Report No. 83-27 E

INDEPENDENT TRUCKERS: THE EFFECT OF RECENT LEGISLATION ON EARNINGS

(Effects of the Surface Transportation Assistance Act of 1982 and the Department of Transportation and Related Agencies Appropriations Act, 1983, as they affect highway-related taxes, two trailers, length and width of vehicles, and weight of loads)

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ABSTRACT

Congress passed legislation late in 1982 that is expected to have a significant effect on the annual net earnings of independent truckers. About 90 percent of fresh produce, most used household goods, and from one-third to one-half of all fabricated steel and other commodities transported by truck are hauled by independent truckers.

The legislation raised the Federal fuel tax by 5 cents per gallon and significantly raised a highway use tax that is based on the weight of the vehicle. The legislation also allowed truckers to use two trailers, longer and wider vehicles, and carry heavier loads.

This CRS report discusses these 1982 changes in Federal legislation. It also contains an estimate of the upper and lower bound of the impact that these changes could have on the annual net earnings of independent truckers.

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INTRODUCTION

The Purpose of This Report

Congress passed legislation in 1982 that raises some highway-related taxes and repeals others, as well as allowing longer, wider and heavier trucks, and use of two trailers. The tax changes are expected to reduce the earnings of some independent truckers, while the increased opportunities for improved productivity are expected to raise the earnings of other independent truckers. This CRS report discusses these changes in Federal legislation and estimates an upper and lower bound for the possible impact of these changes on the earnings of independent truckers in 1983 and 1990.

The report begins with a brief description of independent truckers. Specific tax provisions and their likely impact on earnings are discussed next. Specific provisions which will improve the productivity of trucking for many independent truckers, and the likely impact of these changes on earnings, are then discussed. Finally, tax and productivity effects on the annual net earnings of independent truckers are summarized in Table 15 on page 28 for easy reference.

It needs to be emphasized that not all of the tax or productivity changes will occur immediately. Furthermore, some independent truckers will be able to pass along some or all of the tax increases. Similarly, some independent truckers will attain the maximum productivity increases, but others will be able to attain only a few or none at all.

Independent Truckers

Independent truckers, also known as "owner-operators," "independent drivers," or simply "independents," 1/ are individuals who own and operate a highway motor vehicle, often only one truck tractor, and who do not have operating authority from the Interstate Commerce Commission (ICC). 2/ Sometimes an independent trucker will own several trucks. In the 1982 tax legislation discussed in this CRS report, a "small owner operator" means any person who owns and operates no more than five highway motor vehicles.

Because they do not have ICC operating authority, owner-operators must: (1) transport ICC-exempt traffic; (2) be in the vehicle while hauling ICC-regulated commodities; (3) work for someone who does have ICC operating authority; or (4) do a combination of these. Estimates of the number of owner-operators vary from 90,000 to 300,000, but the number most often used is 100,000. The actual number of owner-operators in the market varies with market conditions and the general health of the economy. Independent truckers are heavily engaged in the transportation of food, steel, and household goods. They also haul from one-third to one-half of all the freight shipped by ICC-regulated carriers, working under a variety of agreements with ICC-regulated truckers. These arrangements commonly are referred to as "trip lease," "long-term lease," "being under contract," or "being under lease" to a regulated

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1/ Some of their detractors call them "gypsies."

2/ A discussion of ICC operating authority and independent trucking is contained in U.S. Library of Congress. Congressional Research Service. Trucking Regulations: A Brief Overview. Typed Report, by Stephen J Thompson, July 24, 1979. Washington, D.C., 1979. 8 p.

trucker. The actual terms of these agreements vary considerably, but they often call for the independent trucker to be paid a percentage of the revenue received by the ICC-regulated trucker. In addition, as discussed later in this CRS report, independent truckers working for ICC-regulated carriers also are entitled to receive separate compensation for higher fuel expenses. The amount of compensation is determined by the ICC and is often referred to as a "fuel surcharge" or "fuel-price pass-through."

TAX CHANGES

The tax increases, and taxes that were repealed, are discussed in the next three subsections. As will be noted there, the most significant tax increases on heavy trucks in future years, based on current rates, will be the higher fuel tax and the higher use fee that is based on the weight of the vehicle. The taxes that were repealed are quite small compared to these two tax increases.

Specific Tax Changes in 1982

The Surface Transportation Assistance Act of 1982, H.R. 6211, Public Law 97-424, was signed by President Reagan on January 6, 1983. (The Act is referred to in this CRS report as "the 1982 Act" or simply "STA". The term "1982 legislation" refers to this Act plus an Act discussed below which allows wider trucks.) Title 5 of the 1982 Act, known as the Highway Revenue Act of 1982, changes some taxes on trucking. These changes are discussed in this subsection and summarized in the next subsection.

