Vanderbilt Law Review

Volume 11
Issue 4 *Issue 4 - A Symposium on Motor Carriers*

Article 6

10-1958

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PRINCIPLES OF MOTOR CARRIER TAXATION—DIFFERENTIATION BY VEHICLE CLASSES

Any system of highway user charges, in order to properly serve the purpose for which it is devised, must conform to three basic principles: (1) it must be fair to the owner of the automobile and light vehicle, fair to the owner of the heavy vehicle, and sufficient to avoid imposing any burdens on the general taxpayer, (2) it must be practical of administration, and (3) it must yield adequate revenues.

When motor vehicle transportation was in its early stages of growth, the only available source of highway funds was the general tax. The state of Oregon was the first to grasp the importance of the fuel tax as a source of revenue. Consumption of motor fuel by the private automobile was an equitable measure of highway use and was a logical tax. Heavy motor carriers were so uncommon as to be a curiosity. The principle holds today insofar as the private automobile and the ordinary light truck is concerned. As the size and weight of vehicles increase, fuel consumption ceases to be an adequate yardstick for the measure of highway use. More important, it is no yardstick for measuring the physical demand made upon the highway facility by the vehicle in the heavy category. It therefore becomes necessary to find some method that gives consideration to the size and weight of the vehicle and to the distance traveled.

The states first resorted to the graduated registration or license fee. These graduated fees did, in degree, apply heavier fees as the weight of the vehicle increased. Such fees did not take into account the use of the highways by the vehicle. For example, a truck operating on city streets in delivery service might, during the course of a 12-months period, travel 10,000 to 15,000 miles. The same type of vehicle operating in intercity service, with exactly the same load carrying capacity, now can and frequently does travel as much as 50,000 miles or more yet both generally pay the same registration fee. The registration fee obviously cannot be a measure of highway use—it is merely an indication of availability for use.

The average automobile obtains about 15 miles per gallon of fuel and weighs about two tons when loaded. The typical four axle semitrailer combination obtains about 5 miles to a gallon of gasoline and weighs when loaded about 30 tons. The automobile therefore gets about 30 ton-miles of highway use whereas the four axle semitrailer

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combination gets about 150 ton-miles of highway use, or five times as much per gallon. It should be noted that the diesel powered unit gets approximately 1½ times the mileage per gallon of diesel fuel as the gasoline unit gets from gasoline. Relative fuel consumption does not measure the greatly increased structural and geometrical capacity needed for highways carrying the heavy vehicle as compared to the requirements for a highway carrying the automobile and light vehicles.

These are the major deficiencies of a motor fuel tax and a registration fee standing by themselves as highway user taxes. They must be supplemented by additional user taxes on the large and heavy vehicles.

PROBLEM OF COST ALLOCATION

The method of allocating the proper share of construction and maintenance costs among the various classes of vehicles is one of the main sources of controversy in the application of highway user charges. The allocation method may be simple or it may be extremely complicated. To assume that any method of cost allocation can levy to the exact penny the amount that should be charged to any specific class of vehicle is unrealistic. No tax levied for any purpose meets such a specification. Extremely scientific principles developed for cost allocation are available. However the application of these scientific principles, more often than otherwise, creates more problems than it solves. In recent years, many states have had special groups studying cost allocation problems and numerous worthwhile reports have resulted from their work.[1] Most reports fall into three general categories: those supporting the incremental cost method, those supporting the gross weight-distance (ton-mile, axle-mile) method, and those supporting a confused combination of the previous two, identified as the cost function method.

The incremental cost method is based on the concept that most highway design requirements and costs that are variable with weight or size of the vehicle may be considered as built up from a design and accompanying cost appropriate for light vehicles, to which successive increments are added to meet the requirements of progressively heavier vehicles. In presenting the results of any incremental analysis that is feasible, it should be stated frankly that many different conditions and many judgment factors necessarily are involved. Factors developed from "judgment" necessarily provide material for controversy. Further, the incremental method is much more

1. See BUREAU OF PUBLIC ROADS, SELECTED BIBLIOGRAPHY ON HIGHWAY FINANCE (1951) and HIGHWAY RESEARCH BOARD, HIGHWAY FINANCE, BIBLIOGRAPHY 16 (1950-1953).

scientific in concept than it is in application to highway cost. This distinction between concept and application is essential.

