/ The following are exempt from the stated taxes: effective November 1, 1951, house trailers; effective June 22, 1965, school buses, camper bodies, motor homes, truck and trailer bodies designed for seed, feed, and fertilizer, small three-wheeled vehicles; effective September 23, 1971, trucks, buses, and trailers 10,000 pounds or less gross weight; and, effective December 11, 1971, local transit buses in urban use and trash container bodies for trucks.

6/ The tax applies to the entire gross weight of a vehicle or combination if its gross weight exceeds 26,000 pounds. Buses used in local transit service are exempt.

7/ Although the "basic" tax on automobiles was 7 percent of the manufacturer's wholesale price until January 1, 1966, the 10-percent rate that became effective on a temporary basis November 1, 1951 remained in effect through periodic extensions.

8/ Automobile parts and accessories are exempt from stated taxes.

9/ Taxes paid on buses purchased after April 19, 1977 are refunded. Effective December 1, 1978, bus parts and accessories are exempt and school buses along with intercity and local buses used to transport the general public for compensation on scheduled routes (or 20 or more passenger buses on nonscheduled routes) are exempt from the stated taxes for tires, tubes, and tread rubber.

10/ Although the "basic" tax is 5 percent of the manufacturer's wholesale price, the 8-percent rate that became effective on a temporary basis November 1, 1951, remained in effect through periodic extensions until the tax was repealed.

11/ The tax on nonhighway tires is 4.875 cents per pound except laminated tires are taxed at 1 cent per pound.

12/ Trucks 33,000 pounds or less gross vehicle weight, trailers 26,000 pounds or less gross vehicle weight and rail/highway trailers are exempt from stated taxes. Effective July 18, 1984, piggyback trailers are taxed at 6 percent through July 17, 1985.

13/ The effective date for the rate change for small owner-operator with 5 or fewer taxable trucks is July 1, 1985. Rate is reduced by 25 percent for logging trucks. Trucks used less than 5,000 miles (farm trucks 7,500 miles) per taxable year on public highways and trucks with gross weights under 55,000 pounds are exempt. Effective July 1, 1987, trucks based for registration purposes in Canada or Mexico shall be taxed at 75 percent of the rate before they can operate in the United States. Previously the vehicles were exempt.

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**CONSOLIDATED COMMENTS FROM MEMBERS OF THE BLUE RIBBON PANEL OF  
TRANSPORTATION EXPERTS - PAPER 5A-03**

One reviewer commented as follows:

It would be appropriate to make clear that weight-distance fees should only be applied to heavy trucks, not to light trucks and SUVs, which weigh less than the 18,000-pound threshold below which vehicles cause negligible road wear. Existing technologies, including GPS and weigh-in-motion, which are increasingly being introduced both for commercial and regulatory enforcement purposes, will make a weight-distance tax for heavy trucks much more feasible.