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P. Dale Bennett
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Issue: Tolls on Interstate 95 in Virginia

SUMMARY: The Virginia Trucking Association (VTA) opposes the imposition of tolls on existing lanes of Interstate highways, other than HOV lanes, including Governor McDonnell's proposal to impose tolls on Interstate 95.

- **The Existing Interstate Highway System Should Remain Toll-Free** - Since its creation, the Interstate System has been financed under the philosophy that tax-supported roads are preferable to toll roads, and tolling (other than on Interstate segments that pre-date the establishment of the Interstate System in 1956) is limited to the reconstruction or replacement of Interstate bridges and tunnels. In 1991, Congress created a pilot program which allows tolling on existing Interstates in urban areas for the purpose of reducing congestion through time-of-day pricing. So far, no existing Interstate lane – other than HOV lanes – has been tolled under this program. In 1998, Congress authorized three toll pilot projects, one in each of three states, on the Interstate System. To date, none of the three projects has been implemented.
- **The Public, By A Wide Margin, Opposes Tolls On The Existing Interstate System** - In a national survey commissioned by ABC/Time/Washington Post, 88% of responders opposed a toll to drive into city centers, and 68% opposed using tolls to control congestion. In addition, unscientific polls of readers of the internet editions of two major Virginia newspapers oppose tolls on I-95 by a margin of 3 to 1. In the Virginian Pilot (Norfolk) poll, 72% of 2,168 votes, and in the Richmond Times-Dispatch poll, 76% of 1,404 votes oppose the Governor's proposal to impose tolls on I-95.
- **Tolling is the Most Inefficient Way to Generate Transportation Revenue** - Toll collection requires a large and extremely expensive bureaucracy as well as capital, operational and enforcement costs. On major toll roads, toll collection costs are as high as 22% to 30% of revenue versus 0.2% of revenue for collecting the federal motor fuel taxes. Even on newer toll roads that utilize the latest technologies, collection costs are significant compared with the federal fuel tax, ranging between 12% and 20% of revenue. While many see tolling as a way to avoid raising taxes, *tolls certainly are taxes* and imposing them is certainly not a "conservative" or efficient way to finance highways.
- **The Governor's Plan Unfairly Shifts Highway Funds From the I-95 Corridor to Other Parts of Virginia** – One condition of federal approval of the Governor's I-95 Toll Plan is that Virginia cannot use interstate maintenance funds on any part of I-95 that is tolled. This requires VDOT to take interstate maintenance funds away from I-95 and shift the money to other parts of the state. Yet, citizens in the I-95 corridor will continue to have to pay fuel taxes to Washington and Richmond plus a toll every time they use the road.
- **Imposing Tolls On I-95 Would Impose a Significant Cost on Trucking and the Businesses They Serve in Virginia** - The trucking industry is highly competitive and imposition of an additional highway use tax of this magnitude simply cannot be fully passed along to shippers. In addition, trucking already pays 35% of the federal and state highway user fees collected for Virginia, but account for only 8% of total miles traveled in the state. Based on what we have seen, the Governor's proposal would impose as much as a \$22.9 million dollar tax increase on the trucking industry.

