

Heavy Vehicle Use Tax

City Council Session – May 4, 2016

WE KEEP PORTLAND *MOVING*.

Why is Portland considering adoption of a temporary heavy vehicle use tax?



A heavy vehicle tax ensures that heavy trucks pay their corresponding fair share in relation to a potential 10-cent temporary fuels tax.

Why is Portland considering adoption of a temporary heavy vehicle use tax?



The decision not to apply the diesel tax to heavy trucks was based on a concern that heavy trucks, with fuel tanks averaging between 120-300 gallons would bypass Portland's only truck stop.

How much should heavy trucks contribute toward Portland's Street Repair and Traffic Safety Program?



Based on data from Oregon's Highway Cost Allocation Study, heavy trucks should contribute 13.3% of city street costs

Revenue estimate

<u>Class</u>	<u>Per Year</u>	<u>Four Years</u>
Light Vehicles	\$16 m (86.7%)	\$64 m (86.7%)
Heavy Vehicles	\$2.5 m (13.3%)	\$10 m (13.3%)
Total Revenue	\$18.5 m (100%)	\$74 m (100%)

Who will pay the Heavy Vehicle Use Tax?



Businesses that currently pay the Oregon weight-mile tax and have a Portland Business license will be assessed a heavy vehicle use tax.

Since businesses that deliver a product by truck to a Portland address are required to have a Portland business license, the heavy vehicle use tax will be applied to businesses based in Portland and to businesses that ship to Portland addresses.

How will the tax be calculated?



The tax will be calculated based on a company's statewide weight-mile taxes. We estimate that a rate of 2.8% will generate \$2.5 million per year.

How much will most businesses pay under this proposal?



The majority of businesses with relatively low heavy truck activity will pay a low monthly tax

- 85% of businesses will pay an average of \$15 per month

A smaller number of businesses account for most of the heavy truck activity and will pay a higher monthly tax

- 15% of businesses will pay an average of \$500 per month

How will the program change if revenue forecasts are lower or higher than anticipated?



After the second year of the four-year program, staff will make any required changes to the use tax rate to ensure that the program comes as close as possible to generating the \$2.5 million revenue goal.

How did we get to this option?



Feasibility Factors	Diesel Load Fee	BLT Surcharge	Heavy Vehicle Use Tax
Fairness of Who Pays	Low	Medium	High/Medium
Revenue Generated Sufficient?	High	High	High
Low Administration Cost?	High/Medium	High/Medium	High/Medium
Tie to Use of Streets	Low	Medium	High

How do we ensure transparency, accountability, and the effective use of resources



- ✓ Allocation of resources – funds dedicated to transportation safety and maintenance
- ✓ Oversight Committee
- ✓ Annual Reporting
- ✓ 4-Year Program

Next Steps



- Revenue collection to begin no earlier than September, 2016
- Formation of Oversight Committee
- After first year, review revenue to determine if rate adjustment is necessary
- Annual reporting on Street Repair and Traffic Safety Program