

Memorandum to Forum on Transportation
FROM: Dave Carlson, AAA Idaho
RE: Cost Responsibility
Date: December 5, 2005

A topic worthy of discussion, though not formally considered by the Forum is "**cost responsibility**," the **public policy component that quantifies fair share tax burden based on the use, damage, and benefit derived by various highway user segments**. That concept is consistent with the Forum's fourth guiding principal COST BENEFIT. Fees and taxes for trucks and cars should be consistent with the use, benefit, and the damage they cause to our transportation infrastructure.

The attached graphs, with data supplied to AAA Idaho by the Economics and Research division of the Idaho Transportation Department, show the contributions of cars and trucks to the Highway Distribution Account for the past 15 years. The information is important for at least two reasons: **1) it demonstrates the major contribution (67% on average) the gas tax paid by motorists has contributed to the Highway Distribution Account; 2) it confirms using trendline or regressive analysis what the 2004 University of Idaho NAITT concluded in its report to ITD: **converting Idaho's weight distance tax in 2000 to a registration fee schedule has resulted in multi-million-dollar truck tax losses to the Highway Distribution Account.****

Does Idaho really have among the lowest registration and gas taxes in the country as has been suggested by the trucking lobby? Based on 2005 data from the American Petroleum Institute, Idaho's 43.4 cent state and federal fuels taxes are nearer the average among all states, not among the highest as many believe, and nowhere among the lowest. The comparison of registration fees is more difficult to summarize, in part because virtually every state assesses vehicle registrations with different considerations including vehicle value, age, registration cycle, and even horsepower. Our analysis of 50 state vehicle registrations included in AAA's annual 2005 *Digest of Motor Laws* (**sourced by the appropriate registration agency in each state**) shows that Idaho's registration fees are nowhere near the lowest.

