

# Eno

Center for  
Transportation

10 JUL 1969

## MEMORANDUM FOR THE SECRETARY

The proposed Urban Public Transportation program could be financed through an annual Federal excise tax levied on privately-owned motor vehicles registered in urban areas. Such a tax is far superior to any of the other ideas so far advanced for fueling an UPT trust fund.

Our calculations show that a \$11 per annum tax (with \$1 returned to the state or city that acts as collection agent) would yield approximately \$780 million in 1971, with the amount rising above \$1 billion annually beginning about 1978. This would be sufficient to pay the entire costs of the proposed UPTA program. The administrative aspects of such a tax are manageable. State and cities now impose annual vehicle registration fees and as part of this regular procedure they could, with Federal assistance, collect a new levy of the type described briefly above.

The attached tables provide the pertinent details.

PAUL W. CHERINGTON  
Paul W. Cherington

Attachment

RJBarber:lds 7/10/69

cc: TPL-1

TPI-2

TPI-3

TPI-3.1

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ALTERNATIVE VERSIONS AND YIELDS  
OF AN URBAN TRANSPORT TAX  
LEVIED ON MOTOR VEHICLES  
REGISTERED IN URBAN AREAS

- I. Flat rate tax (fee) of \$11 per vehicle (of which \$1 would be paid to or retained by the state-city collector for administrative expense), netting \$10 to the Federal Government. Estimated yields are:

<u>year</u>	<u>Federal yield</u>	<u>Proposed UPTA Program Auth. in FY</u>
1971	\$780 million	\$300 m
1972	810 m	400
1973	850 m	600
1974	880 m	800
1975	910 m	1000
1976	940 m	1000
1977	970 m	1000
1978	1000 m	1000
1979	1030 m	1000
1980	1060	1000
1981	1090	1000
1982	1120	1000

This has the advantage of being a simple and stable review-raising device, but as can readily be seen it generates funds well in excess of obligations (and presumably expenditures, though the timing here is difficult to predict) in the early years. The Federal yield for the period 1971-1982 totals \$11.4 billion, while the proposed 12-year program amounts to only \$10.1 billion. There are many ways to correct this gap by dealing with the program itself, with the most obvious being to increase the level of spending in the early years.



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II. A stair-step Federal levy, at rising amounts netting the Federal Government the amounts shown below (the actual levy on the vehicle owner would in each case be \$1 greater, with this sum being paid for administrative expense to the state-local government):

<u>year</u>	<u>Net Federal Tax</u>	<u>Yield</u>	<u>Proposed UPTA Program Auth.</u>
1971	\$4	\$312	\$300 m
1972	\$5	405	400
1973	\$7	595	600
1974	\$9	792	800
1975	\$11	1001	1000

For the period 1976 through 1982 program authorization would total \$7 billion and receipts would amount to just short of \$8 billion, a gap that could be closed through a slight program adjustment or a reduction in the Federal levy.

III. A sliding-scale formula could be devised, taxing autos at a lower rate than trucks and 'big' trucks more than 'small' trucks. It could be tailored in any of a number of ways to yield about the same aggregate revenue as a flat-rate tax on all vehicles.



REGISTERED PRIVATELY-OWNED MOTOR VEHICLES IN THE U.S.,  
TOTAL AND NUMBER IN URBAN AREAS<sup>a/</sup>  
(millions)

<u>Year</u>	<u>Total</u>	<u>Autos</u>	<u>Trucks and Buses</u>		<u>Total Vehicles In Urban Areas</u>
		<u>Estimate in Urban Areas<sup>b/</sup></u>	<u>Total</u>	<u>Estimate in Urban Areas<sup>b/</sup></u>	
1966	78	58	15	5	63
1967	81	61	16	5	66
1968	84	63	16	5	68
1969	87	66	17	6	72
1970	90	69	18	6	75
1971	93	72	18	6	78
1972	96	75	19	6	81
1973	99	78	20	7	85
1974	102	81	20	7	88
1975	106	84	21	7	91

<sup>a/</sup> Defined as SMSA's (50,000 population and over).

<sup>b/</sup> The auto estimate is equal to about 75 percent of total privately-registered autos. Truck/bus estimate is equal to one-third of the total number of such vehicles. Buses represent only a very small percentage of the total.