The gross weight-distance method of apportioning cost is often described by two other terms, gross ton-mile method or an axle-mile method. This method would assign motor vehicle tax responsibility in proportion to the product of vehicle weight and distance travelled. These are two simple and easily proved factors. It is a workable measure of highway use for the apportionment of highway costs among those using the facilities. It does not involve the many and varied assumptions that must be made in connection with the incremental cost method. It involves only two factors: gross weight of vehicle and distance travelled. The method has been attacked by spokesmen for the heavy commercial highway user on the ground that it discriminates against the heavy vehicle but this has not been substantiated. It has the important advantage of being practical of administration.

The third procedure is identified as the cost function method. This procedure has been sponsored primarily by spokesmen for the heavy trucking industry. Superficially it resembles the incremental cost method and its support stems, in large degree, from the fact that it would write off a substantial part of the cost to the general taxpayer and shift to the ordinary motorist cost elements which would be assigned to the large and heavy vehicles by the incremental cost method. It would allocate to the heavy vehicle only those incremental costs considered to be weight connected, ignoring geometric and capacity factors.

Opposition to User Charges

No tax has been without its opponents and highway user taxes are no exception. However, it must be conceded that taxation, if equitably applied and administered, is a foundation stone of our representative form of government. The transition from financing highways from general taxes to highway user taxes is as necessary as it is inevitable. The transition, however, is still far from complete.

The following table is compiled from data published by the United States Department of Commerce, Bureau of Public Roads. It will be noted that 29 per cent of the expenditures were derived from property taxes and general revenues and that highway user imposts accounted for only 42 per cent of the total.

The statements often made that highway user charges will lessen the incentive to use the motor vehicle are not accurate. This is evidenced by the fact that state highway user charges, since their inception, have continually increased and yet that has not retarded the purchase and use of motor vehicles. To the contrary, the number and

FUNDS PROVIDED FOR HIGHWAYS AND STREETS BY ALL UNITS OF GOVERNMENT, 1921-1956
(Millions of Dollars)

	Amount	*Per Cent Distribution*
Federal Government[2]	$ 14,646	13.1
Highway user imposts	46,687	42.1
Toll receipts	2,303	2.1
Property taxes and general revenues	32,148	29.0
Miscellaneous	1,303	1.2
Bond issue proceeds	13,913	12.5
Total funds	$111,000	100.0%

use of the motor vehicle have constantly increased. The latest Bureau of Public Roads' figures indicate there are now more than 67,000,000 vehicles owned and operated in the United States, as compared to slightly over 9,000,000 in 1920. At the close of the second world war in 1945 there were only 31,035,000 motor vehicles in the United States, of which 5,080,000 were trucks. The 1957 registrations totalled 67,135,000, of which 10,960,000 were trucks of all sizes and kinds, large and small.[3]

The Bureau of Public Roads reports for the year 1955, the latest year for which data have been published, statistics showing the amount of travel on all streets and highways of the nation by various classes or types of private and commercial vehicles. Total travel of all private and commercial vehicles (excluding publicly owned vehicles) amounted to 596,321 million vehicle-miles; passenger cars accounted for 81.5 per cent of the total mileage and represented 83.8 per cent of vehicle registrations; the heavy vehicles in the category of tractor or truck combinations accounted for 3.6 per cent of total vehicle miles and represented only nine tenths of one per cent of total vehicle registrations.[4] As mentioned previously, 1957 registration of trucks of all categories totalled 10,960,000. Those vehicles in the category described as tractor semi-trailers and truck and trailer combinations at the most liberal estimate would not exceed 700,000. This is the category that presents the problem in differential taxation, as will be discussed later.

