

Taxes Paid by Motor Carriers in Connecticut

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Issue

What taxes do trucking companies based in or travelling through Connecticut pay?

Summary

Trucking companies (i.e., motor carriers) based in and traveling through Connecticut pay a number of federal, state, and local taxes. This report focuses on taxes substantially related to the business of trucking, namely those on fuel, commercial trucks, and highway use. It does not cover other taxes that motor carriers pay in the course of doing business, such as business income taxes, sales and use taxes on purchases other than trucks, and real property taxes.

Motor carriers pay federal taxes on the fuel they purchase and state taxes on the fuel they consume in the state, regardless of where they purchase it. In Connecticut, this tax is called the motor carrier road tax, and it is separate from, but offset by, the motor vehicle fuels tax. Connecticut participates in the International Fuel Tax Agreement (IFTA), which provides for unified fuel tax reporting and distribution between member jurisdictions.

Sales of commercial trucks and other related vehicles are subject to a 12% federal tax, but they are generally exempt from Connecticut sales and use tax. Although motor vehicles are generally subject to local property tax in Connecticut, most commercial trucks and related vehicles qualify for an exemption for a period of five years from the date of initial registration.

Lastly, heavy commercial vehicles are subject to the federal Heavy Vehicle Use Tax, which motor carriers must pay annually to use such vehicles on highways.

In addition to these taxes, motor carriers pay various government fees, including (1) vehicle registration fees, which interstate motor carriers must apportion among the states they drive in (for more information, see Connecticut's [International Registration Plan Manual](#)); (2) [Unified Carrier Registration](#) (UCR) fees, which they pay annually based on fleet size; and (3) other nominal fees, such as fees for IFTA vehicle decals.

Fuel Taxes

Federal Fuel Excise Tax

The federal government levies an excise tax on motor fuels ([26 U.S.C. § 4081](#)). The tax is generally imposed upon the (1) removal of taxable fuel from a refinery or terminal; (2) entry of taxable fuel to the United States for consumption, use, or warehousing; or (3) sale of taxable fuel to certain unregistered entities. The tax is only due once, and if the tax is reported and paid upon more than one taxable event, the person who pays the “second tax” may claim a refund.

The current federal fuel tax rate is 18.3 cents per gallon on gasoline and 24.3 cents per gallon on diesel fuel, plus a 0.1 cent per gallon Leaking Underground Storage Tank Trust Fund tax. IRS Publication 510, [Excise Taxes](#), provides more detailed information on the tax.

Connecticut Motor Carrier Road Tax (MCRT)

Overview. Like most states, Connecticut taxes the fuel motor carriers consume in the state, regardless of where they purchased it, and participates in the International Fuel Tax Agreement, which provides for uniform motor carrier fuel tax reporting and distribution between member jurisdictions (i.e., the 48 contiguous states, Washington D.C., and Canadian provinces.)

In Connecticut, the tax is called the motor carrier road tax, and it is separate from the motor vehicle fuels tax, which is an excise tax charged on each gallon of motor fuel sold in the state. However, the taxes are charged at the same rate and designed to offset each other. Carriers receive a credit against their Connecticut motor carrier road tax liability for any Connecticut motor vehicle fuels tax they paid ([CGS § 12-480\(a\)](#)). For an overview of the motor vehicle fuels tax, see OLR report [2018-R-0054](#).

Motor Carrier Definition. Individuals and companies are considered “motor carriers” for the purpose of the motor carrier road tax if they operate or cause to be operated any motor vehicle that is used or designed to transport people or property and that (1) has two axels and a gross vehicle weight of more than 26,000 pounds, (2) has three or more axels, regardless of weight, or (3) is used in combination and the combined gross vehicle weight exceeds 26,000 pounds (i.e.,

qualified motor vehicles). Qualified motor vehicles exclude recreational vehicles that are used exclusively by individuals for personal pleasure and not for business purposes ([CGS § 12-478\(4\)](#)).