1. Motor fuel taxes. Prior to the Highway Revenue Act of 1982, Federal law required manufacturers to pay an excise tax of 4 cents per gallon on the gasoline they sold. Retailers were required to pay an excise tax of 4 cents per gallon on all diesel fuel sold for use in a highway vehicle. Those taxes were scheduled to decline to 1 1/2 cents per gallon on October 1, 1984. The 1982 Act increases the tax on gasoline and diesel fuel by 5 cents per gallon (from 4 cents under prior law, to 9 cents under the 1982 Act) beginning April 1, 1983. 3/

3/ The 1982 Act raises the exemption on gasohol beginning April 1, 1983, from 4 cents per gallon to 5 cents per gallon. The exemption remains in effect (continued)

2.a. Excise taxes on trucks, truck tractors, trailers and semitrailers. Changes in the applicable excise taxes are outlined in Table 1. The most prominent changes are a tax increase of 2 percent on these items, and an increase in the weight of truck trailers and semitrailers that are exempt from the tax.

2.b. Excise taxes on parts and accessories for trucks, truck tractors and truck trailers. Before the 1982 Act, an 8 percent tax was levied on manufacturers at the time of sale, if the part or accessory was to be used on a vehicle weighing more than 10,000 pounds. Tires and inner tubes were exempt from this tax. The 1982 Act removed this excise tax effective January 7, 1983.

3. Use tax on heavy vehicles. Prior to the 1982 Act, an excise tax was levied

> on the use on the public highways of any highway motor vehicle which (together with semitrailers and trailers customarily used in connection with highway motor vehicles of the same type as the vehicle) ... [had] a taxable gross weight of more than 26,000 pounds. The rate of tax ... [was] $3 per year for each 1,000 pounds or fraction thereof.
>
> The taxable period for the use tax ... [was] generally the one-year period beginning on July 1. 4/

The tax was scheduled to expire on October 1, 1984.

The 1982 Act contains a schedule of use taxes, shown in Tables 2 and 3. The tax is graduated according to the gross weight of the vehicle and will be

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(continued) through December 31, 1992. In other words, there has been no tax on gasohol; but, beginning April 1, 1983, gasohol will be subject to a tax of 4 cents per gallon while gasoline and diesel fuel will be subject to a tax of 9 cents per gallon.

4/ U.S. Congress. House. Committee on Conference. Surface Transportation Assistance Act of 1982. Conference report to accompany H.R. 6211. 97th Congress, 2nd session, 1982. Washington, D.C., U.S. Govt. Print. Off., 1982. House Report No. 97-987. 210 p. See pp. 181-182.

TABLE 1. Excise Taxes on the Sale of Trucks, Truck Tractors, Trailers and Semitrailers, Beginning April 1, 1983 1/

Date	Trucks	Truck Trailers and Semitrailers	Truck tractors
Prior to 1982 Act 2/	10 percent tax on mfgr. at time of sale, if useable on a vehicle in excess of 10,000 pounds	10 percent tax on mfgr. at time of sale, if useable on a vehicle in excess of 10,000 pounds	10 percent tax on mfgr. at time of sale
After the 1982 Act 3/ 4/	12 percent tax on retailers at time of sale, if useable on vehicle in excess of 33,000 pounds	12 percent tax on retailers at time of sale, if useable on vehicle in excess of 26,000 pounds	12 percent tax on retailer at time of sale

1/ The statute and conference report refer to chassis and bodies when discussing trucks, truck tractors, truck trailers and truck semitrailers. The point to remember is that each of these pieces of equipment is comprised of a chassis and a body. The chassis is the lower part, including the frame and axles. The body is the part above the chassis. One reason for mentioning both chassis and body is that they sometimes are built separately and attached later, and the tax applies to the separate parts, rather than applying in only those instances when the chassis and body are constructed and attached together at the same time.

Vehicles driven less than 5,000 miles per year on Federal-aid highways continue to be exempt from this excise tax, regardless of their size.

2/ Certain specified articles were exempt. The rate of tax was scheduled to decline to 5 percent on October 1, 1984.

3/ Between January 7, 1983, and April 1, 1983, the 10 percent tax on manufacturers applies only to trucks over 33,000 pounds gross vehicle weight (GVW) and trailers over 26,000 pounds GVW.

4/ Certain specified articles continue to be exempt. In addition, the 1982 Act exempts trailers and vans (other than piggyback equipment) which are designed for use both as a highway vehicle and a railroad car. The new rate is scheduled to remain in effect until September 30, 1988.

Source: U.S. Congress. House. Committee on Conference. Surface Transportation Assistance Act of 1982. Conference report to accompany H.R. 6211. 97th Congress, 2nd session, 1982. Washington, D.C., U.S. Govt. Print. Off., 1982. House Report No. 97-987. pp. 81-84.