2. Includes 4,374 millions of dollars of PWA, WPA, and other relief funds during 1933-1942. Sources: U. S. DEP'T. OF COMMERCE, BUREAU OF PUBLIC ROADS, *Highway Statistics—Summary to 1955*, Table HF-201; for 1956, *Highway Finance*, 1947-1956, March 1957, Table HF-1. Amounts partly estimated.

3. See Tables MV-9, MV-10, MV-11 (1957) issued May 1958, Bureau of Public Roads, Washington, D. C.

4. 29 U. S. DEPARTMENT OF COMMERCE, BUREAU OF PUBLIC ROADS, PUBLIC ROADS, 284, No. 12, Table 5 (1958).

The source of opposition to highway user charges is significant. The average automobile owner, in general, has offered little opposition to highway user charges which are essentially those represented by fuel taxes and registration fees. Organized commercial opposition to highway user taxes has been continual and general.[5]

Another contention still advanced, particularly by organized groups of commercial highway users, is that through diffusion highways benefit the whole economy and, consequently, that it is appropriate for taxpayers generally to bear at least a substantial part of highway costs. This slogan that "highways benefit everybody" contains two notable fallacies when it is offered as an argument for financing highway costs from general tax revenues.

In the first place, a diffusion of indirect benefits is not unique with respect to highways but is a general phenomenon in a complex and interdependent economic system. Every form of transportation, as well as every other kind of commercial activity, has this common characteristic. The theory of diffused, transferred or indirect benefits as a basis for financing highway costs has far-reaching implications if we may imagine its application as a general policy throughout the

5. REPORT OF THE NEW YORK STATE JOINT LEGISLATIVE COMMITTEE ON CARRIER TAXATION 40 (1955).

> "Making allowances for normal aversion to paying taxes, the average trucker, left to his own devices, doesn't. He now realizes that as taxes go, this is a reasonable way of contributing to his share of highway costs. He is not, however, left to his own devices sufficiently to discover this.
>
> "Apparently convinced that the truckers can't think for themselves and realizing that turmoil is their stock-in-trade, so-called paid 'representatives' of the trucking business do a lively business by convincing the carriers that they cannot possibly protect themselves against oppressive taxes; that inasmuch as the prevailing tax is the most onerous of them all the carriers must underwrite the 'representatives' endeavors to get rid of it. In countless cases the tribute exacted from each carrier for support of the trucking lobby far exceeds the actual amount of the tax paid.
>
> "Thus we find that, under the auspices of a parent organization, simultaneously they fight the weight distance tax in New York, gross receipts taxes in Virginia, registration fees in Illinois, axle-mile taxes in Ohio and ton-mile taxes in Kansas. In one breath they assail the use of averages in formulating 'arbitrary' charges that are easy to collect and administer, and in the next they contend self-assessed tax methods geared to the actual operation of the vehicle are impractical and costly because 'there is a constant game of cops and robbers.' Every conceivable tax exacted primarily from the truckers has been taken to court on charges of unconstitutionality.
>
> "Impassioned statements to the contrary, it must be concluded that no tax is acceptable to them except as a temporary measure to get rid of the one at hand. On all sides they are busily devising 'alternate' tax plans to supplant whichever one exists. Often the alternate incorporates many of the features they find intolerable in the one they seek to discard. A shining example of that is their wistful willingness to accept an interstate truck tax, which has been widely projected as a solution to the problem of states receiving compensation for these heavy vehicles. This tax would require as much or more record keeping than the weight distance they attack on this point. Most acceptable to them is the gas tax, 90 per cent of which would be paid by someone else, the passenger car operator."

entire national economy. We could as well extend the theory to include steel, coal, petroleum, automobiles, telephones, railroads, and an endless variety of goods and services that may be regarded as "beneficial" to the nation and its economy. This would inevitably lead to a policy of general subsidies and socialization of costs throughout the economic system. To say the least, this would play havoc with the price system in a free market economy.

