



The Daily Dish

Digging Deeper on the VMT

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Eakinomics: Digging Deeper on the VMT

Regular readers of Eakinomics will [recall](#) that a Vehicle Miles Tax (VMT) is a good theoretical solution to several interrelated transportation policy problems. First, the current Highway Trust Fund (HTF) financing is increasingly insufficient and the HTF has increasingly relied on general revenue transfers. A VMT could be the stable funding source to replace the failing gas taxes. Second, the rising penetration of hybrid and electric vehicles means that the gas tax is increasingly less like a user fee. A VMT is directly linked to use of transportation infrastructure. Third, the gas tax is a blunt instrument. The VMT is potentially more efficient because it can be tailored to a vehicle's weight, number of axles, and geography, thereby matching the fee paid with actual wear and tear on roads.

That's the theory anyway.

Now there is increasing evidence being accumulated by state-level use of VMTs in Kentucky, New Mexico, New York, and Oregon. At the federal level, the ranking member of the House Transportation and Infrastructure Committee tasked the Congressional Budget Office (CBO) with detailing the nuts and bolts of a federal VMT. The [report](#) released on Friday emphasizes that to “implement a federal tax, lawmakers would need to determine:

- The tax base—which trucks would be taxed and on which roads the tax would apply;
- The rate structure—whether the tax would be uniformly applied to all trucks or would vary by trucks' configuration, weight, or location; and
- Implementation methods—whether to assess taxes using odometer readings, radio-frequency identification readers (like those in use on many toll roads), or onboard devices such as electronic logging devices.”

Taking these in turn, the key issues regarding the tax base are those vehicles that would be subject to the tax and those roads on which tax would be due. CBO focused on two illustrative possibilities: (1) all commercial trucks, defined as vehicles with six or more tires or a gross vehicle weight of at least 10,000 pounds, or only tractor-trailer trucks; and (2) all public roads, Interstate highways and arterial roads (non-local roads like highways and freeways), or Interstate highways only.

The overall rate obviously depends on how much revenue Congress wants to raise. But further considerations would allow the rate to differ in order to better approximate the wear and tear imposed on the transportation infrastructure. Specifically, the rate could vary by truck type or configuration (charge more for combination trucks), by weight or weight per axle, or by travel location (rural versus metropolitan).

Finally, how is the tax collected? CBO highlights three options, “each of which is already used in some other contexts:

- Assessment via odometer reading, either self-reported by truck owners or inspected by government

officials or authorized agents, coupled with payment by mail or online;

- Automated assessment via external radio-frequency identification readers mounted on gantries, roadside pillars, or collection booths, coupled with payment through onboard transponders or by mail; and
- Automated assessment through onboard devices that track and report mileage, such as electronic logging devices, coupled with payment by mail, online, or through the device itself.”

This is where the rubber will meet the road (pun intended) in any discussion of a VMT. The strongest opposition has traditionally come from the trucking industry (understandably) and privacy advocates who fear that a VMT would be tantamount to tracking the movements of individuals. The CBO report notes that onboard devices have been used in some states and other countries, but data are reported to third-parties and not the government.

As for the trucking industry opposition to the VMT (one variant of a Road User Charge or RUC), Robert Atkinson — former Chairman of the National Surface Transportation Infrastructure Financing Commission — [summarizes](#) the argument succinctly: “The trucking industry generally opposes an RUC system, particularly one related to truck weight. However, their arguments against it—save one—are either wrong or overblown. Their argument that an RUC system could lead to higher charges on trucks is valid, precisely because trucks now impose more costs on the system—particularly pavement damage—than they pay in taxes and fees, and an RUC system could be designed to make trucks pay not only by the mile but by axle weight and the type of road they are on, thereby increasing net economic welfare.”