TABLE 2. Use Tax on Heavy Vehicles Beginning July 1, 1985, for Fleets of Five Vehicles or Less 1/

Gross weight of vehicle		Tax
More than	But less than	
33,000 pounds 2/ ...	55,000 pounds	$50 per year, plus $25 for each 1,000 pounds or fraction thereof in excess of 33,000 pounds
55,000 pounds	80,000 pounds	$600 per year, plus the rate shown in Table 3 for each 1,000 pounds or fraction thereof in excess of 55,000 pounds
80,000 pounds 3/		The maximum amount shown in Table 3

1/ Truck fleets of more than five vehicles follow this schedule beginning one year earlier.

2/ Vehicles weighing less than 33,000 pounds are exempt from the use tax.

3/ 80,000 pounds is the maximum vehicle weight allowed on the Interstate Highway System and primary access roads. Some States have allowed heavier vehicles on the Interstate Highway System. Section 133 of the STA retains this grandfather provision for heavier trucks in those States. Also, on some State roads, there is a higher maximum weight limit.

Source: House Report No. 97-987, p. 183.

TABLE 3. The Applicable Rate and Maximum Amount Related to Table 2

For the year beginning July 1			
1 to 5 vehicles	More than 5 vehicles	Applicable Rate	Maximum Amount
1985	1984	$40	$1,600
1986	1985	40	1,600
1987	1986	44	1,700
1988	1987	48	1,800
1989 and thereafter	1988 and thereafter	52	1,900

Source: House Report No. 97-987, pp. 88, 183.

phased in over a period of five years, beginning with the year that ends June 30, 1986. However, the largest one-year hike, from $240 per year to $1,600 per year, occurs in that first year ending June 30, 1986. It occurs one year earlier for fleets of more than five highway motor vehicles.

4.a. Tax on tires. Prior to the 1982 Act, there was an excise tax on manufacturers, producers or importers at the time of sale as shown in Table 4.

The 1982 Act repeals the tax on tires for non-highway use and the tax on laminated tires, effective on January 1, 1984. The 1982 Act graduated the tax on tires for highway use, effective on January 1, 1984, as shown in Table 5. As computed from Tables 4 and 5, the tax on a tire weighting 100 pounds will rise from $9.75 before the 1982 Act to $15.50 after January 1, 1984. This is an increase of $5.75 per tire. It also is an increase of 59 percent, but as mentioned later in this report, the tax on tires is not of much concern to independent truckers because it does not significantly increase their taxes -- compared to the fuel tax and the tax based on the weight of the vehicle.

4.b. Tax on tread rubber repealed. Prior to the 1982 Act, there was an excise tax of 5 cents per pound levied on the manufacturer, producer, or importer of tread rubber for use in recapping or retreading tires of the type used on highways. The tax was scheduled to expire on October 1, 1984. The 1982 Act repealed the tax on tread rubber, effective on January 1, 1984.

4.c. Tax on inner tubes repealed. Prior to the 1982 Act, there was an excise tax levied on the manufacturer, producer or importer of inner tubes for tires. The tax was 10 cents per pound and was scheduled to decline to 9 cents per pound on October 1, 1984. The 1982 Act repealed the excise tax on inner tubes, effective on January 1, 1984.

5. Tax on lubricating oil. Prior to the 1982 Act, there was a tax of 6 cents per gallon on lubricating oil. The tax was levied on the manufacturer or

TABLE 4. Tax on Tires Prior to the 1982 Act

Type of use	Tax
Tires for highway use	9.75 cents per pound 1/
Tires for non-highway use	4.875 cents per pound
Laminated tires (for non-highway use)	1.0 cent per pound

1/ The tax on tires for highway vehicles was scheduled to decrease to 4.875 cents per pound beginning October 1, 1984.

Source: House Report No. 97-987, p. 184.

TABLE 5. Tax on Tires Beginning January 1, 1984

Weight of tire: More than	Weight of tire: But not more than	Tax
	40 pounds	no tax
40	70	15 cents per lb. over 40 lbs.
70	90	$4.50 plus 30 cents per lb. over 70 lbs.
90 pounds		$10.50 plus 50 cents per lb. over 90 lbs.

Source: House Report No. 97-987, pp. 89, 184.

Note: There is an inconsistency between the language of the Act as printed in the Conference Report, and the explanation of the Act in the same report. This table follows the language of the Act rather than the language of the explanation.

producer of the oil. The 1982 Act repealed the excise tax on lubricating oil, effective on the date of enactment.

Summary of the 1982 Tax Changes

The changes in Federal taxation of trucking just discussed are summarized in Table 6. The two most prominent tax increases on heavy vehicles appear to be the 5 cents per gallon increase in fuel tax, effective beginning April 1, 1983, and the much higher tax based on the weight of the vehicle, which rises in phases from the current rate of $240 per year to a maximum annual rate of $1,900 for the year ending June 30, 1990. The effect on annual net earnings of independent truckers resulting from these two tax increases probably will be much greater than the effect from all the taxes that were repealed.