Tax Calculation and Payment. The amount of tax a carrier owes equals the gallons of fuel consumed in Connecticut multiplied by the applicable motor vehicle fuel tax rate ([CGS §12-479](#)). For diesel, which the vast majority of commercial trucks use, the rate is recalculated annually and is the sum of two components: a flat rate set in statute, currently 29 cents, and a variable rate, which reflects the petroleum products gross earnings tax. For FY 19, the diesel rate is 43.9 cents per gallon ([DRS AN 2018 \(2\)](#)).

Under Connecticut law and the IFTA, carriers generally calculate their fuel consumption based on the number of taxable miles they drove in a state and their average MPG ([CGS § 12-483](#)). They then report their fuel consumption and pay the total fuel taxes owed to their base jurisdiction, which then distributes the taxes to the other jurisdictions as required. For more information on the IFTA, see Connecticut's [IFTA manual](#) or the [IFTA agreement](#).

Sales and Property Taxes

Federal Retail Excise Tax

Under federal law, sales of heavy trucks, trailers, and tractors are taxed at 12% of the sales price. The tax is imposed on the first retail sale of truck chassis and bodies; truck trailer and semitrailer chassis and bodies; and tractors chiefly used for highway transportation in combination with a trailer or semitrailer. The tax does not apply to (1) truck chassis and bodies that have a gross vehicle weight of 33,000 pounds or less, (2) truck trailer and semitrailer chassis and bodies with a gross vehicle weight of 26,000 or less, or (3) tractors with a gross vehicle weight of 19,500 pounds or less and a gross combined weight of 33,000 pounds or less ([26 U.S.C. §4051](#)) ([Excise Taxes](#), IRS Publication 510, chapter 6).

State Sales and Use Tax Exemption

Connecticut exempts the sale, storage, and use of certain commercial vehicles from the sales and use tax. Specifically, the exemption applies to trucks, truck tractors, tractors, semitrailers, and vehicles used in combination with them that (1) have a gross vehicle weight rating of more than 26,000 pounds or (2) are being operated actively and exclusively for interstate commerce during the one-year period beginning with the purchase. To qualify for the interstate commerce exemption, purchasers must hold a certificate or permit issued by the Federal Motor Carrier Safety Administration (i.e., the successor agency to the Interstate Commerce Commission) ([CGS § 12-412\(70\)](#)).

Local Property Tax Exemption for Commercial Trucks

By law, certain new trucks, truck tractors, tractors and semitrailers, and other vehicles used in combination with them, are exempt from local property taxes. The exemption lasts for five assessment years following the assessment year in which a truck is first registered.

Trucks with gross weight ratings over 26,000 pounds are eligible if they (1) are used exclusively to haul freight belonging to unrelated parties for compensation (i.e., for-hire motor carriers) and (2) are either subject to federal operating authority or would be if they were not exclusively used in intrastate commerce. According to the Connecticut's Assessors Handbook, these criteria exclude, among others, private motor carriers (i.e., companies that transport their own goods to wholesale or retail) and carriers who transport certain types of freight not subject to federal regulation (e.g., ordinary livestock; woodchips; and broken, powdered, or crushed glass). Trucks with gross weight ratings over 55,000 pounds are eligible regardless of their use ([CGS § 12-81\(74\)](#)).

Federal Heavy Vehicle Use Tax

Federal law imposes a flat annual tax on heavy vehicles operating on public highways at registered gross weights equal to or exceeding 55,000 pounds. The tax amount equals \$100 plus \$22 per 1,000 pounds over 55,000, up to a maximum of \$550 ([26 U.S.C. § 4481](#)). Federal law requires states to obtain proof that carriers have paid the tax when registering heavy trucks and subjects states that do not do so to a reduction in annual highway funding ([23 U.S.C. § 141](#))([The Heavy Vehicle Use Tax](#), Federal Highway Administration).

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