- **The I-95 Toll Proposal Unfairly Targets Interstate Trucking and Commerce** – The Governor’s proposal is targeted at interstate travelers who “get a free ride through Virginia.” The fact is that the only out-of-state motorists who “get a free ride through Virginia” are passenger vehicles. All heavy trucks (over 26,000 lbs. g.v.w.) that use Virginia’s roads, regardless of whether they are from Virginia or another state, pay registration and fuel use taxes to the Commonwealth. All heavy trucks traveling through Virginia pay apportioned registration fees to the state under the International Registration Plan. All heavy trucks traveling through Virginia pay fuel use taxes to the state according to the amount of fuel they use in the state, whether purchased in Virginia or not, through the International Fuel Tax Agreement (see attached explanation of how these programs work). Thus, charging tolls for trucks to travel through Virginia is an unfair, additional tax on vehicles that already pay the state user fees to travel our roads.
- **Tolls Represent Double Taxation of Trucking** – The trucking industry currently pays a federal diesel fuel tax of 24.4 cents per gallon, a 12% excise tax on new tractors and trailers, an annual vehicle use tax of up to \$550, and a tax on tires. In 2008, the trucking industry accounted for over \$311 million (32%) of state highway user taxes paid directly to Virginia and almost \$382 million (37%) of the federal highway user taxes collected and allocated to the Commonwealth. In total, the trucking industry paid approximately \$693.5 million in federal and state highway user taxes and fees, or 35%, of all state and federal highway user taxes collected for Virginia, but accounted for only 8% of total miles traveled in Virginia. Imposing an even greater tax burden on trucking companies that operate in Virginia through tolls on existing would be both unfair and inequitable.
- **Tolls on I-95 will Create an Economic Disadvantage for Southside Virginia** – Although trucking companies will not be able to pass along 100% of their toll costs to serve Southside Virginia, they will have to pass along at least some of the toll costs. The result will be higher shipping costs for industries and businesses located in Southside Virginia to receive raw materials and ship their finished products. This will put this region of the Commonwealth at a disadvantage in attracting new businesses and industries to provide much-needed jobs for the area’s citizens.
- **Tolls on I-95 will Cause Diversion of Traffic to Local Roads** – Imposing tolls on I-95 will cause diversion of traffic to local roads less suited to handle higher traffic volumes. Ohio significantly reduced tolls on the Ohio Turnpike in 2005 after finding that large numbers of trucks were using parallel non-tolled routes that were less safe than the Turnpike. A study of the I-81 truck toll proposal conducted for VDOT found that under the toll rates being considered, more than half of the trucks and at least three-quarters of truck vehicle miles would shift to alternate routes. Under a conservative toll rate, the study predicted that approximately 26% of truck miles would shift to routes outside the Commonwealth – which would cause the state to loss revenue it receives under IRP and IFTA.
- **Tolls on I-95 will Create a Burden for Low-Income Residents of Southside Virginia** – Imposing tolls on I-95 will create two classes of drivers, those who can afford to pay a toll and those who cannot. The low-income residents of Southside Virginia will be economically prohibited from using a road that their highway user taxes paid to build.
- **The Proposal May Violate the Commerce Clause of the U.S. Constitution** – The Governor's latest plan calls for two toll collection points on I-95 between Fredericksburg and the NC line. It appears that the Governor is targeting interstate commerce and travelers to bear the brunt of the financial impact of the tolls. By having only two toll collection points, a disproportionate share of the toll cost is shifted to interstate commerce. The practical result of this limited toll collection scheme may be considered discrimination against interstate commerce in violation of the Commerce Clause of the U.S. Constitution. Such discrimination against interstate travelers may also violate one of the selection criteria of the Interstate System Reconstruction and Rehabilitation Pilot Program.

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OUT-OF-STATE TRUCKS PAY TO USE VIRGINIA'S HIGHWAYS

Virtually all heavy trucks that use Virginia's roads, regardless of whether they are from Virginia or another state, pay registration fees and fuel use taxes to the Commonwealth as well as federal highway user fees and taxes. These taxes and fees result in the trucking industry paying a considerable percentage of the revenues spent for highway construction and maintenance in Virginia. Specifically:

- In 2009, Virginia-based and out-of-state trucks accounted for over \$304 million (32%) of state highway user taxes and nearly \$310 million (30%) of federal highway user taxes allocated to Virginia.
- In 2009, Virginia-based and out-of-state trucks paid over \$614 million (or 31%) of all highway user taxes collected for Virginia. Yet, medium and large commercial trucks accounted for only 8% of the total vehicle miles traveled in Virginia.
- In 2009, a typical, five-axle tractor-semitrailer combination operating in the Commonwealth paid nearly \$15,000 in Virginia and federal highway user fees and taxes.

Only passenger vehicles registered and buying fuel in Virginia pay registration fees and fuel use taxes to the Commonwealth. **Out-of-state passenger vehicles have free reciprocity when traveling between states - commercial trucks do not.**

Virginia Highway-Use Taxes Paid by Heavy Truck Owners

Truck Registration Fees: Truck owners pay annual weight-based registration fees to Virginia of up to \$1,342 per tractor-trailer. All trucks traveling in or through Virginia also pay these fees on an apportioned basis, based on miles traveled in Virginia, through the International Registration Plan (IRP).

Truck Fuel Use Taxes: All trucks pay a fuel tax on the gas and diesel fuel they consume in Virginia. All trucks traveling in or through Virginia pay a tax of 21 cents for every gallon of fuel they consume while operating in the Commonwealth, even if they do not buy the fuel in the state. *(Note: Heavy trucks pay 21 cents per gallon in fuel tax or 3.5 cents more than the 17.5 cents per gallon gas tax paid by passenger vehicles.)*

Federal Highway-Use Taxes & Fees Paid by Heavy Truck Owners

(Virginia receives federal tax dollars paid by all truck owners into the Federal Highway Trust Fund)

Fuel Tax - 24.4 cents per gallon

Federal Excise Tax on Trucks, Tractors, Trailers - 12% retail excise tax on retail sales of trucks, tractors and trailers

Federal Excise Tax on Tires - 15¢ per pound over 40 to 70 lbs.; \$4.50 plus 30¢ per pound over 70 to 90 lbs.; \$10.50 plus 50¢ per pound over 90 lbs.

Heavy Vehicle Use Tax - \$100 to \$550 graduated annual tax on trucks with gross weights greater than 55,000 lbs.