

## ***THE MOTORCOACH INDUSTRY POSITION ON FUEL TAXES***

### **ISSUE**

The Highway Trust Fund spending outpaced the level of fuel tax revenues that support the fund in 2009. Changes in fuel tax collection sources and procedures, which could have a significant impact on the motorcoach industry, are under serious consideration in response to this deficit situation.

### **BACKGROUND**

Congress is simultaneously facing large budget deficits and public expectations that investment in transportation infrastructure will continue to grow. The Highway Trust Fund (HTF) revenues come largely from the fuel tax but also from taxes on trucks, trailers, heavy vehicles and tires. In the future, the country cannot depend on fossil-based fuel taxes to fund its surface transportation system, in part because increasing fuel efficiency standards and alternative fuels make the already inadequate gas tax a declining revenue source.

Much effort was focused in SAFETEA-LU on addressing the funding shortage through tackling fuel tax evasion; reconciling payments that needed to flow into the HTF for dedicated transportation spending versus the general fund; and focusing on unnecessary exemptions. But because those changes are not sufficient to address the problem in the future, more options are under consideration. In the last several years, there have been several test projects to use road user fees to back bonding on road improvements and manage access to the road capacity, particularly at peak hours. Other options include: eliminating fuel tax exemptions taken at the pump in favor of fuel tax exemptions being paid through revenues (presumably reducing current “abuses”); shifting costs to states to help fund the infrastructure; indexing the fuel tax to the Consumer Price Index, retroactively to the last federal fuel tax increase; creative ways to increase the HTF contributions of alternatively fueled vehicles; and a vehicle miles tax (VMT) for all highway users regardless of the vehicles they operate (under such a system the gas tax would be substituted with a mileage-based fee.)

Currently, motorcoaches pay 7.3 cents in taxes on diesel fuel as a result of an industry-wide 17-cent exemption from the current 24.3 cent diesel fuel tax. The benefits private operators bring to the system are the same contributions made by transit operators receiving a total fuel tax exemption: taking cars off the road and the resulting congestion mitigation, rural access, commuter efficiencies, environmental and pavement-wear benefits. Motorcoaches are the most fuel efficient commercial passenger transportation service.

### **ABA POSITION**

ABA seeks to gain parity with rail and publicly funded mass transportation in the application of diesel fuel taxes based on the following arguments: 1) buses take cars off the road helping to mitigate congestion and minimize pavement wear; 2) use of motorcoaches, the most fuel-efficient passenger mode, provides a positive environmental impact; and 3) heavily subsidized transit agencies and Amtrak are exempt from fuel taxes, private operators providing the same benefits should receive the same benefits. If the existing subsidy gap is allowed to grow an additional burden will be placed on the privately operated public transportation network causing these operators to cancel marginal or rural service and increasing the need for public resources. This additional burden will reduce transportation alternatives and increase the demand on services that cost tax payers more.

