

Historical Tax Law Changes

Motor Carrier Fee

Laws 1979, Chapter 203 established the Motor Carrier Use Tax which was levied on private motor carriers with a gross weight in excess of 28,000 pounds and on common motor carriers with a gross weight in excess of 12,000 pounds. The tax on motor carriers was based on the weight of the vehicle and the number of miles traveled by the vehicle within the state. Each vehicle paid a tax determined by multiplying the vehicle's in-state mileage by the Use Tax rate for motor vehicles in that weight class. The Department of Transportation sets a schedule of tax rates that increase in equal increments from the lowest weight class to the highest weight class. The Use Tax rates were established so that collections in the first year would total \$21,000,000. The tax established by this law was paid each month to the Department of Transportation. All proceeds from the tax were deposited in the Highway User Revenue Fund as follows: Eleven percent to the Highway Patrol Fund, 57% to the State Highway Fund, 15% to the counties and 17% to the cities and towns. The law was effective July 1, 1982 conditional on the passage of S.C.R. 1015, a constitutional amendment deregulating motor carriers. S.C.R. 1015 was passed by the Arizona voters on November 4, 1980.

Laws 1981, Chapter 207 repealed the Motor Carrier Use Tax that was established by Laws 1979, Chapter 203 and replaced it with a new Motor Carrier Tax. Under the new law, separate schedules of tax rates were established for motor vehicles and vehicle combinations in excess of 26,000 pounds and for motor vehicles and vehicle combinations between 12,000 and 26,000 pounds. The Motor Carrier Tax levied on motor vehicles weighing more than 26,000 pounds was determined by multiplying the vehicle's in-state mileage by the tax rate for the weight class of the vehicle. The rate charged per mile ranged from \$.005 upward depending on the vehicle's weight. Lightweight vehicles (vehicles between 12,000 and 26,000 pounds) paid an annual flat-rate Motor Carrier Tax that ranged from \$8 to \$90 depending on the weight class of the vehicle. Under certain circumstances, a vehicle could qualify to pay a reduced Motor Carrier Tax if at least 45% of its mileage for the year was traveled with an empty load. Certain carriers were authorized to purchase Single-Trip Permits and pay the Motor Carrier Tax on that basis in lieu of paying the regular tax. The Motor Carrier Tax on lightweight motor vehicles was payable at the time of registration. The tax on other vehicles was paid on or before the 25th day of the month following the close of the taxpayer's reporting period. All proceeds from the tax were deposited in the Highway User Revenue Fund. (Effective July 1, 1982)

Laws 1981, 2nd Special Session, Chapter 2 increased the tax rates applied to motor vehicles subject to the Motor Carrier Use Tax. The new carrier tax levied on motor vehicles weighing more than 26,000 pounds ranged upward from \$.01319 per mile, depending on the weight class of the vehicle. The new carrier tax levied on lightweight vehicles (vehicles between 12,000 and 26,000 pounds) ranged from a flat rate of \$64 per year to a flat rate of \$119 per year depending on the vehicle's weight class. School buses were exempted from payment of the Motor Carrier Tax. The law also changed the distribution of Motor Carrier Taxes deposited in the Highway User Revenue Fund. Under this law, a fixed amount was distributed each year from the Highway User Revenue Fund to the Highway Patrol Fund. The balance of collections after making this distribution was allocated as follows: Fifty percent to the State Highway Fund, 20% to the counties and 30% to the incorporated cities and towns. Seven percent of the amount distributed to the State Highway Fund was apportioned among cities with a population greater than 300,000. (Effective July 1, 1982)

Laws 1982, Chapter 36 increased the Motor Carrier Tax on Single-Trip Permits. Formerly the tax was \$5 for vehicles traveling 50 miles or less and \$15 for vehicles traveling more than 50 miles on the highways of this state. Under this law, the rate was changed to \$12 for vehicles traveling 50 miles or less and \$48 for vehicles traveling more than 50 miles on the highways of this state. (Effective July 24, 1982)

Laws 1983, Chapter 6 provided that \$8,000,000 of the amount distributed from the Highway User Revenue Fund to the State Highway Fund was reallocated to the Arizona Highway Patrol Fund in fiscal year 1982-83. (Effective February 11, 1983)

Laws 1983, Chapter 41 eliminated the Motor Carrier Tax on vehicle weights in excess of 80,000 pounds. These weights were subject instead to excess weight fees. (Effective July 27, 1983)