However, such tracings of diffused benefits are no justification for spreading subsidies around in any such fashion. With respect to highways the significant benefits are those to the direct users, for they are the ones who receive in the first instance all of the benefits that highways as facilities for transportation have to offer. With the costs borne directly by the users, they will either absorb them for the services they receive or pass them on to others as a component of the prices for goods or services supplied to others. In our price-cost economy, this is the proper way for transferred or diffused benefits to be brought into sound relation with the stream of economic costs.

In the second place, the resort to diffused benefits is an obvious attempt to shift to others highway costs which motor vehicle operators should properly bear. We may consider the fact that over fourteen million families in the United States—about three out of ten—do not own an automobile and, further, that among those which do the extent of car use varies widely. Even more important is the fact that essentially different types of motor vehicles—including especially the large and heavy freight vehicles engaged in commercial pursuits—are operated on the public highways. The proposition that through diffusion "highway benefits" are spread evenly throughout the economy is false. The actual circumstances instead give compelling support to the conclusion that highway costs should be paid for by equitably constructed charges upon different classes of highway users rather than by levies upon general taxpayers.

An offshoot of the "general benefit" theory of highway finance is the contention that some of the costs of roads and streets should be borne through taxation of property. Here again, there is no need to turn to such indirect benefits. Moreover, a problem is presented because many properties are not benefited or are actually harmed by particular highway improvements. While some property values are increased by highway improvements, they will not escape taxation as property but will contribute more than otherwise to the support of other necessary functions of the local taxing jurisdiction which can only be financed by general taxes. A further consideration is that the demands upon revenus from property taxation are heavy and varied in most local taxing jurisdictions that rely principally on this source.

RATIONALE OF USER CHARGES

Considerations of transportation economy, equity, and sound fiscal policy, as well as the limitations of alternative financing methods, all point to the conclusion that highways should be paid for by those who use them. In its broadest terms, what is involved here is the basic public interest in an economical allocation of resources for transportation and the pricing of highway services toward this objective by the economic placement of highway costs. This objective is defeated if part of the costs of highways is diverted to general taxpayers and in this way removed from the orbit of economic determinations. Highways provide identifiable and divisible services to motor vehicle operators as the direct users upon whom the costs can and should be placed. Unless highway costs are thus registered at the point of business and consumer decision by requiring fully compensatory user payments there is bound to be a bias in the distribution and in the utilization of economic resources devoted to transportation.

For a homely illustration, we may consider what would happen if some law firms were to have their offices and other essential "tools" provided for them by government with funds taken from general taxpayers, while other law firms were expected to carry on by themselves and cover their own such costs. There is no question as to where the competitive advantage would lie.

Coming back to highways, the significant point is that there is a clear distinction to be made between highway finance and general public finance. For too long, concepts appropriate to the one have been confused with the other, delaying full recognition of the fact that the sole purpose of highways in this age is to serve motor vehicle traffic, much of it commercial and for private gain.

We can never have conditions of equality in competitive transportation between the different means now available in this country until the principle of user compensation for highway costs is made fully effective. Even then, certain economic advantages of an institutional character would still accrue to motor vehicle transportation from the fact that the provision of highways is in the public sector of the economy. Consequently, highway programs and facilities are backed with the financial resources and powers of government, without responsibilities and risks of ownership and capital investment on those using the facilities as and when they wish. Insofar as interest is paid on funds borrowed for highway purposes the rates are minimized by the borrowing power of governmental bodies. Furthermore, highways as government facilities are not taxed as property, nor is any kind of offset tax included as a cost in lieu of property taxation. In contrast, the railroads as private undertakings in supplying general common carrier services bear the costs and risks of providing and maintaining

their own right-of-way facilities and, in addition, pay heavy taxes on these properties to help support the general functions of government.