The importance of the various tax changes on the annual net earnings of independent truckers is discussed in the next subsection of this CRS report.

Estimated Effect of the 1982 Tax Changes on Annual Net Earnings 5/

1. "Fuel surcharge" paid to independent truckers. Under current ICC regulations, owner-operators transporting commodities under an agreement with an ICC-regulated trucker must be compensated specifically for higher fuel prices in addition to the agreed-upon payment for hauling the traffic. This fuel price compensation, also commonly referred to as a "fuel surcharge," was 12.5 cents

5/ For a discussion of other economic impacts of the motor fuel tax, such as the effect it might have on the retail price of motor fuel, see U.S. Library of Congress. Congressional Research Service. CRS mini brief number MB 82247 entitled "Economic Impacts of an Increase in the Motor Fuel Tax" by Bernard A. Gelb.

TABLE 6. Summary of the 1982 Tax Changes

Change	Effective date
Fuel tax rises 5 cents per gallon, from 4 cents to 9 cents	April 1, 1983
Excise tax on trucks, truck tractors, trailers and semi-trailers rises from 10% to 12%	April 1, 1983
Excise tax on parts and accessories is repealed. It was 8%.	Jan. 7, 1983
Highway use taxes change as shown in Tables 2 and 3. The new rates are higher. For example, before the 1982 Act, the tax on an 80,000 pound vehicle was $3 per 1,000 pounds, or $240 per year. For the year ending June 30, 1986, the tax on a truck in a fleet of five vehicles or less will be $1,600 per year. The amount will rise until it reaches $1,900 during the year ending June 30, 1990.	July 1, 1985 1/
Tax on tires rises $5.75 per tire weighing 100 pounds.	Jan. 1, 1984
Tax on tread rubber is repealed. The tax rate was 5 cents per pound.	Jan. 1, 1984
Tax on inner tubes is repealed. The tax rate was 10 cents per pound.	Jan. 1, 1984
Tax on lubricating oil is repealed. The tax rate was 6 cents per gallon.	Jan. 6, 1983

1/ For fleets of more than five vehicles, the effective date is one year earlier.

Source: The preceding tables and discussion.

per mile at the time this CRS report was written. This ICC rule first came into being after the steep rise in fuel prices following the OPEC oil embargo of 1973. The ICC changes the rate frequently during periods of fluctuating fuel prices. Thus, it is reasonable to predict that the ICC will adjust the compensation when the 5 cents per gallon tax takes effect, to the extent that the higher tax results in higher retail fuel prices.

This compensation, it should be noted, benefits only those independent truckers who are working for ICC-regulated truckers. Other independent truckers might be able to pass fuel price increases along to others, but probably not as conveniently and specifically as those who are protected by the ICC rule. Thus, an independent trucker hauling household goods or steel typically would receive the fuel price compensation directly from the ICC-regulated trucker who pays him to haul the traffic. In contrast, an independent trucker hauling fresh produce might be able to charge higher rates for his services, but it would not be an automatic upward adjustment in his compensation.

2. Tax effect. Estimates of the tax effect on independent truckers resulting from the 1982 legislative changes discussed in this report must be regarded as tentative, and subject to challenge by various groups. Although the estimates are not definitive, they suggest the magnitude of the 1982 changes.

The tax changes do not all take place at the same time, and the major concern expressed by independent truckers, the use tax based on the weight of the vehicle, is phased in over a period of years. Furthermore, although some independent truckers will have to absorb the entire increase, at least in the short run, other independent truckers will be able to pass some or all of it along to others rather quickly. Said differently, some or all of the taxes can be shifted to others in some instances, as a result of market conditions or marketing arrangements. During the current recession, however, opportunities to do that might be quite limited, except for the "fuel surcharge" paid to those independents who work for ICC-regulated carriers.

The tax effect will be smallest in 1983, rise from 1983 through the year ending June 30, 1990, and then remain constant from 1990 onward if the current rates remain in effect. If inflation continues, the amount of fuel and use taxes collected will decline relative to other expenses and relative to net earnings, because the fuel and use taxes are set at specific amounts per gallon or per pound, rather than being a percent of prices paid for fuel and equipment, or as a percent of annual net earnings received from trucking operations. In contrast, the 12 percent sales tax on equipment and parts will generate more tax revenue as the price of equipment and parts rise. But, the sales tax on equipment and parts is not likely to generate nearly as much tax revenue from each owner-operator as the fuel tax and the tax based on the weight of the vehicle.

2.a. Tax effect on independent truckers who pass higher fuel prices on to others. Estimates of the effect of the 1982 tax legislation on those independent truckers who pass fuel price increases on to others are shown in Table 7 and 8.