Laws 1983, Chapter 42 provided that the Motor Carrier Tax was levied on each vehicle separately and not on vehicle combinations. Certain vehicles were exempted from payment of the Motor Carrier Tax when they were not subject to gross weight fees. This exemption pertained mostly to vehicles owned by government entities and non-profit organizations. The law also authorized the Department of Transportation to issue a Special 30-day Motor Carrier Tax Permit for vehicles not in the commercial transportation business, and in the state for a limited period of time while making limited use of this state's highways. The Motor Carrier Tax on this type of permit was \$96. (Effective July 27, 1983)

Laws 1983, Chapter 70 provided for a reduced Motor Carrier Tax on certain vehicles used only for transporting agricultural products. This provision also applied to lightweight motor vehicles. Lightweight motor vehicles were also authorized to claim a reduced tax if 45% of their mileage was traveled with an empty load. This option was already available to other vehicles. (Effective July 27, 1983)

Laws 1986, Chapter 64 statutorily separated the lightweight motor vehicle from other vehicles in applying a reduced Motor Carrier Tax. The reduced rate is 7/10ths of the full rate. The owner or operator of such vehicles is required to pre-qualify by applying and signing an affidavit declaring the necessary eligibility. (Effective August 13, 1986)

Laws 1986, Chapter 130 assessed an interest penalty of 12% per year against the outstanding Motor Carrier or Use Fuel Tax due. (Effective August 13, 1986)

Laws 1987, Chapter 12 imposed a \$25 administrative penalty for failure to file required reports under the Use Fuel and Motor Carrier Tax. The bill clarified that the use fuel on light class motor vehicles applies only to fuel consumed on Arizona highways and a restricted vendor need only to report highway consumption for use tax purposes. (Effective August 18, 1987)

Laws 1987, Chapter 108 required a licensee to be liable for any Use Fuel or Motor Carrier Tax which accrues to each issued cab card. If a cab card is lost, stolen, or destroyed, liability is relieved 24 hours after the Director receives notice of the loss. (Effective August 18, 1987)

Laws 1987, Chapter 149 allowed a motor vehicle or a fleet of motor vehicles and lightweight motor vehicles on a one-way haul transporting a specific product or products to be eligible for the reduced Motor Carrier Tax which is 7/10 of the full rate. The Motor Vehicle Division will pre-qualify vehicles to be eligible for the reduced rate. (Effective August 18, 1987)

Laws 1990, Chapter 20 permitted a person who obtains a Special 30-Day Non-Resident Registration on a semi-trailer manufactured in Arizona to transport goods from this state. (Effective September 27, 1990)

Laws 1991, Chapter 7 required the Director of the Department of Transportation (ADOT) to consolidate the Motor Carrier Tax with the gross weight fee imposed on owners and operators of lightweight motor vehicles. The purpose of the consolidation is to reduce the administrative activities of the Department and the owners or operators of such vehicles. (Effective September 21, 1991)

Laws 1991, Chapter 27 established a "midway point" rule for vehicles in a routed service where the motor vehicle's load must be more than 55% empty at the midway point of a qualifying trip to qualify for the reduced tax rate. The bill also established in law the current ADOT practice of allowing a fleet of motor vehicles of the same

registered class to qualify for the reduced tax rate, if at least 45% of the reported mileage was traveled without a load. Motor vehicles transporting agricultural products are still eligible for the reduced rate, but the one-way haul language was eliminated. (Effective September 21, 1991)

Laws 1991, Chapter 265 was 1 of 2 "Omnibus Reconciliation Bills" (ORBs) related to the General Appropriations Act for FY 1992. One provision allowed monies in the Highway User Revenue Fund (HURF) to be appropriated by the Legislature to the Department of Public Safety to fund highway patrol costs. (Effective June 30, 1991)

Laws 1991, Chapter 304 permitted the Department of Transportation to enter into written agreements with private entities for the construction or lease of transportation facility pilot projects. Any person who pays a toll for the use of such a facility can apply for a refund or credit for Motor Vehicle Fuel Taxes, Use Fuel Taxes, or Motor Carrier Taxes paid while operating a motor vehicle on such a transportation facility. (Effective September 21, 1991)

Laws 1992, Chapter 61 allowed a city or town to conduct and certify an alternative special census prior to July 1, 1993 by contract with the U.S. Census Bureau for purposes of state shared revenues in the Transaction Privilege, Income, Highway User, and Vehicle License Taxes. The State Treasurer is not to accept another special census until after the year 2000. (Effective September 30, 1992)

