

LEGISLATIVE ISSUES IN PROPOSALS TO REVISE HIGHWAY EXCISE  
 TAX STRUCTURE AND EXTEND THE HIGHWAY TRUST FUND

<u>ISSUE AREA</u>	<u>PRESENT LAW</u>	<u>ADMINISTRATION PROPOSAL (S. 3044)</u>	<u>HOUSE BILL (H.R. 6211)</u>
<b>A. TAX-RELATED ITEMS</b>			
1. Gasoline/diesel fuel/ special motor fuels	4¢/gal. through Sept. 30, 1984 (1-1/2¢/gal. thereafter)	9¢/gal. through Mar. 31, 1990 (1-1/2¢/gal. thereafter)	9¢/gal. through Sept. 30, 1988 (No tax thereafter)
2. Motorboat fuel	4¢/gal. through Sept. 30, 1984 (1-1/2¢/gal. thereafter)	9¢/gal. through Mar. 31, 1990 (1-1/2¢/gal. thereafter)	9¢/gal. through Sept. 30, 1988 (No tax thereafter)
<b>3. Fuel exemptions:</b>			
a. Gasohol (10% alcohol)	4¢/gal. exemption (through 1992)	9¢ exemption (through 1992)	4¢/gal. exemption (through Sept. 30, 1988)
b. Intercity, school and local buses (private)	4¢ exemption	4¢ exemption (through Mar. 31, 1990)	9¢ exemption (through Sept. 30, 1988)
c. Qualified taxicabs	4¢ exemption (through 1982)	4¢ exemption	4¢ exemption (through Sept. 30, 1984) w/study
d. State and local government	4¢ exemption	9¢ exemption (through Mar. 31, 1990)	9¢ exemption (through Sept. 30, 1988)
e. Nonprofit educational	4¢ exemption	9¢ exemption	"
f. Farming	4¢ exemption	9¢ exemption	"
g. Nonhighway qualified business use	2¢ exemption	9¢ exemption	"
h. Other exemptions	None	None	(i) 85% or more alcohol fuels (ii) ground fertilizer applicators
i. Effective date	---	April 1, 1983	April 1, 1983

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Tires, tread rubber & inner tubes

a. Highway tires	9.75¢/lb. through Sept. 30, 1984 (4.875¢/lb. thereafter)	25¢ lb., if over 100 lbs., through Mar. 31, 1990 (4.875¢/lb. thereafter)	Same as Admin., except through Sept. 30, 1988 (no tax thereafter)
b. Nonhighway tires (e.g., aircraft)	4.875¢/lb.	4.875¢/lb.	Repeal
c. Laminated tires (non-highway)	1¢ lb.	1¢/lb.	Repeal
d. Tread rubber (for highway vehicles--trucks and autos)	5¢/lb. through Sept. 30, 1984 (no tax thereafter)	25¢/lb. through Mar. 31, 1990 (no tax thereafter)	25¢/lb. if over 100 lbs. (through Sept. 30, 1988 with no tax thereafter)
e. Innertubes	10¢/lb. through Sept. 30, 1984 (9¢/lb. thereafter)	Repeal	Same as Administration
f. Effective date	---	April 1, 1983	January 1, 1984
g. Lubricating oil	6¢/gal.	Repeal, effective April 1, 1983	Same as Administration, but effective on enactment
<u>i. Truck-related taxes:</u>			
a. New trucks, truck trailers	10¢ mfrs. sale price, if more than 10,000 lbs., through Sept. 30, 1984 (5¢ thereafter)	12¢ mfrs. sale price, if more than 33,000 lbs. through Mar. 31, 1990 (5¢ thereafter)	12¢ retail tax if more than 33,000 lbs. (26,000 lbs. for trailers) through Sept. 30, 1988 (no tax thereafter)
b. Truck parts & accessories	8¢ mfrs. sale price, if for trucks of more than 10,000 lbs., through Sept. 30, 1984 (5¢ thereafter)	12¢ mfrs. sale price, if for trucks of more than 33,000 lbs. through Mar. 31, 1990 (5¢ thereafter)	Repeal

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6. Truck-related taxes (cont'd.)

- c. Effective dates ---
- (i) April 1, 1983, for 12% truck tax and shift to retail
- (ii) Date after enactment for reduction in truck tax and repeal of parts tax
- (iii) Refunds for sales between Dec. 2 and enactment.