2.b. Tax effect on independent truckers who do not pass higher fuel prices on to others. Tables 9 and 10 contain the estimated tax effect if the entire 5 cents per gallon is passed on in the form of a higher, after tax, retail price of fuel. It assumes further that the independent trucker cannot pass any of the increase on to others.

3. Summary of the tax effects. The tax effects shown in Tables 7 through 10 are summarized in Table 11. As shown in Table 11, the impact of the 1982 tax changes on independent truckers who can pass the fuel tax on to others, but who must absorb all other tax increases, is estimated to be approximately $300

TABLE 7. Estimated Tax Effect in 1983 on Independent Truckers Who Pass Higher Fuel Prices on to Others

Tax	Amount
Fuel tax (passed on to others)	-0-
Use tax (does not increase for independent truckers until the year ending June 30, 1986)	-0-
Tax on tires (increase does not begin until January 1, 1984)	-0-
Tax on equipment 1/	$300
Approximate increase in taxes during 1983 compared to 1982	$300

1/ The tax is estimated on the basis of a tractor and trailer costing $67,000, a 5-year life, and 2 percent increased sales tax. The cost and life are based on figures contained on pages 25 and 26 of D. Daryl Wyckoff and David H. Maister. The Owner-Operator: Independent Trucker. Lexington, Massachusetts, D. C. Heath and Company, 1975. The figures are adjusted upward for inflation, using the producer price index for transportation equipment contained on page 231 of U.S. Council of Economic Advisers. Economic Report of the President, Feb. 1983. U.S. Govt. Print. Off., 1983.

TABLE 8. Estimated Tax Effect in 1990 on Independent Truckers Who Pass Higher Fuel Prices on to Others

Tax	Amount
Fuel tax (passed on to others)	-0-
Use tax ($1,900 maximum tax, minus the $240 tax rate in 1982, rounded)	$1,650
Tax on tires 1/	150
Tax on equipment 2/	400
Approximate increase in taxes during 1990 compared to 1982	$2,200

1/ Based on 18 tires per vehicle, increased tax of $5.75 per tire, 100,000 miles driven per year, useage of 80,000 miles per tire before tire is replaced. For information on tire life of bias ply and radial tires, see page 54 of the May/June 1982 issue of a magazine entitled Owner Operator.

2/ The figure is computed in the same way as for Table 7. The price of equipment was increased at the rate of inflation predicted in the Economic Report of the President, Feb. 1983, p. 144.

TABLE 9. Estimated Tax Effect in 1983 on Independent Truckers Who Cannot Pass Higher Fuel Prices on to Others

Tax	Amount
Fuel tax 1/	$800
Use tax (does not begin until the year ending June 30, 1986)	-0-
Tax on tires (does not begin until January 1, 1984)	-0-
Tax on equipment (same as in Table 7)	300
Approximate increase during 1983 compared to 1982	$1,100

1/ Estimated on the basis of 5 cents per gallon tax, 4.5 miles per gallon, 100,000 miles driven per year, tax in effect from April 1, 1983, onward.

The 4.5 miles per gallon figure is the average shown on page 33 of the Wyckoff and Maister book referred to in a footnote to Table 7. Perhaps a higher figure could be justified, taking into account empty mileage that is driven, and efforts in recent years to improve fuel efficiency. But, loads carried in the future often will be somewhat greater as a result of 1982 legislation increasing the length, width and weight of vehicles, and allowing two trailers. Consequently, the miles per gallon figure might decline in future years, rather than increase.

TABLE 10. Estimated Tax Effect in 1990 on Independent Truckers Who Cannot Pass Higher Fuel Prices on to Others

Tax	Amount
Fuel tax (same as in Table 9, except that it is in effect all year)	$1,100
Use tax (same as in Table 8)	1,650
Tax on tires (same as in Table 8)	150
Tax on equipment (same as in Table 8)	400
Approximate increase during 1990 compared to 1982 1/	$3,300

1/ The American Trucking Associations has stated in a typed report that highway use taxes in 1985 will be about $2,500 higher than in 1982. As used in that report, the term "highway use tax" seems to include all the tax increases discussed in this CRS report. The ATA report is entitled, "Summary of 'Surface Transportation Assistance Act of 1982' as it Impacts on the Trucking Industry in the Areas of Highway Taxes; Vehicle Size and Weight; and Safety." The ATA report is 13 pages long and is dated January 11, 1983.

per truck in 1983 and $2,200 in 1990. For those who cannot pass any of the tax increases along to others, not even some of the fuel tax, the impact of the tax is estimated to be approximately $1,100 per truck in 1983 and $3,300 in 1990.