Laws 1993, Chapter 4 revised the population definition used to distribute highway user revenues to include revisions to the decennial or special census certified by the United States Bureau of the Census. (Effective July 17, 1993)

Laws 1993, Chapter 45 exempted motor vehicles used in motion picture and television productions from the Weight Distance Tax. (Effective July 17, 1993)

Laws 1993, Chapter 134 included the following provisions affecting the Motor Carrier Tax (Effective From and After December 31, 1993):

- (1) Provided a 24% reduction in the Motor Carrier Tax.
- (2) Redefined "use class motor vehicle" to include trucks with a declared gross vehicle weight of more than 26,000 pounds.
- (3) Created a formula for future reductions in the Motor Carrier Tax based on the number of gallons of use fuel purchased and used in the state.
- (4) Provided for a reimbursement to cities and counties when it was determined a use fuel collection shortfall exists.
- (5) Established a 5-member Use Fuel Advisory Council to review the determinations of the Department of Transportation regarding the growth or shortfall of use fuel collections in funding further reductions in the Motor Carrier Taxes.
- (6) Established a Joint Legislative Study Committee on highway user revenues that will develop and submit a report to the Governor, the Speaker of the House of Representatives, and the President of the Senate by December 1, 1994.

Laws 1993, Chapter 249 limited the amount of monies that can be used by Department of Public Safety (DPS) for funding of highway patrol costs. The distribution to DPS from either the Highway User Revenue Fund or the State Highway Fund shall not exceed:

- (1) For FY 1995 - \$20 million
- (2) For FY 1996 - \$17.5 million
- (3) For FY 1997 - \$15 million
- (4) For FY 1998 - \$12.5 million
- (5) For FY 1999 and thereafter - \$10 million

The bill also provided \$500,000, for FY 1994, from the State Highway Fund for transportation projects on Arizona's southern border. (Effective July 19, 1993)

Laws 1994, Chapter 55 increased the fee for an Excess Weight Permit from \$25 to \$75 for each permit and each 30-day Permit. The act also limited a non-articulated bus to 45 feet and clarified that motor vehicles, trailers and semi-trailers that are exempted from the weight fee are also exempt from the use fuel surcharge of 8¢ per gallon. (Effective Retroactive to January 1, 1994)

The Director of the Department of Transportation shall compute a Motor Carrier Tax that is 1% per mile less than the tax rate for a vehicle combination in the vehicle weight category of 75,001-80,000 pounds if all of the following apply:

- (1) The owner or operator of the vehicle combination provides proof satisfactory to the Director that the vehicle combination has at least 6 axles, not including a variable load axle.
- (2) The owner or operator of the vehicle combination provides proof satisfactory to the Director that the vehicle combination has a set of tridem axles and the set of tridem axles has at least 10 wheels.
- (3) The owner or operator of the vehicle combination has established Use Fuel and Motor Carrier Tax accounts with the Department.
- (4) The vehicle combination is not a triple trailer configuration.
- (5) The vehicle combination is not being operated or moved at a size or weight exceeding the maximum specified.

The Department of Transportation will abate the full amount of any penalty assessed in conjunction with a tax or fee imposed that is directly attributable to erroneous written advice furnished to a person by an employee of the Department acting in his official capacity if the person reasonably relied on the written advice, unless the penalty results from the failure of the person to provide adequate or accurate information. The Director may abate all or part of any penalty for reasonable cause. "Reasonable cause" means a basis for the person to believe that the tax or fee did not apply. The Department of Transportation shall refund user fuel surcharges that are exempted by this act, but were paid between January 1, 1994, and the effective date of the act. The act contains provisions defined in Article IX, Section 22, Constitution of Arizona that requires the affirmative vote of at least 2/3rds of both houses. (Effective April 8, 1994)

Laws 1994, Chapter 238 provided that gross weight fees imposed on commercial vehicles be calculated beginning on the 1st day of the month following the date of a transfer. The fee shall be reduced by 1/12th for each month of the year which has elapsed since the 1st day of the month following the date of transfer of the vehicle or vehicle combination, or the date the vehicle or vehicle combination becomes subject to registration. (Effective July 17, 1994)

Laws 1994, Chapter 328 clarified that payment of the Motor Carrier Tax by a motor carrier or a person who operates a lightweight motor vehicle shall exempt the motor carrier or lightweight motor vehicle operator from the Transaction Privilege and Use Tax or any similar tax imposed by any taxing authority within this state. The exemption includes leasing or renting, and any repair and replacement parts that are sold to a licensed motor carrier or a lightweight motor vehicle operator who is engaged in the business of leasing or renting such property. (Retroactive to Taxable Years Beginning From and After June 30, 1982)