7. Heavy vehicle use tax

a. Tax rate per year	\$3/1,000 lbs., if taxable gross weight more than 26,000 lbs., through Sept. 30, 1984 (No tax thereafter)	Under 55,000 lbs.--No tax 55-70,000 lbs.--\$100, plus \$6/100 lbs. over 55,000 70-80,000 lbs.--\$1,000 plus \$17/100 lbs. over 70,000 Over 80,000 lbs.--\$2,700	Under 33,000 lbs.--No tax 33-55,000 lbs.--\$60 plus \$20/1,000 lbs. over 33,000 55-80,000 lbs.--\$500 plus \$60/1,000 lbs. over 55,000 Over 80,000 lbs.--\$2,000
b. Mileage exemption	None	Exemption if less than 2,500 miles per year on public highways	Same as Administration, with technicals
c. State verification	None	Require receipt for payment of Federal use tax before State will register vehicle (effective Jan. 1, 1985)	Same as Administration
d. Enforcement mechanism	---	Reduce State apportionment (title 23 amendment)	(Included in nontax title of H.R. 6211)
e. Effective date	---	July 1, 1983.	January 1, 1984

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<p>8. <u>Transition rules:</u></p> <p>a. Floor stocks taxes</p> <p>b. Floor stocks refunds/credits</p>		<p>Imposed on April 1, 1983, at the increase in tax rate</p> <p>For items held in inventory on April 1, 1983, at which higher tax rates had been paid previously; consumer refunds for trucks, trailers and truck parts sold between Nov. 28, 1982 and April 1, 1983, for which tax no longer applies on April 1, 1983</p>	<p>Same generally as Administration, with technicals and conform dates.</p> <p>Same generally as Administration, with technicals and other amendments to conform dates; Dec. 2, 1982, substituted for Nov. 28, 1982</p>
<p>9. Motor carrier operating rights</p>	<p>Basis of operating rights increased where stock acquired by corporate purchaser</p>	<p>Same as present law.</p>	<p>Extends basis adjustment to where stock acquired by individuals</p>

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<b>B. TRUST FUND PROVISIONS</b>			
1. Transfer of tax revenues to Trust Fund	Through Sept. 30, 1984	Through Mar. 31, 1990	Through Sept. 30, 1988
2. Expenditures from Trust Fund	Through Sept. 30, 1984	Through Sept. 30, 1991	Through Sept. 30, 1988
3. Transfer of Trust Fund to Internal Revenue Code	Highway Trust Fund is outside Internal Revenue Codes.	Same as present law.	Highway Trust Fund transferred to Code.
4. Specificity of Trust Fund expenditure	Meet obligations incurred under Federal-Aid Road Act of July 11, 1916, as amended and supplemented, attributable to Federal-aid highways (including portion of administrative expenses of Bureau of Public Roads.)	Updates language to refer to DOT, FHWA	Permit expenditures authorized under present law, the 1982 Act (H.R. 6211), or future laws for general purposes authorized as of Dec. 31, 1982.
5. Anti-deficit provision ("Byrd amendment")	If projected Trust Fund revenues are not sufficient to cover outstanding authorizations, then Trust Fund apportionments for a year are to be reduced proportionately.	No change	If unfunded authorizations exceed 2 years of Trust Fund receipts, apportionments are reduced proportionately.
6. Authority for repayable advances	Yes	Yes	No.

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B. <u>TRUST FUND PROVISIONS (Cont'd.)</u>			
7. Motorboat fuel tax	Revenues from tax transferred to Land and Water Conservation Trust Fund, except up to \$20 million per year (through FY83) to Boating Safety Fund, subject to a \$20 million cap on amounts in Boating Fund	Same as present law.	\$45 million caps on Boating Fund through FY 1988.
C. <u>TRANSIT ACCOUNT</u>			
1. Establishment	None	Separate account included within Highway Trust Fund	Separate account within Highway Trust Fund, but with contract authority (in nontax titles of H.R. 6211).
2. Funding	General funds	Funded by 1¢/gal. from motor fuels taxes	Same as Administration
3. Expenditure purposes		Used for transit capital program under section 22 of the Urban Mass Transportation Act of 1964	Used for transit capital programs under H.R. 6211, including new starts.
4. Anti-deficit provision		None	Yes, unfunded authorizations could not exceed 1 year's account receipts.
5. Authority for repayable advances		Yes	No



Table 1.  
 Estimated Highway Trust Fund Tax Revenues With Current Rates Extended  
 (Fiscal Years, 1983 - 1988)

Tax	1983	1984	1985	1986	1987	1988
			(Million Dollars)			
Gasoline	3,911	3,758	3,747	3,757	3,778	3,785
Diesel	627	654	706	761	818	878
Trucks and trailers	768	1,102	1,362	1,517	1,628	1,771
Truck parts	242	282	308	336	364	395
Tires	530	635	672	713	740	770
Tubes	20	22	22	22	22	22
Tread rubber	21	22	22	22	22	22
Lubricating oil	80	80	80	80	80	80
Use tax	228	275	287	299	312	325
<b>Total Tax Revenues</b>	<b>6,427</b>	<b>6,830</b>	<b>7,206</b>	<b>7,507</b>	<b>7,764</b>	<b>8,048</b>