TABLE 11. Estimated Decrease in Annual Net Earnings in 1983 and 1990 Resulting From the 1982 Tax Legislation

Description	Amount 1983	Amount 1990
All taxes are passed on to others	-0-	-0-
Fuel tax is passed on, no other tax is passed on 1/ . . .	$ 300	$2,200
No tax is passed on 2/	$1,100	$3,300

1/ From Tables 7 and 8.

2/ From Tables 9 and 10.

4. Estimated annual net earnings of independent truckers. There appears to be a lack of reliable data on the average annual net earnings (ANE) received by independent truckers. 6/ Having such a figure for 1982 could be quite helpful in estimating the possible impact of tax and productivity changes on independent truckers resulting from the 1982 legislation previously discussed. In the absence of reliable data, an estimate is made for ANE in 1983 and 1990 as

6/ Both the U.S. Department of Commerce, Bureau of the Census, and the U.S. Department of Labor, Bureau of Labor Statistics, told the author that they do not publish data on the earnings of independent truckers.

discussed in this subsection. The estimate is used in considering the significance of tax and productivity changes in 1983 and 1990 compared to conditions in 1982, before any changes occurred as a result of the legislation passed late in 1982. Other estimates of ANE in 1983 and 1990 could be made, and they would affect the results, as discussed briefly at the end of this CRS report.

The annual net earnings of independent truckers in 1975 was estimated to be between $13,000 and $20,000. 7/ The amount of annual net earnings depends upon how many miles an independent trucker is willing to drive during a year. It also depends upon numerous other factors, only some of which are within the independent trucker's control.

Inflation, partial trucking deregulation, and the current recession have all had an effect upon independent trucking since 1975. There does not appear to be any data published by the United States Government on the earnings of independent truckers. But there is published information for the years 1979 through 1982 on the earnings of truck drivers who are employees of trucking firms. Also, Wyckoff and Maister published information on the 1975 earnings of Teamster truck drivers. Most Teamster truck drivers are employees of trucking firms, but not all employee truck drivers are members of the International Brotherhood of Teamsters ("IBT" or "Teamsters").

One way to determine the combined effect of inflation, partial trucking deregulation, and the current recession on the annual net earnings (ANE) of independent truckers is to adjust the estimate of their ANE for changes from

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7/ The estimate was made in a book written by two Harvard faculty members who conducted interviews with independent truckers and did a considerable amount of "field research." See D. Daryl Wyckoff and David H. Maister, The Owner-Operator: Independent Trucker, Lexington, Massachusetts, D. C. Heath and Company, 1975. 166 p. Their estimate of annual net earnings is on page 35.

1975 to the present in the ANE for truck drivers who are employees of trucking firms. Data produced by the United States Department of Labor, Bureau of Labor Statistics, indicates that employee truck drivers earned just over $17,000 per year in 1982. 8/ Wyckoff and Maister estimated that in 1975, Teamster drivers earned between $16,000 and $25,000. 9/ They state that "it is generally agreed that an owner-operator is willing to earn less than a Teamster driver." 10/ Thus, an estimate of annual net earnings for independent truckers in 1983 can by inferred by adjusting earnings for independent truckers in 1975 to reflect the change in earnings of other truck drivers from 1975 through 1982. An approximate figure for the annual net earnings of independent truckers on this basis is $15,000 for 1983.

All truckers have been affected by inflation, partial trucking deregulation, and the current recession. They compete for traffic, in many instances, and sometimes one will fare better than another. Probably no clear and significant advantage could be ascribed to any group as a result of inflation, partial trucking deregulation, and the current recession. If any group has gained relative to another, it might be the independent trucker, because he can now carry ICC-regulated commodities without working "under lease" to an ICC-regulated trucker.

8/ U.S. Department of Labor. Bureau of Labor Statistics. News. March 7, 1982. Washington, D.C. USDL: 82-86. See page 7 for 1981 data. Data for 1982 was obtained by telephone from the Bureau of Labor Statistics.

The current recession is hitting trucking so hard that one independent trucker is reported to have said that his earnings are averaging about $3,000 per year. No other details of his operations were known.

9/ Wyckoff and Maister, p. 34.

10/ Wyckoff and Maister, p. 34.

The impact of inflation, partial trucking deregulation, and recession on independent truckers in 1990 is also difficult to estimate. The effects of partial trucking deregulation enacted in 1980 definitely are being felt in 1983. Additional changes in regulation might occur between now and 1990 as a result of possible changes in Federal legislation, actions by the ICC, and litigation. Further, it is possible that the current "shakeout period" resulting from the 1980 legislation might be mostly completed before 1990, in so far as entry and pricing actions are concerned. It is not expected that recession will be in evidence in 1990. Projected inflation for the years through 1988 appears in the latest Economic Report of the President. 11/ Using the figures from 1983 through 1987, and using the 1988 figure for 1988 and again for 1989, it is possible to estimate earnings in 1990. These projected earnings do not include gains from productivity changes. This method yields an annual net earnings figure of $20,000 for independent truckers in 1990.