Laws 1995, 1st Special Session, Chapter 3 deferred the phase-down of the Arizona Highway User Revenue Fund and the State Highway Fund distributions to the Arizona Department of Public Safety by 1 year. The distribution for FY 1996 will remain at the FY 1995 level of \$20 million. (Effective June 15, 1995)

Laws 1995, Chapter 20 allowed the Arizona Department of Transportation (ADOT) to accept a valid Use Fuel Tax License (in place of a cab card) when registering a motor carrier. Allowed the Director of ADOT to enter into agreements, for the purpose of accepting fees and taxes imposed, by alternative methods, including credit cards, debit cards and electronic fund transfers. Provided that, for motor vehicles not previously registered, the use fee

on commercial motor vehicles will be reduced by 1/12th for each month of the registration year already expired. Provided rules and procedures by which the Director of ADOT may authorize third parties to issue use fuel and Motor Carrier Licenses. Clarified that "tandem axles" means 2 or more consecutive axles more than 40 inches but not more than 96 inches apart. (Effective From and After December 31, 1995)

Laws 1995, Chapter 52 exempted from maximum gross weight limitations, trucks for which a special permit has been issued and meet all of the following requirements:

- (1) Is equipped with a conveyor bed
- (2) Is used solely as a fiber and forage module mover
- (3) Does not exceed 48 feet in length
- (4) Is only operated each year from August 1 through January 30

Pursuant to Article IX, Section 22, Constitution of Arizona, required two-thirds of both houses to vote in the affirmative and became effective immediately upon the signature of the Governor. (Effective April 5, 1995)

Laws 1995, Chapter 132 made technical changes to Title 28 (Transportation) and reorganizes the title to allow for the addition of new statutes. Repealed Arizona Revised Statutes Title 2 (Aeronautics), Title 18 (County Highways) and the current Title 28 and reenacts these provisions in a new Title 28. Moved some provisions to more appropriate titles including Title 20 (Insurance), Title 38 (Public Officers and Employees), Title 41 (State Government) and Title 48 (Special Taxing Districts). Instructed Legislative Council to prepare conforming legislation for next session. (Effective From and After December 31, 1996)

Laws 1995, Chapter 147 provided for changes to Title 28 (Transportation) in conjunction with, and conditional to the enactment of, the Title 28 technical rewrite (Laws 1995, Chapter 132). (Effective From and After December 31, 1996)

Laws 1995, Chapter 271 authorized the Department of Transportation (ADOT) to implement a vehicle plate to owner system for the registration of inter or intra-state commercial fleets. The provision is conditional upon legislative appropriation of monies for the system. (Effective January 1, 1997)

Established a Joint Legislative Review Committee to study the possible implementation of a "vehicle plate to owner system" for the general public and report their findings by December 31, 1995. Changed the definition of fleet to mean 3 (down from 25) or more vehicles owned by a person and registered in Arizona. Allowed the Director of ADOT to provide for the biennial registration of any vehicle not subject to annual emissions testing. (Effective July 13, 1995)

Laws 1996, Chapter 162 authorizes the Arizona Department of Transportation (ADOT) to abate all or part of a penalty assessed in conjunction with the motor carrier tax, provided that ADOT believes the person's failure to comply with the tax was reasonable and not from willful neglect. (Effective July 20, 1996)

Laws 1996, Chapter 345 requires the Motor Vehicle Division to transmit all fees collected at the U.S.–Mexico border from the single-trip motor carrier tax to be deposited in the Safety Enforcement and Transportation Infrastructure Fund. Monies in the fund must be used in the following priorities:

1. Enforcement of commercial vehicle safety requirements within 25 miles of the U.S.–Mexico border.
 2. Upgrades and maintenance of the transportation infrastructure within 25 miles of the border.
 3. Construction and maintenance of transportation facilities comprising the state designated NAFTA corridor.
- (Effective July 20, 1996)

Laws 1997, Chapter 8 replaced the motor carrier weight distance tax with an annual motor carrier fee payable at the time of registration for vehicles weighing between 26,001 and 80,000 pounds. The act also increased the

highway use fee for commercial vehicles weighing less than 80,000 pounds and increased the single-trip permit fees for commercial vehicles from another state or country that are not eligible for annual registration.