

## Highway Use Tax Repeal

2020

**TANY Position:** The trucking industry in New York is comprised of primarily small, locally owned businesses. The Trucking Association of New York supports full repeal of New York's Highway Use Tax (HUT) to reduce the tax burden faced by these companies.

**Background:** New York is the only state in the northeast and only one of four states in the nation, with a highway use tax (HUT). The tax puts New York at a competitive disadvantage and is a primary reason why New York ranks as the 5<sup>th</sup> most expensive state in the nation in which to operate a truck and the 2<sup>nd</sup> most expensive state in the Northeast.

Compliance with the tax is extremely burdensome, not only to carriers, but to the state as well. In addition to the cost of the tax itself, there is a significant administrative cost to maintain the detailed records required to comply with the tax. Many motor carriers have staff dedicated to compliance with HUT. A recent survey of motor carriers indicates that the administrative cost to the industry to comply with HUT is approximately \$16 per truck.

In consideration of HUT repeal, it is important to look at costs to the trucking industry holistically. The Port Authority of New York and New Jersey recently implemented toll increases across their bridges and tunnels, now bringing the toll for a typical 5-axle tractor trailer to \$90 if using E-ZPass and \$110 if paying cash to cross the George Washington Bridge. The NYS Thruway has proposed increasing tolls on the Gov. Mario M. Cuomo Bridge. If enacted, commercial vehicles will see a 70% increase over current tolls by 2022, bringing the bridge toll to \$55.77 if crossing the bridge during peak hours with E-ZPass. Congestion pricing is anticipated to be implemented in New York City beginning in 2021. While we do not yet know what the commercial congestion fee will be, we do know that it will be another cost that the trucking industry will be forced to bear as they have no option but to enter the congestion zone to make necessary deliveries to sustain the economy.

Evasion of the tax is a serious issue that results in lost revenue to the state, and inadvertently results in an unfair competitive disadvantage to New York carriers. While there is an audit program in place, it is much more likely for a company in New York to be selected for audit by the NYS Tax Department than a carrier based out-of-state. Additionally, if an out-of-state carrier neglects to report their New York miles, they are not only failing to pay the HUT, they are failing to pay other mileage based taxes, including those under the International Fuel Tax Agreement (IFTA) and the International Registration Plan (IRP), resulting in significant revenue loss to the state.

The HUT is derived from three sources: the truck mileage tax (TMT), highway use permit fees and the fuel use tax. The Trucking Association of New York is advocating for repeal of the TMT and highway use permit fee components of the tax only, not the fuel use tax component. The TMT and permit fees generate approximately \$120 million which is allocated to the Dedicated Highway and Bridge Trust Fund.

**Impact:** The HUT is an onerous, antiquated tax that puts New York and its trucking industry at an economic disadvantage. High taxes continue to harm New York and discourage business from establishing locations here. Trucking is critical to the economy of New York. The elimination of the tax will help reduce transportation costs in New York and encourage new business, as well as help retain the businesses already located in New York.

**Solution:** The trucking industry would support an increase in other fees or taxes, specifically registration and/or fuel tax, to replace the revenue that would be lost as a result of HUT repeal. Additionally, the state's cost associated with administering the tax would be eliminated, thus causing a reduction in spending by the NYS Tax Department. Finally, an increase in registration and/or fuel tax would ensure all commercial users are paying the tax, not just those in New York.

Trucking Association of New York

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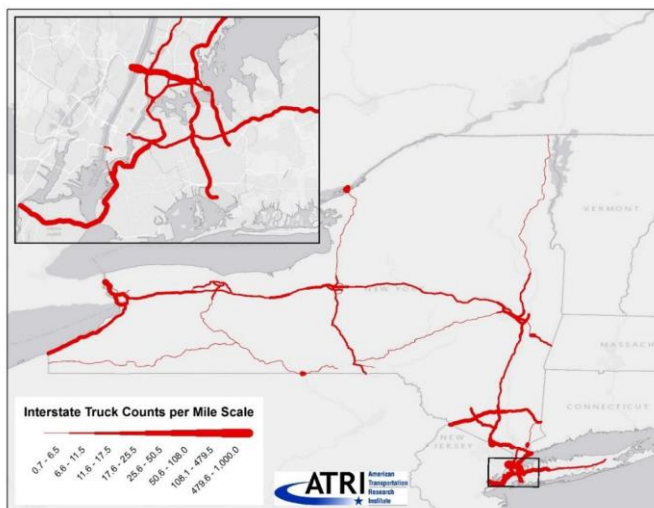
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### The Evasion Issue in Depth

The reporting requirements of the Highway Use Tax (HUT) are burdensome and complex. Calculation of a motor carrier's tax burden depends on a variety of factors including the weight of the vehicle and the miles traveled on New York highways. A motor carrier could potentially be subject to over 50 different tax rates depending on the method they choose to file, the characteristics of their fleet and cargo and their operating location.

The tax is self-reported by motor carriers and the ability to enforce the law is limited. As a result, there is little risk to those who underreport mileage or do not report mileage at all. This is especially true for out-of-state motor carriers, who may be more inclined to report their mileage in New York due to the administrative burden of paying the tax.

The below map illustrates truck activity in the state, where wider red lines represent higher truck volumes as identified by the American Transportation Research Institute's (ATRI's) robust truck GPS dataset.<sup>1</sup> The vast majority of truck movements are in the New York City metro area. These small movements offer an example of where non-New York based motor carriers may opt to simply not report miles in New York.



### Evasion Rates:

A study conducted in 1998 indicated there was a 32% - 44% rate of evasion resulting in a loss of between \$65 million and \$103 million in revenue to the state.

A study conducted in 2008 indicated there was a 45% - 53% rate of evasion resulting in a loss of more than \$120 million in revenue to the state.

Evasion includes the failure to purchase the HUT permit as well as under-reporting or failure to report miles traveled. It is important to note that if a motor carrier chooses to evade the HUT, they will likely evade other mileage based fees and taxes, including fees associated with the International Registration Plan (IRP) and taxes associated with the International Fuel Tax Agreement (IFTA) resulting in additional loss of revenue to New York.

### The Solution:

The purpose of a weight-distance tax is to collect revenue from vehicles based on miles driven and vehicle weight. However, there are two existing mechanisms in place to accomplish this same goal, and both are widely accepted and used nationally – IRP and IFTA. Studies have shown that states that have previously repealed their weight-distance tax experienced an increase in IRP and IFTA receipts as a result. While some states supplemented repeal with an increase in registration and/or fuel tax, not all states did, yet all states saw annual revenue collections after repeal equal or surpass the annual collections when the weight-distance tax was in place. New York should repeal the HUT with consideration of an increase in registration and fuel tax to replace the loss in revenue.

<sup>1</sup> ATRI's anonymized truck GPS dataset is comprised of a continuous stream of truck position data that is reported from more than 600,000 trucks. For each individual truck, a latitude/longitude, date and time stamp, speed and other information is recorded continuously. Rates of position are extremely frequent; anywhere from every 30 seconds to every several minutes.