5. Estimated upper and lower bounds of the tax effects on independent truckers in 1983 and 1990. The figures in Table 11 are combined with the estimated annual net earnings of independent truckers in 1983 and 1990 to derive the estimated percentages shown in Table 12. As just discussed, annual net earnings are estimated to be $15,000 in 1983 and $20,000 in 1990. The percentage figures in Table 12 are the percentages of annual net earnings that are expected to be paid in additional taxes resulting from the tax changes enacted in 1982. The least impact in 1983 is zero percent and the greatest

11/ Economic Report of the President, Transmitted to the Congress February 1983. Washington, D. C., U.S. Govt. Print. Off., 1983. 287 p. See p. 144.

impact in 1983 is 7 percent. The least impact in 1990 is zero percent and the greatest impact in 1990 is 17 percent.

TABLE 12. Estimated Percentage Decrease in Annual Net Earnings in 1983 and 1990 Resulting From the 1982 Tax Legislation

Description	1983	1990
All of the taxes are passed on to others	0%	0%
Fuel tax is passed on, no other tax is passed on . .	2%	11%
No tax is passed on to others	7%	17%

Source: Table 11 and the discussion in this subsection.

PRODUCTIVITY CHANGES

Federal legislation governing truck size, weight, and configuration, was changed considerably in 1982. These changes and their effect on the annual net earnings of independent truckers are discussed in this section.

Changes in 1982 Regarding Two Trailers, Length and Width of Vehicles, and Weight of Loads

Use of two trailers (sometimes referred to as "twin trailers" or "double bottoms") is now permitted nationwide as a result of the Surface Transportation Assistance Act of 1982 (STA). That law also permits longer trucks and heavier loads. 12/ Widths were increased by the Department of Transportation and Related Agencies Appropriations Act of 1983. 13/

Two trailers. Section 411(c) of the STA allows a truck tractor and two 28-foot trailing units on all segments of the Interstate Highway System and on those segments of the Federal-aid Primary System that are designated by the Secretary of Transportation.

Truck length restrictions were eased by section 411(a) of the STA. That section requires States to allow 48-foot semitrailers whenever there is only one trailing unit. The roads included are the Interstate Highway System and designated Federal-aid Primary System highways.

12/ The American Trucking Associations and Teamsters were calling for heavier loads than those allowed in the STA.

13/ H.R. 7019, Public Law 97-369, 96 Stat. 1765, enacted December 18, 1982.

Truck width limitations were increased from 96 inches to 102 inches by section 321 of Public Law 97-369. The increase applies only to roads having traffic lanes 12 feet or more in width.

Weight of load limits were made uniform at 80,000 pounds by section 133 of the STA. Section 133 withholds Federal highway money from any State that does not allow trucks weighing 80,000 pounds on the Interstate Highway System and roads within that State which provide access to the Interstate Highway System. Section 133 retains the grandfather provision of earlier Federal legislation that allows even heavier trucks on the Interstate Highway System in some States.

Estimated Effect of Productivity Changes on Annual Net Earnings

Operating characteristics among independent truckers vary tremendously and, consequently, not many generalizations are possible. However, some comments and hypothetical examples might be useful.

1. Two trailers. Sixteen States did not allow the use of two trailers prior to the STA. Thus, for a trucker formerly pulling one 45-foot trailer 8 feet wide who is now permitted to pull two 28-foot trailers 8 1/2 feet wide, the increase in revenue could be over 32 percent. Not much additional fuel is consumed pulling two loaded trailers compared to the amount used to pull one loaded 45-foot trailer. Other expenses do not rise much either. Thus, a trucker's net earnings could be close to 32 percent higher than before the 1982 Act. This would be an increase of $4,800 in 1983 and $6,400 in 1990, as shown in Tables 13 and 14.

2. Longer and wider vehicles. The analysis for longer and wider vehicles is similar to that for pulling two trailers. The space available for holding

TABLE 13. Estimated Increase in Annual Net Earnings in 1983 and 1990 Resulting From Two Trailers, Longer and Wider Vehicles, and Heavier Loads

Description	1983	1990
Two trailers 8 1/2 feet wide	$4,800	$6,400
Longer and wider vehicles	2,000	2,600
Heavier loads	1,350	1,800
If none of these productivity increases is possible . .	-0-	-0-

Source: The discussion in this section of this CRS report.

TABLE 14. Estimated Percentage Increase in Annual Net Earnings in 1983 and 1990 Resulting From Two Trailers, Longer and Wider Vehicles, and Heavier Loads

	Percent of annual net earnings	
Description	1983	1990
Two trailers 8 1/2 feet wide	32%	32%
Longer and wider vehicles	13%	13%
Heavier loads	9%	9%
If none of these productivity increases is possible . .	0%	0%

Source: The discussion in this section of this CRS report.

cargo in a 45-foot trailer 8 feet wide, compared to a trailer that is 48-feet long and 8 1/2 feet wide, could be an increase of about 13 percent. A 13 percent increase in net earnings would be $2,000 in 1983 and $2,600 in 1990, as shown in Tables 13 and 14.