Note: Revenues are net of refunds and transfers

Table 2

## Estimated Highway Trust Fund Tax Revenues Under Administration Proposal

Fiscal Years 1982 - 1988

[In Millions of Dollars]

Tax	1982 (Actual)	1983	1984	1985	1986	1987	1988
Gasoline	4,120	6,116	8,221	8,050	7,959	7,950	7,999
Diesel fuel	594	971	1,466	1,576	1,692	1,814	1,940
Trucks, and trailers	725	601	1,040	1,286	1,433	1,538	1,673
Truck parts and accessories	224	148	142	155	169	183	199
Tires, tubes, and tread rubber	672	474	283	293	304	312	320
Lubricating oil	77	32	-6	--	--	--	--
Use tax on heavy vehicles	333	685	1,069	1,116	1,162	1,213	1,264
Total Tax Revenues	6,743	9,107	12,215	12,484	12,719	13,010	13,403

Note: Revenues are net of refunds and transfers.

Source: Treasury Department, Office of Tax Analysis, November, 1982.



Table 3.

Estimated Highway Trust Fund Tax Revenues Under House Bill  
(Fiscal Years, 1983-1988)

Tax	1983	1984	1985	1986	1987	1988
	(Million Dollars)					
Gasoline	6,191	8,484	8,412	8,374	8,389	8,439
Diesel	968	1,457	1,567	1,680	1,802	1,935
Trucks and trailers	610	1,102	1,397	1,578	1,702	1,850
Truck parts	64	0	0	0	0	0
Tires	530	271	147	157	163	169
Tubes	20	5	0	0	0	0
Tread rubber	21	44	55	55	55	55
Lubricating oil	12	-6	0	0	0	0
Use tax	161	704	1,191	1,241	1,293	1,346
<b>Total Tax Revenues</b>	<b>8,577</b>	<b>12,061</b>	<b>12,769</b>	<b>13,085</b>	<b>13,404</b>	<b>13,794</b>

Note: Revenues are net of refunds and transfers.

Table 4.

Comparison of Changes in Highway Trust Fund Revenue  
Under the House Bill and Under the Administration Proposal  
(Fiscal Years, 1983-1988)

<u>Tax</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
	(Million Dollars)					
<b>Gasoline</b>						
House bill	2,280	4,726	4,665	4,617	4,611	4,654
Administration proposal	2,205	4,463	4,311	4,202	4,172	4,214
Difference	+75	+263	+354	+415	+439	+440
<b>Diesel</b>						
House bill	431	803	861	919	984	1,057
Administration proposal	344	812	870	931	996	1,070
Difference	-3	-9	-9	-12	-12	-13
<b>Trucks and trailers</b>						
House bill	-158	--	35	61	74	79
Administration proposal	-87	-62	-76	-84	-90	-98
Difference	-71	+62	+111	+145	+164	+177
<b>Truck parts</b>						
House bill	-178	-282	-308	-336	-364	-395
Administration proposal	-94	-140	-153	-167	-181	-196
Difference	-84	-142	-155	-169	-197	-199
<b>Tires</b>						
House bill	--	-364	-525	-556	-577	-601
Administration proposal	-219	-462	-489	-519	-538	-560
Difference	+219	+98	-36	-37	-39	-41

Tubes													
House bill	--	-17	-22	-22	-22	-22	-22	-22	-22	-22	-22	-22	-22
Administration proposal	-15	-22	-22	-22	-22	-22	-22	-22	-22	-22	-22	-22	-22
Difference	+15	+5	--	--	--	--	--	--	--	--	--	--	--
Tread rubber													
House bill	--	22	33	33	33	33	33	33	33	33	33	33	33
Administration proposal	61	88	88	88	88	88	88	88	88	88	88	88	88
Difference	+61	-66	-55	-55	-55	-55	-55	-55	-55	-55	-55	-55	-55
Lubricating oil													
House bill	-68	-86	-80	-80	-80	-80	-80	-80	-80	-80	-80	-80	-80
Administration proposal	-48	-86	-80	-80	-80	-80	-80	-80	-80	-80	-80	-80	-80
Difference	-20	--	--	--	--	--	--	--	--	--	--	--	--
Use tax on heavy vehicles													
House bill	-67	429	904	942	981	1,021	939	863	801	799	829	939	939
Administration proposal	457	794	829	863	901	939	863	801	799	829	939	939	939
Difference	-524	-365	+75	+79	+80	+82	+79	+80	+80	+80	+82	+82	+82
Total tax revenues													
House bill	2,150	5,231	5,563	5,578	5,640	5,746	5,212	5,212	5,246	5,246	5,246	5,246	5,246
Administration proposal	2,604	5,385	5,278	5,212	5,246	5,355	5,212	5,212	5,246	5,246	5,246	5,246	5,246
Difference	-454	-154	+285	+366	+394	+391	+366	+366	+394	+394	+391	+391	+391