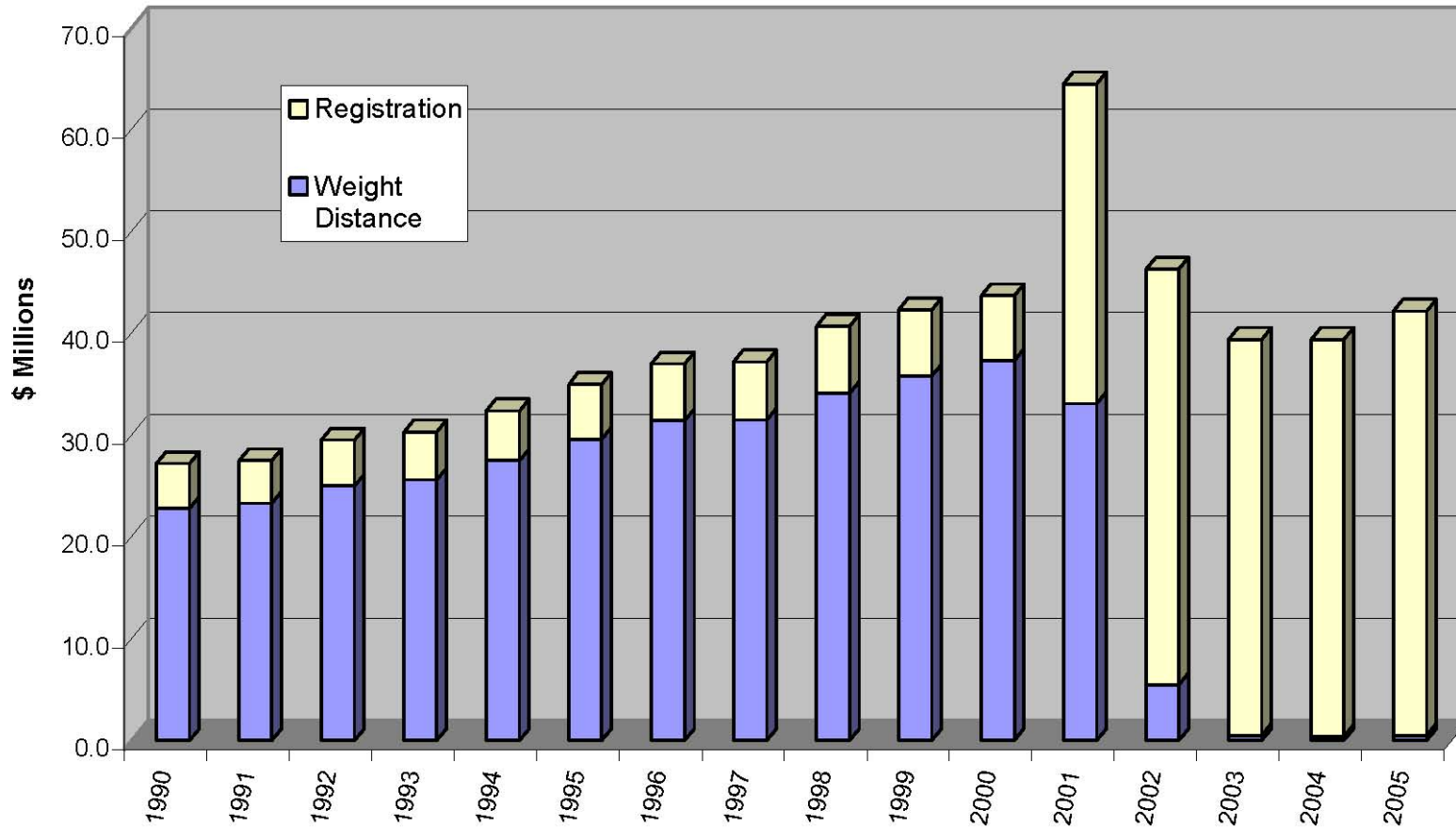
We are similarly unaware of any state-by-state DOT or FHWA comparisons prepared by transportation or taxing authorities for trucks, probably because taxes vary significantly based on weight and mileage. The *1997 Federal Cost Allocation Study* concludes that fair share tax burden varies by vehicle. In general the lightest vehicles pay more than their share of highway costs, while the heaviest vehicles, especially those above the 80,000 GVW pay considerably less than their fair share. As a group, truck combinations registered over 80,000 pounds pay only of 60 percent of their highway cost responsibility, according to the study.

Raising taxes and fees for one segment (motorists) without considering the costs occasioned by more trucks, traveling more miles and hauling more freight would be unwise. Policy makers and legislators should know that some states, including Oregon, use regularly scheduled cost allocation studies to assess cost responsibility and can therefore revisit their tax mechanisms regularly. The attached graphs indicate that the 2000 legislative action that replaced Idaho's weight distance tax with a 5-tiered registration system resulted in multi-million-dollar annual losses to Idaho's Highway Distribution Account, at a time when other indicators including Vehicle Miles of Travel (VMT), truck registrations and freight hauled were heading in the other direction.

The U of I NAITT study also concluded that Idaho's new truck tax penalizes Idaho-based carriers, gives mileage and tax benefits to out-of-state carriers with the heaviest loads, creates incentives to underreport mileage that leads to tax evasion, and diminishes the appropriate weight and distance relationship to road damage. The report can be found at www.webs1.uidaho.edu/niatt/publications/Reports/ResRepts.htm

