



HB 3418

TXTA Opposes a VMT Tax Truck-Only Study Pilot Program

OVERVIEW

Vehicle Miles Traveled Tax

House Transportation Committee Chairman Terry Canales (D-Edinburg) filed legislation that seeks to implement a Vehicle Miles Traveled (VMT) Tax pilot program exclusively on Commercial Motor Vehicles in the state of Texas.

HB 3418: "...shall develop and implement a statewide pilot program to assess a user fee on owners of commercial motor vehicles that is based on the number of miles traveled on public highways in this state by those vehicles."

With the ever-increasing numbers of alternatively fueled vehicles on the road today, coupled with the diminishing revenue from the current fuel taxes, it is important to address the way future taxes will be captured. Fuel taxes have not been raised by the state of Texas since 1991 and by the federal government since 1993. Coupled with the impact of inflation and increased fuel mileage from vehicles, the inevitable result has been the reduction of available Highway Trust Fund monies to maintain and improve our transportation system.

While the idea of a VMT is thought to be the answer by some, it is critical to evaluate it from the ground level. Laws and regulations that fail to consider all aspects often have less than advantageous results.

CONCERNS WITH A VMT TAX

Tax Evasion

While many large motor carriers have the personnel and technology to oversee a VMT program, these are the minority—most are small businesses and sometimes a one-truck operation. There is nothing to prevent a driver from unplugging the device and operate tax-free down the highway. The only practical way to recover the lost tax revenue will be to conduct an audit. Considering there are 161,340 motor carriers in Texas, there is no practical way to prevent this evasion, and the potential for fraud is significant. The other method will be the annual recording of mileage at registration. Here again, there will be widespread evasion by reporting a lower mileage, with the only avenue to recapture the tax being by audits.

VMT Overhead

The current fuel tax is captured at the pump, removing any evasion of the tax. The overhead for administering the tax is 1 percent or less. Some of the VMT pilot programs report anywhere from 4–19 percent administrative cost, and this is with willing participants. It is not unreasonable to assume that carriers and drivers will attempt to evade a VMT tax, pushing this number much higher. As an example, neighboring New Mexico's evasion rate is 27–43 percent. New York's evasion rate is higher at 33–50 percent. The result will be to substantially increase the administrative overhead to audit thousands of motor carriers.

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Technology, Data and Tracking

HB 3418 states that drivers will have “on-board vehicle-mileage-counting equipment added to their vehicles.” Without further clarification on the equipment, one can assume that this will lead to proprietary information on fleet routes being exposed. Data is an incredibly valuable asset to the trucking industry and trucking has a long history of protecting data captured by the technologies it has deployed over the years. Breach of commercially collected data is problematic and raises serious privacy concerns. HB 3418 does reference that efforts will be made to ensure operators’ privacy. However, the industry is sensitive to adding more tracking devices. Not only because of privacy concerns, but because of the associated expense to add tracking devices to trucks.

Enforcement

While many trucks have technology that is able to track mileage for other purposes, much of that same technology is forbidden from being used elsewhere. For example, Electronic Logging Devices (ELDs) are regulated by the federal government and are forbidden to be used in any manner other than the recording of a driver’s hours of service and have many privacy features to protect the driver. In addition, the ELD mandate only applies to vehicles with a 2001 motor because older vehicles do not have the onboard technology needed. This brings us to two options for enforcement, installing a GPS device on the vehicle or the recording of odometer mileage upon registration and renewal. Both options are fraught with avenues of evasion that will create the need for an enhanced bureaucracy to oversee and audit carriers.

Alternative Fueled Vehicles

The real effort to capture all road user fees should rest with those vehicles using some fuel other than gasoline or diesel. These vehicles have newer technology and there are far fewer of them than traditionally fueled vehicles. Many of these vehicles are not currently paying into the Highway Trust Fund versus the trucking industry which is already paying 43 percent of all Texas motorists taxes. Exploring new funding mechanisms from alternative fueled vehicles including passenger cars, light trucks and heavy trucks is a more reasonable approach to funding our highway infrastructure than a truck-only VMT Tax.

Truck-Only VMT Tax

Our opposition to a truck-only tax that singles out truckers for the purposes of filling the state’s infrastructure needs has been a concern for some time given other states’ attempts and motor carriers in Texas who travel in those states. Thus, Texas truckers speak from a place of experience. A truck-only tax places a disproportionate burden on the backs of truckers who have grave concerns that it is inequitable, discriminatory against the industry, and deeply concerning to the hundreds of thousands of essential workers in trucking who have worked to keep the state fed, clothed and with access to medicine throughout times of emergency or just the demands of the seasons.

1%

The cost to administer the current fuel tax system is one percent or less and difficult to evade

Trucks pay 43 percent of all Texas motorist taxes despite making up only four percent of all vehicles in Texas

19%

Other VMT pilots report overhead costs up to 19 percent and high evasion rates