



# Committee On Finance

Max Baucus, Chairman

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## **Statement of Chairman Max Baucus Committee on Finance Hearing on Fuel Tax Evasion**

Today the Finance Committee is holding its second hearing on Transportation Trust Funds. This is part of the Finance Committee effort to increase revenue into the Transportation Trust Funds as Congress approaches reauthorization of both surface and air transportation. This is also the fourth in a series of hearings on schemes, scams and cons against the federal government.

This hearing will provide an overview of different strategies used to perpetuate fuel tax fraud. We will also examine how this fraud affects the Highway, Airport and Airway Trust Funds.

I am aware that this is a very controversial subject, but it is one that we must address. This fraud represents money that the federal government is losing while crooked individuals are getting rich on the backs of good honest citizens. Uncovering this kind of corruption is what we mean by practicing good government. We need to catch these folks and make sure the money is going where it should. This is money that goes to transportation projects and creates transportation jobs. This is important to Montana and to all states.

Given Finance Committee oversight of all the transportation trust funds, it is incumbent upon this Committee to examine those trust funds and do our best to grow them to meet our nation's transportation needs.

As Congress approaches the reauthorization of both TEA 21 and AIR 21, the current multi-billion dollar transportation laws, the Finance Committee will examine the taxes, the revenues and the balance projections that will be the basis for the Federal Highway Program over the next several years. In May, we did just that with our first hearing on the highway trust fund. As a result of both TEA 21 and AIR 21, revenues collected by the Trust Funds are directly tied to spending on surface and air transportation. Therefore, adequately funding the nation's transportation infrastructure -- both surface and air -- is almost entirely based upon collecting all the taxes that should be collected by law.

By ensuring collection of all fuel excise taxes, this committee will be able to grow the surface and air transportation programs without raising taxes. I introduced a bill in June that will do that. S. 2678 – the MEGA Trust Act -- recoups for the Highway Trust Fund both the interest and revenue for the losses due to the ethanol subsidy. Now we embark on an effort to ensure that the revenues that should be going into the Trust Funds actually are going in.

Before I get into the nuts and bolts of the hearing, let me first say how pleased I am to see that my good friend and the Ranking Member of this Committee, Senator Grassley, is interested in transportation issues and playing a role as we reauthorize TEA 21. Iowa, like Montana, is very rural and has a lot of highways. Our states have needs that are different from other areas of the country. I look forward to working together with Senator Grassley on TEA 21 reauthorization.

I'd also like to thank Senator Jeffords for his interest in transportation issues. Senator Jeffords is the Chairman of the Environment and Public Works Committee. I have served on that Committee for 20 years. I had the good fortune of working on both ISTEA and TEA 21. Those 2 highway bills helped create jobs in Montana. Skilled and unskilled jobs in highway construction are well-paid. These jobs provide employment opportunities for workers who have lost manufacturing jobs, with minimal training requirements. I plan to create more jobs for Montanans under the next highway bill. The best way to increase jobs for Montana is to increase highway money going to Montana. A good way to increase highway money going out is to ensure its coming in.

In light of that responsibility, today, we continue what is a series of transportation-related hearings. We will discuss a subject that is crucial to my state of Montana and one that I have always cared about and have been very involved with: Transportation Trust Funds. This hearing will provide Members an opportunity to understand the fuel excise tax structure and the tax collection system for fuel excise taxes. They will also hear about schemes, scams and cons that are used by participants in the fuel distribution chain to evade federal and state fuel taxes. Additionally, there will be discussion of some of the efforts underway by both the Federal Government and the states to combat this evasion.

I understand that there will be some very interesting stories about the elaborate strategies the dishonest use to circumvent the fuel excise tax system. And I look forward to hearing about the efforts made by the IRS and the states to curtail this fraud.

Let me first say that today, for the first time before this Committee, we have Mary Peters, the Administrator of the Federal Highway Administration. Ms. Peters has been a good friend to highways in the past and I look forward to working with her on the upcoming reauthorization.

I would also like to mention that Senator Graham of Florida has asked me to extend his apologies for not being present. He is not able to be present today but he

would like to welcome the witness from Florida, Mr. David Skinner, and all the witnesses here today.

I am also aware that Senator Lott would like to introduce the witness from Mississippi, Mr. Wayne Rhoads. I will ask him to do that when we get to testimony. I am looking forward to testimony from all these witnesses and a chance for questions afterwards.