



July 12, 2024

Ms. Helen Hecht, Esq.
Uniformity Counsel
Multistate Tax Commission
444. N. Capitol Street, N.W., Suite 425
Washington, DC 20001

Sent via Electronic Mail

RE: Model Receipts Sourcing Regulation Review Work Group

Dear Ms. Hecht,

On behalf of the American Trucking Associations (ATA)¹, I write to express concerns with recent developments relating to the Model Receipts Sourcing Regulation Review Work Group (MTC Workgroup). Following our letter of June 22, the Workgroup has elected to alter its approach to focus on recipient-based sourcing. As the largest representative of the motor carrier industry, **ATA believes the potential change from the current mileage rule to a different sourcing (now destination-based) is not a direction the trucking industry can support for several reasons.** As such, ATA will utilize the strength of our 50-state federation to ensure that all state representatives to the MTC are aware of, and understand, the oppose position of ATA vis-à-vis the recent direction of the Work Group.

As I noted in my previous letter, trucking is an industry that has extensive tax, regulatory, safety, and cost considerations to contend with on a daily basis. This is also true in an environment where many motor carriers are operating on very small margins in a complex freight market subject to global and domestic economic headwinds. Indeed, the average size of an ATA motor carrier is roughly 10-trucks that employ Americans in every state and congressional district in the country.

In reviewing the Work Group's efforts to create an alternate apportionment methodology for trucking services receipts, I would stress once again that ATA is not aware of any large-scale disagreement among states as to where such a change is even needed. If this is incorrect, ATA would like to be provided with materials pointing to such a divide beyond a few coastal states pushing for a change. **This begs the question of why, after apparently deciding that the previously proposed drop-off/pickup sourcing would not be practicable, less than a month later, the Work Group elects to move forward with a vote at the next meeting with a different proposal.** Regardless of merits, ATA has significant concerns with the process MTC apparently has elected to take less than a month since the previous meeting.

ATA is also sensitive to the fact that, if the material change the Work Group has proposed were to be adopted by some states, the resultant effect would likely be a substantial increase in tax liability (or *revenue for states*) for motor carriers. While revenue measures are, from time to time, necessary and understandable for states given budget considerations, the usual process involves a proposed piece of legislation to raise revenue from various sources that is to be debated transparently by lawmakers and stakeholders to determine the efficacy of the proposal- with the state executive, in a different branch of

¹ American Trucking Associations is the largest national trade association for the trucking industry. Through a federation of 50 affiliated state trucking associations and industry-related conferences and councils, ATA is the voice of the industry America depends on most to move our nation's freight. Follow ATA on Twitter or on Facebook.

government, also a public participant in the legislative machinations. The process MTC has embarked upon involves no elected officials answerable to the public yet would result in higher tax liability for a specific set of industries. ATA does not believe the MTC, composed of no elected officials and little public accountability, is the forum for measures that would have such an effect.

ATA would also counsel, given the direction MTC appears to be heading, that uniformity discussions have been a part of the trucking industry for well over half a century. One of the bedrock principles that the U.S. Congress and states have adhered to is, whenever possible, to try and apply public laws to the movement of freight in interstate commerce with a collaborative approach to the trucking industry. As such, the proportional taxation of fuel was achieved with the advent of the International Fuel Tax Agreement². The proportional registration of interstate motor carriers was created with the formation of the International Registration Plan. The uniform registration of interstate motor carriers was established with the passage of the UCR Act³. The point I would stress is that these are *uniform* measures, adopted with the active participation of the trucking industry, to ensure that both states and motor carriers had easy access to and between each other to ensure any and all tax/registration liabilities were handled the same way from state to state.

Simply put, the approach MTC is taking with this proposal *ignores* what is working now, and also creates the potential for division between states- the very thing the industry avoided with the creation of the above regimes. ATA would advise the Work Group to consider this heavily in its deliberations.

In short, ATA and our 50-state federation will oppose this potential change for the following reasons:

- The majority of member states have no disagreement that the mileage rule is working to service both states and the trucking industry.
- The current rule, by wide agreement, achieves the uniformity upon which MTC was founded
- Mileage is representative of the trucking industry market. Transportation services move freight *to a destination*, however that destination signifies more the market for the property not the transportation services moving freight. This point remains as true with the current proposal as it did with the previous one of less than a month ago.

Given the considerable history that the mileage-based approach brings- along with the uniformity that states and the trucking industry desire- moving forward with these changes to create a likely division between coastal states and interior states is ill-advised and ATA would reiterate its opposition to the Working Group continuing to pursue this proposal.

Please reach out to me directly at dbauer@trucking.org should you have any questions on our position.

David E. Bauer
Vice President
State & Tax Policy

² See Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) Pub. Law 102-240, Title IV – Motor Carrier Act of 1991 Section 4008.

³ See Safe, Accountable, Flexible, Efficient Transportation Equity Act, A Legacy for Users (“SAFETEA-LU”), Public Law 109-59, enacted August 10, 2005.