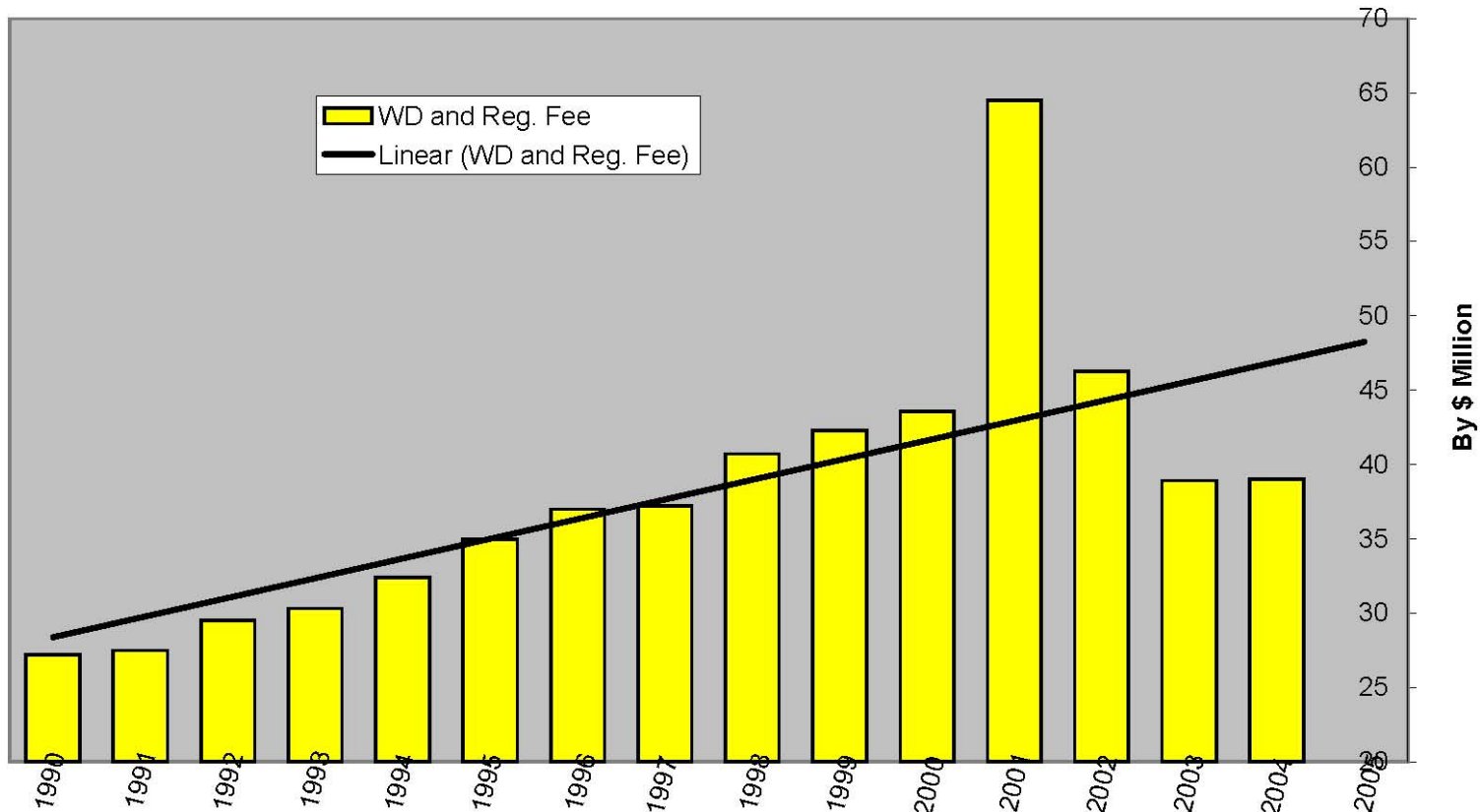
Idaho Truck Taxes Trendline 1990-2005

Weight Distance and Registration Fees



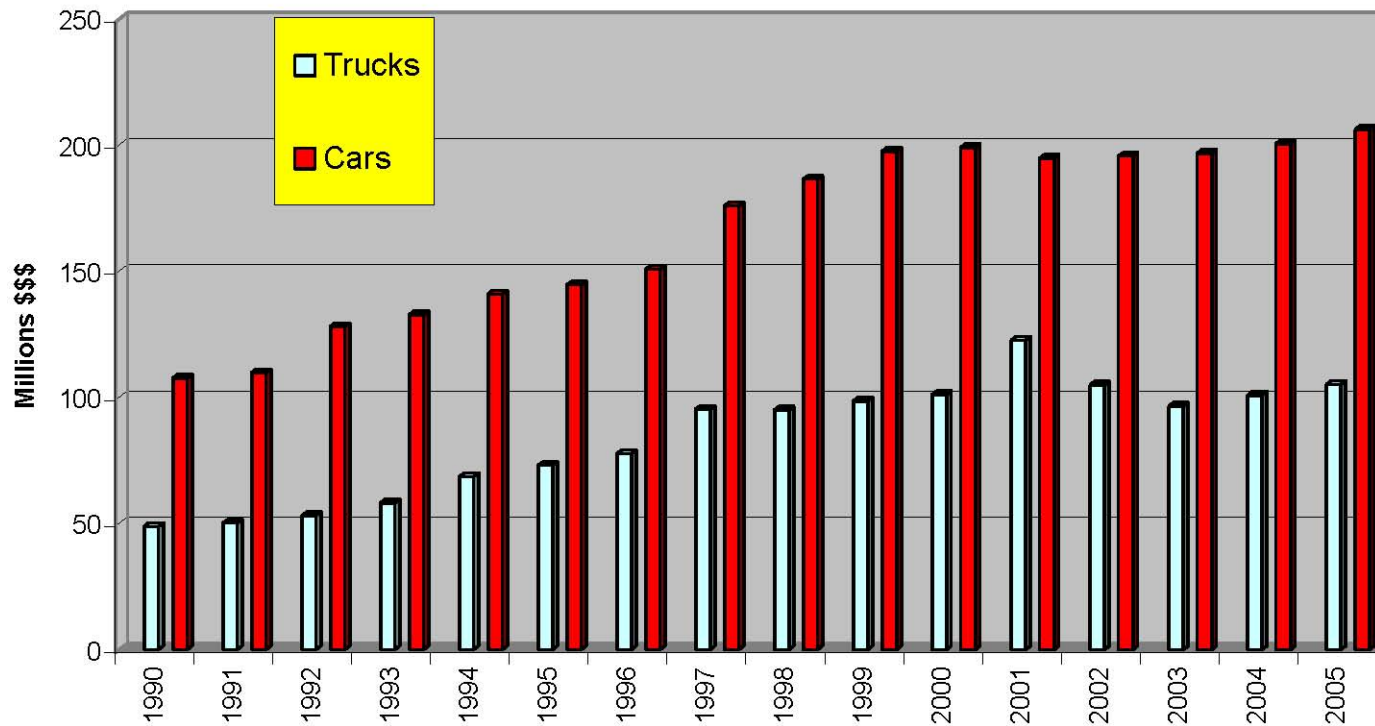
In 2000, when the Idaho Legislature repealed the state's weight distance tax, replacing it with a 5-tiered **registration fee** replacement for trucks, the state agreed to a \$41 million 'revenue neutral' target. Source data: ITD. Data assembled by AAA Idaho. Revenues rounded to nearest whole \$100,000.

Weight Distance Plus Registration Fees 1990-2005
With Trendline to Show Loss to HDA following conversion to Registration Only Fee in 2000



Trendline shows the potential loss of truck taxes to the state following the 2000 legislative overhaul of Idaho's truck taxes. Has a tax shift occurred? Are more trucks using Idaho roads, traveling further and doing more damage?

Idaho User Group Tax Contribution Cars Versus Trucks



By Year 1990-2005

Numbers are expressed are rounded to nearest \$100,000. Car taxes represent state gas tax and vehicle registration fees for the years noted. Truck taxes represent weight distance, registration and special fuels taxes. Since special fuels taxes are not used exclusively by the trucking industry, this chart likely overstates the relative contribution of trucks to the Highway Distribution Account. Source ITD. Assembled by AAA Idaho.