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FAST Act - Highway Funding is in Place for the Next Five Years

TAX, TRANSPORTATION & LOGISTICS

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On December 4, 2015 President Obama signed the "Fixing America's Surface Transportation Act" which was recently passed by the Senate and House. The FAST Act, as it is being called, is a 1,300-page bill that sets the federal government's highway funding for the next five years at a cost of \$305 billion. It is the first long-term highway bill in ten years. As with most legislation, it is a mixed bag of positive and negatives, but it does prove a stable funding source for transportation funding for the next five years. This is important for surface transportation, meaning States and local governments can move forward with critical transportation projects, like new highways and transit lines, knowing that the federal funding will be there.

HOW IS THE FAST ACT PAID FOR?

The federal government typically spends about \$50 billion per year on transportation projects, but the gasoline tax only raises \$34 billion per year. The federal gasoline tax will remain at 18.4 cents per gallon, where it has been since 1993.

There have been discussions that it should be indexed for inflation, but that was not included in this bill. Another argument that lost out was that tax rate should increase due to the improved efficiency of modern vehicles and the increased use of alternative fuels.

HOW WILL THE REST OF THE TRANSPORTATION FUNDING NECESSARY BE RAISED?

That is being covered by a package of \$70 billion dollars of offsets from other areas of the federal budget. Some commentators have called these budget gimmicks. Some of these offsets are listed below.

- The first offset is by taking \$53 billion from the Federal Reserve Bank Surplus Account over the next five years. This is a rainy-day fund that will not be at the Federal Reserve's disposal in the future.
- The second offset is the sale of 66 million barrels from the Strategic Petroleum Reserve that will generate \$6.2 billion.
- The IRS will now be able to contract out tax collections to private collectors for inactive tax receivables. These include cases that have been removed from active

collections because of lack of resources or the inability to locate the taxpayer. This is projected to raise \$2.4 billion

- The Act provides the U.S. State Department with the ability to deny a passport or renewal of a passport as well as revoke a previously issued passport if the individual is a "seriously delinquent taxpayer" (defined as an outstanding tax debt in excess of \$50,000 adjusted for inflation). This is projected to raise \$.5 billion.

What does the FAST Act do outside of directly funding transportation projects?

- The Export-Import Bank has been reauthorized. This federal government agency helps finance exports. Its charter expired June 30th, but now is back in business for the next five years.
- The bill funds \$10.8 billion for infrastructure projects to improve "freight corridors" that can get factory goods, retail items and agricultural products flowing more smoothly. It should help eliminate bottlenecks and increase the capacity of highways designated as major freight corridors. The Transportation Department estimates the volume of freight traffic will increase 45% over the next 30 years.
- The bill lowers the minimum age of interstate truck drivers to 18 years from 21 for veterans and current military members and reservists.
- The automatic three-and-half-month extension that was provided in the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 for filing Form 5500, Annual Returns/Reports of Employee Benefit Plan has been repealed.

Contact us with questions about the Fixing America's Surface Transportation (FAST) Act and visit our Transportation and Logistics Industry Group page to learn about services that we offer the industry.

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