In this day and age the highway and the motor vehicle have become complementary transportation facilities. There is no reason of sound economy or of equity for the general taxpayer to be called upon to help provide highways for the motor vehicle operator, any more than there would be for requiring the general taxpayer to provide the motor vehicle operator with gasoline, tires or the vehicle itself. We now have conditions vastly different from those existing many years ago when transportation by motor vehicle was in its infancy and when an immediate shift to complete user responsibility for highway costs would have been impractical. But it is likewise true that the transition to full-scale user responsibility has been long in process and that there is no longer justification for clinging to the distant and outmoded past in methods of highway financing.

Considerations of fiscal policy lead to the same conclusion of user responsibility for highway costs. Most functions of government are of such nature that they can only be financed through levies upon general taxpayers. Such burdens upon taxpayers have become very heavy with ever expanding functions of government and problems of budget balancing and public debt control are encountered at all levels of government. Particularly in these circumstances general taxpayers should not be required, in addition, to bear costs of providing and maintaining highways for the use of identifiable segments of the economy which can and should, as motor vehicle operators, bear their own responsibilities in fully compensatory user charges. Furthermore, it may be seriously questioned whether highway user groups have been acting in their own best interest in striving to divert general tax revenues to highway purposes. Highway programs on the present day scale can, on an entirely practicable basis, be financed far more firmly and adequately from user revenues than they can realistically hope to be if attempts are made to compete for limited general tax revenues with the many functions of government that can be financed in no other way.

PROBLEMS OF THE USER TAX STRUCTURE

Fuel Taxes: As pointed out above the first and most important highway user tax was the fuel tax. From the outset, it has been the most productive of highway user taxes, the simplest of administration, and relatively the easiest tax to secure state legislative approval. All 48 states have such taxes but they vary from a minimum of three cents to a maximum of seven cents with a national weighted average of 5.54 cents in 1956.[6] Based on the Bureau of Public Roads' reports of total

6. See BUREAU OF PUBLIC ROADS, HIGHWAY STATISTICS—1956, 11 (Washington, D.C. 1956).

receipts in 1956, the fuel tax produced approximately forty-seven per cent of all revenues for state-administered highways, exclusive of toll facilities and road and streets under local control.[7] In the early stages of highway use, when vehicles were substantially all of the same character and weight, the fuel tax was an equitable method of assessing highway user charges. However, with the greatly expanded use of the heavy vehicle such taxes are not a fair measure of highway use. While the large and heavy vehicle does consume substantially more fuel per mile of operation (hence it pays more fuel taxes than the automobile or light vehicle) such taxes do not take into consideration the much greater demands upon the highway structure and capacity made by the large and heavy vehicle and the greatly increased highway cost as a result thereof.

In considering the fuel tax as a user charge, it is also necessary to evaluate the increasing use of the diesel powered heavy truck and the substantially increased mileage per gallon that the vehicle obtains, as compared with the gasoline-powered vehicle.[8] Therefore, to avoid inequity between these two types of vehicles the diesel fuel tax should be higher than the gasoline tax. Several states have already recognized this principle and do levy a differential tax on the diesel powered vehicle.[9]

While the fuel tax is the basic highway user charge, in fairness to the private automobile user it should not be considered as the only tax on the highway user.

Registration Fees: The registration fee is an essential part of the highway user tax structure. It has, however, over the years been aborted. At the outset it was essentially an identification of the vehicle and not primarily a revenue measure. In succeeding years it has become not only an identification procedure but also an important revenue measure. With the advent of the heavy vehicle greater registration fees were charged for this type of vehicle. Eventually some effort was made to equate the heavy vehicle charge with highway use by establishing graduated registration fees based on the weight of the vehicle. This was a step in the right direction but a graduated scale of fees is not and cannot be an accurate measure of highway use since it does not take into consideration the mileage traveled by the vehicle. Registration fees vary widely from state to state. This is an invitation, in effect, to register heavy vehicles in those states having low registration fees. It would appear that equity would best be served if registration fees were fixed at a level commensurate with

7. *Id.* at 42.
8. See ONTARIO MINISTRY OF TRANSPORT, *Report on Road Test of Diesel vs. Gasoline Driven Trucks* (April 1957).
9. BUREAU OF PUBLIC ROADS, *op. cit supra,* note 6, at 11.

administration costs and not used principally as a revenue measure, with resort to a third structure tax on the heavy vehicle that would be a measure of highway use by the vehicle. Such a procedure would simplify materially the very complicated problem of reciprocity.