3. Heavier loads. The increased weight limit, from 73,280 pounds to 80,000 pounds, could provide an increase of about 9 percent in net earnings when a load reaches the higher weight limit before filling up the truck. A 9 percent increase in annual net earnings would be $1,350 in 1983 and $1,800 in 1990, as shown in Tables 13 and 14.

4. Summary of possible effects. The benefits shown in Tables 13 and 14 should not be added together, because a vehicle typically will either fill up before reaching the maximum weight limit, or it will reach the maximum weight limit before filling up the vehicle. Thus, for typical trucking operations, it would not be appropriate to add the benefits of a larger truck to the benefits of heavier weight limits. In some instances, both size and weight benefits will be attained, but estimating the extent to which this will be possible is problemmatical. Furthermore, the benefits will not be available to all independent truckers, and except for heavier loads, the benefits will not be attained until equipment is replaced. In some instances, equipment will not be replaced for several years.

ESTIMATED EFFECT OF THE 1982 LEGISLATION ON ANNUAL NET EARNINGS: UPPER AND LOWER BOUNDS

This CRS report has discussed the effect on annual net earnings of 1982 legislative changes affecting taxes and productivity. The results are combined in Table 15. As shown there, higher taxes could lower annual net earnings as much as $1,100 or 7 percent of annual net income (ANE) in 1983 and as much as $3,300 or 17 percent of ANE in 1990. Higher productivity resulting from the 1982 legislation could raise ANE as much as $4,800 or 32 percent of ANE in 1983 and $6,400 or 32 percent of ANE in 1990.

The percentage decrease in ANE resulting from tax changes, and the dollar increase in ANE resulting from productivity improvements, as a consequence of the 1982 legislation, depend upon the estimate of ANE in 1983 and 1990 that is used. In this report the estimated ANE amounts are $15,000 for 1983 and $20,000 for 1990. If a different estimate of ANE is used, these figures will be different. (See the footnotes to Table 15 for more discussion of this.)

It should be noted again that higher taxes can be passed on to others by some independent truckers, but not by others. Similarly, the gains from higher productivity will not begin in 1983 for all independent truckers, and some independent truckers will never benefit fully in these productivity gains, for various reasons associated with market conditions and operating arrangements. That is why upper and lower bounds are shown in Table 15, rather than showing a single estimated net amount for 1983 and another single amount for 1990.

TABLE 15. Estimated Effect of Tax and Productivity Changes on Annual Net Earnings: Upper and Lower Bounds

Description	Changes in Annual Net Earnings			
	1983		1990	
	Amount	Percent	Amount	Percent
Decrease in annual net earnings resulting from the full impact of tax changes and no productivity gains (lower bound) 2/	- $1,100	- 7% 1/	- $3,300	- 17% 1/
Increase in annual net earnings resulting from full productivity gains and no tax impact (upper bound) 4/	+ $4,800 3/	+ 32%	+ $6,400 3/	+ 32%

1/ The estimated percentage decrease in annual net earnings figure depends upon the estimated amount of annual net earnings (ANE), as discussed in the text. If a different estimate of ANE is used, these percentages will be different. For example, if a lower ANE is used, the percentage decrease in ANE resulting from the tax changes will be larger. If a larger ANE is used, the percentage decrease will be smaller.

Thus, if the estimate of ANE is too high, the negative impact of the tax changes, expressed as a percentage of ANE, will be understated. That is, the lower bound in Table 15 is not low enough (when stated as a percent) if ANE is overstated.

2/ These dollar and percentage figures are taken from Tables 11 and 12. They are the figures associated with the worst case — when fuel prices rise by the full amount of the higher fuel tax, no tax increases are passed on to others, and no productivity gains are realized by the independent trucker.

3/ The estimated dollar amount of increased ANE depends upon the estimated ANE, as discussed in the text. If a different estimate of ANE is used, these dollar amounts will be different. For example, if a higher ANE is used, the dollar improvement resulting from higher productivity will be larger. If a lower ANE is used, the dollar gain will be smaller.

Thus, if the estimate of ANE is too low, the productivity gains, expressed as a dollar amount, will be understated. That is, the upper bound in Table 15 is not high enough (when stated as a dollar amount) if ANE is understated.

4/ These dollar and percentage figures are taken from Tables 13 and 14. They are the figures associated the best case — when an independent trucker benefits from the highest category of productivity gains (use of two trailers 8 1/2 feet wide) and all tax increases are passed on to others.