

# Portland Heavy Vehicle Use Tax Fact Sheet

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

Portland's temporary local fuels tax, if passed by the voter's in May, will not include a ten-cent diesel tax on vehicles over 26,000 pounds. 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. A heavy vehicle tax ensures that heavy trucks pay their corresponding fair share of a potential 10-cent temporary fuels tax.

## **How much should heavy trucks contribute toward Portland's efforts to provide temporary funding from the 10-cent Portland Fuels tax?**

Applying Oregon's cost responsibility methodology to the City of Portland indicates that 86.7% of additional revenue should come from light vehicles and 13.3% from heavy vehicles. Since it is estimated that Portland's temporary fuels tax will generate \$16 million from light vehicles, a cost responsible allocation from heavy vehicles would be \$2.5 million – 13.3% of \$18.5 million of additional annual revenue.

## **Who will pay the heavy vehicle use tax?**

Only businesses that currently pay the Oregon weight-mile tax 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 can 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 business's statewide weight-mile taxes. We estimate that a rate of 2.8% will annually generate \$2.5 million. For example, a business that paid \$10,000 in Oregon weight-mile taxes would be assessed an annual heavy vehicle use tax of \$280 (2.8% of \$10,000).

## **How much will most businesses pay under this proposal?**

Due to the fact that a relatively small number of businesses account for most of the heavy truck activity and therefore most of the costs associated with heavy trucks, most businesses will pay a relatively small amount. On the flip side, a handful of very large trucking businesses will pay more based on their volume of trucking activity. No one will pay more than 2.8% of what they are already paying in state weight-mile taxes.

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

In the third-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. Many in the trucking industry believe that establishing this program will increase the number of businesses that should be paying this fee. If this turns out to be case, it may be possible to reduce the rate in the last two-years.

## **Will this program be implemented regardless of the outcome of the May election on the temporary fuels tax?**

Yes. The implementing ordinance would establish the program for a four-year period regardless of the outcome of the May election on Portland's temporary ten-cent fuels tax.