Graduated Mileage Charges: Many authorities have concluded that the fair method of assessing equitable highway user charges against the heavy vehicle is by the use of a third structure tax based upon the weight of the vehicle and the distance traveled. Such a tax has been strenuously opposed by the spokesmen for the heavy trucking industry. Fifteen states now have such a tax in one form or another.[10] Opponents of this form of tax inevitably resort to tactics of confusion by trying to identify a weight-distance tax as a ton-mile tax. They are not the same. Theoretically, the ton-mile tax is an equitable tax but the administrative problems connected therewith are great. In theory the tax would require the vehicle owner to pay a fixed rate on actual tonnage of the vehicle and cargo moved over the actual mileage on each trip. Such a tax could be enforced with sufficient administrative personnel but experience has shown that it is extremely difficult and expensive to do so. The weight-distance tax, on the other hand, is a rate per mile applied against a rated weight of the vehicle whether traveling empty or loaded. The axle-mile tax is a similar tax under a different name. Oregon pioneered in the weight-distance tax and it will be seen that it has become a productive tax.[11] It does not discriminate against the intrastate operator in favor of the out of state operator, for both pay the same rate for the operations that they perform in a given state in a given year. Further, both structurally and geometrically, the tax does take into consideration the great difference in demand upon the highway facility by the large and heavy vehicle. It is a fair approach to the ever growing problem of reciprocity to which an answer must be found.

Six states have adopted third structure taxes not based on weight and distance but on gross receipts of for-hire carriers.[12] California

10. See Appendix A.
11. *Ibid.*
12. See Appendix B.

Appendix A

SUMMARY OF STATE "THIRD STRUCTURE" TAXES ON MOTOR VEHICLES AS OF JULY 1, 1958, INCLUDING RECEIPTS IN 1957

STATE	TAX APPLICABLE TO VEHICLES CARRYING— PROPERTY	PASSENGERS	MILEAGE TAXES (IN ADDITION TO REGISTRATION FEES AND FUEL TAXES) BASED ON WEIGHT, CAPACITY, AXLES, TRAVEL OR COMBINATIONS THEREOF*	RECIPROCITY TO OUT OF STATE VEHICLES	RECEIPTS IN 1957 (THOUSANDS OF DOLLARS) REPORTED BY BPR
Alabama	X	X	Axle-miles for property carriers; seat-miles for passenger carriers.	Authorized	1,205
Colorado	X	X	Ton-miles for property carriers, two rates—one for empty weight and one for cargo weight; revenue passenger-miles for passenger carriers.	No reciprocity	6,767

* Optional mileage taxes in lieu of registration fees are not included.

is the outstanding state in this category. While this method of taxation can be made productive revenue wise, it does not reach the private carrier who is a very substantial operator of large and heavy vehicles

