

TRAC Comments

By Rick Todd, SC Trucking Association

November 12, 2009

I am Rick Todd, president and CEO of the South Carolina Trucking Association - a 76-year old trade association of 700 businesses that own, operate or provide trucks and related equipment.

- We SUPPORT the \$300 Sales Tax “cap” on trucking equipment.
- We OPPOSE applying the Sales Tax to motor fuels – But We Could SUPPORT increasing the per-gallon rate: Provided: the revenues are dedicated for highway system improvements.

A brief background: The “trucking industry” is not really one industry – but an eclectic mix of industries, all part of our Supply Chain. It’s:

*for-hire trucking companies of all sizes;

*distribution and construction fleets;

*farmers and loggers;

*your local Main-Street business;

*local, state, regional, national and international manufacturers and retailers.

They all either use their own trucks – or they depend on someone else’s - and increasingly it’s INTER-state in nature.

Sales Taxes impact whose trucks do this work – and where their equipment transactions take place.

To aid, we’ve supplied a truckload of information in 2 documents:

- 1- *Highway-Use & Business Taxes on Motor Carriers – a Primer on the industry and its taxes. **Exhibit A** shows our sister states’ sales tax levels on trucking equipment. **Exhibit B** shows how we stack up with them on Sales and Property Taxes. **Exhibit C** is a letter of qualified support for “special (sales tax) treatment” from the Strom Thurmond Institute at Clemson.*

To accomplish your mission so that SC can be an “...Optimum Competitor...” with respect to commercial vehicles, we submit that you must retain the \$300 Sales Tax “Cap.”

- 1- To encourage equipment purchases by our intra & inter-state carriers;
- 2- Through SC dealers;
- 3- So that our businesses can be competitive in their cost structures.

In fact, if you really wanted to position us for success you'd EXEMPT these purchases. Why? See **Exhibit A**. Trucks and Trailers are *Rolling Stock* - instruments of interstate commerce, many operating across multiple jurisdictions with the ability to base about anywhere.

Exhibit B is a simple spreadsheet used by interstate fleets for Sales and Property Tax comparisons. All interstate carriers with facilities in multiple states use this type of basic analysis when it comes to deciding where to purchase and register their equipment.

Sales and Property Taxes are also big factors in how successfully our SC-based, INTRA-state fleets compete with their out-of-state counterparts - who can and will do business here.

Moving freight is a hyper-competitive, low-margin business. Squeezing costs out of the logistics and supply chain has long been a science, but now is a survival obsession. Most price-conscious consumers today don't go to Tiffany's, or even Macy's; they go to WalMart.

It's the same with expensive commercial truck purchases. Trucks aren't luxury vehicles. Owners don't Joy-Ride. Those who have OPTIONS, exercise them. Their stock can ROLL. We're really not talking about that many vehicles anyway.

The discussion on *Property Taxes* must wait for another day – but they are a factor, and should be looked at as part of the truck tax system.

The Issue of Why Motor Fuel is Exempt from Sales Tax: Because it is taxed on a per-gallon basis.

We Do Not Support applying Sales Tax to fuel sales - Especially to Diesel Fuel. It adds another variable that is exacerbated by price spikes.

We Do Support an increase in the per-gallon rate – Provided it is dedicated for much needed highway system improvements.

2- Fuel Taxes: Local...Sales...Indexed – By Some of Our Sister States – a Primer on fuel taxes, providing a thorough review of the various fuel taxing mechanisms that are in place in some form or fashion, and to some extent by other states and jurisdictions. **Exhibit D** shows our sister states' Diesel Tax methods and rates.

Despite what you hear, Most States Still Tax Fuels Exclusively on the Per-Gallon Basis.

Thank you for your efforts here, and for your time and attention today.

I'll be happy to field your questions.