STATE	TAX APPLICABLE TO VEHICLES CARRYING— PROPERTY	PASSENGERS	MILEAGE TAXES (IN ADDITION TO REGISTRATION FEES AND FUEL TAXES) BASED ON WEIGHT, CAPACITY, AXLES, TRAVEL OR COMBINATIONS THEREOF**	RECIPROCITY TO OUT OF STATE VEHICLES	RECEIPTS IN 1957 (THOUSANDS OF DOLLARS) REPORTED BY BPR
Florida	X	X	Factory rated capacity-miles for trucks and trailers and mileage for tractor semi-trailers of property carriers; seat-miles for passenger carriers.	Authorized	815
Idaho	X	X	Gross weight-miles for property or passenger carriers.	Authorized	3,014
Kentucky		X	Seat-miles for passenger carriers.	Authorized	207
Michigan	X	X	Seat-miles for passenger carriers; empty weight of truck-miles and empty weight of tractor-miles for property carriers.	Authorized	1,273
New Jersey		X	Vehicle-miles for interstate passenger carriers.	Authorized	96
New York	X		Property carrying vehicles with gross weight in excess of 18,000 pounds: gross weight-miles for trucks and combinations or combination weight-miles, the latter weight being either gross or empty as the case may be. Travel on New York State Thruway is exempt from tax.	No reciprocity	14,800
Ohio	X		Axle-miles for property carrying vehicles; not applicable to travel on ways of Ohio Turnpike Commission.	Reciprocity authorized only for household goods haulers.	11,312
Oklahoma		X	Passenger-miles for intercity passenger carriers.	Authorized	171
Oregon	X	X	Gross weight-miles for property and passenger carriers.	No reciprocity	11,392
			In lieu of mileage tax, vehicles weighing 18,000 pounds or less may pay gross weight graduated fee.	No reciprocity	1,388
South Carolina	X	X	Seat-miles for passenger carriers; ton-miles of payload for common carriers of property on fixed schedule and route; carrying capacity for other regulated property carriers.	No reciprocity except on occasional trips	766
South Dakota	X	X	Passenger-miles or seat capacity for common carriers of passengers; gross weight or gross ton-miles for property carriers.	Authorized	2,064
Washington		X	Vehicle miles for common carriers of passengers.	Authorized	041
Wyoming	X	X	Property carriers: using gasoline fuel and having unladen weight of less than 7,000 pounds, on basis of unladen weight; using gasoline and having unladen weight of more than 7,000 pounds, on basis of unladen weight-miles; not using gasoline, on basis of unladen weight-miles plus tax per gallon of fuel used.	No reciprocity	2,654
			Passenger carriers, vehicle-miles.	No reciprocity	

** Optional mileage taxes in lieu of registration fees are not included.
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Sources: MOTOR VEHICLE LAW SERIES, NATIONAL HIGHWAY USERS CONFERENCE and CCH, STATE MOTOR CARRIER GUIDE.

and also presents difficult administrative problems regarding the out of state operator.

Reciprocity: The problem of reciprocity has been a difficult one from the outset and has become more difficult with the increased use of the large and heavy vehicle. The original concept of reciprocity was one in which the several states agreed among themselves to recognize the registration or license plate of the home state. Generally, states have granted reciprocity on fuel taxes, drivers' licenses and registration.

With the advent of the third structure tax operators of the heavy vehicles immediately demanded that they be granted reciprocity for this tax and insisted that failure to grant such reciprocity was a violation of the reciprocity principle. Actually it was merely an equitable method of requiring the out of state operator of the heavy vehicle to pay a fair tax for the use made of the highways in that state. By the adoption of the principle of reciprocity on fuel taxes and registration fees with a minimum administrative charge for registration, and the adoption of a weight-distance tax applicable to resident and non-resident user alike, the problem of reciprocity and fair charge for the

Appendix B

STATE TAXES BASED ON GROSS RECEIPTS APPLICABLE TO FOR HIRE CARRIERS AND USED FOR HIGHWAY PURPOSES

STATE	PROPERTY CARRIERS	PASSENGER CARRIERS	RECEIPTS IN 1957 (THOUSANDS OF DOLLARS) REPORTED BY BPR FOR HIGHWAYS
Arizona	Yes, not subject to reciprocity	Yes, not subject to reciprocity	2,445
California	Yes, not subject to reciprocity	Yes, not subject to reciprocity	18,392
Mississippi	Yes, not subject to reciprocity	Yes; amount of tax in excess of $150 per vehicle is to be paid as part of registration fee. Not subject to reciprocity.	Not reported by BPR; part is for highways and part for general fund.
Montana	Yes, subject to reciprocity	Yes, subject to reciprocity	228
Virginia	None	Yes, by common carriers; reciprocity is authorized.	Not reported by BPR because 1957 receipts included some taxes which are not effective as of July 1, 1958.
Washington	Yes; by common and contract carriers; reciprocity application is unreported; probably authorized.	Yes, by common carriers; reciprocity application is unreported; probably authorized.	28

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Sources: MOTOR VEHICLE LAW SERIES, NATIONAL HIGHWAY USERS CONFERENCE and CCH, STATE MOTOR CARRIER GUIDE.

use of the highways by the heavy vehicle, resident or non-resident, will be solved.

Special Permits for the Movement of the Heavy Vehicle: It is desirable in the administration of the highway system to provide for the issuance of special permits for the occasional movement of over weight and over size vehicles, since there are times when such movements must be made both interstate and intrastate. The special permit procedure, however, is subject to abuse and may be used as a lever on the states to grant increased size and weight limitations. Once an operator is granted permission to move an over size or over weight vehicle because of some peculiar and special condition, the practice of requesting special permits tends to become habit forming and eventually a procedure by which the existing size and weight limitations of the state are nullified. The special permit has its place but it should be strictly regulated and, in the interest of safety of other users of the highway, should be issued only under very special conditions.

Problems and Obstacles Remaining at the State Level

Once the fifty-five million private automobile owners become aware of the problems of highway user taxation and the present inequitable apportionment of such user charges between the private automobile and the large and heavy vehicle there will be a readjustment of highway user taxes at the state level. Highway costs and programs are increasing at an astounding rate. Highway need studies are being made constantly both at the federal and state levels. Such studies always show greatly increased highway needs. All too often the needs are not related to costs and—more important—who pays the cost. Certainly highway need studies are justifiable but in no instance should the need studies be made without a companion financial study showing where the money is coming from, who will pay it, and why. The economics and equities of this situation will eventually require a reappraisal of highway user taxes and an equitable apportionment of those taxes based upon the use of, and demands upon, the highways.

The Federal Role in Highway Financing

It is possible here to consider only in broad outlines the role of the federal government in highway financing. As in other fields this participation through grants-in-aid to the states has grown from small beginnings dating back to 1916. Federal outlays for this purpose grew persistently though somewhat gradually for many years and by the end of 1956 the federal aid systems designated for matching funds embraced over one third of the entire surfaced road and street mileage in the United States.

Throughout this period to 1956 no user charges were imposed by the government to pay for the costs of federal aid to highways, all of the funds being derived from general revenues of the government. Contentions sometimes were made that the proceeds from certain manufacturers' excise taxes could be regarded, in a linkage relationship, as payments by highway users; but as the U. S. Bureau of Public Roads has pointed out, "there was no formal connection of any kind . . ." between the receipts from general fund excise taxes on motor vehicles, motor fuels and associated products and the federal aid grants for highways.

Provisions of the Federal Aid Highway Act of 1956 vastly expanded the federal role in highway improvement on a long range basis, especially with respect to the so-called Interstate System. Authorizations of highway aid were further increased substantially by Congress in legislation enacted in 1958.

The 1956 act for the first time also provided that the funds to pay for federal aid highway programs should come from specified levies upon highway users and a highway trust fund was established for this purpose. Owing principally to cost increases exceeding the original estimates, it has become apparent since the 1956 act was passed that the revenues earmarked for the trust fund will not suffice to pay for the costs of the federal aid programs as projected into future years.

Thus, the federal aid highway programs are not yet on an assured basis of full support from highway user tax revenues although the 1956 act contains a declaration of policy for the Congress to enact further legislation, as from time to time may be required, in order to effect a balance in the highway trust fund between total receipts and total expenditures. To accomplish this purpose, assuming that the programs are to go forward as projected, additional federal highway user taxes are going to be necessary to sustain the trust fund.