



February 22, 2022

TO: Members of the Senate Transportation Committee

RE: SF1602 – Howe: Electric fuel distributed by a utility through an electric vehicle charging station at a public or private parking space tax imposition.

SF3081 – Newman: State general sales tax revenue related to motor vehicle repair and replacement parts allocation exclusively to fund roads.

SF3086 – Howe: Allocation modification of sales tax revenue related to motor vehicle repair and replacement parts.

Thank you for the opportunity to express the support of the Minnesota Transportation Alliance for legislation that would tax electric fuel in the same manner as other fuels used in motor vehicles as well as legislation that would provide a statutory dedication of 100% of the revenue generated through the state sales tax on auto repair parts to transportation accounts.

On behalf of the 230 member organizations of the Minnesota Transportation Alliance, I would like to thank Senator Howe for introducing SF1602 and urge support for this legislation.

As we see the growth in the sales of electric vehicles in Minnesota, we believe it is important to treat the fuel used in electric vehicles in same manner as other fuels used in motor vehicles. Minnesota's Constitution allows the taxation of any substance used for propelling vehicles and electricity used in motor vehicles fits that definition. With a tax on the fuel as opposed to an additional registration fee, the revenue must be deposited in the Highway User Tax Distribution Fund and used for a highway purpose just like the revenue from other fuel taxes.

SF1602 taxes electricity at the wholesale level, just like other fuels and ensures that the revenue will be used in the same manner as the gas tax. We applaud this innovative approach, assuming that the cost of collection will not be substantially higher than with other alternative fuels.

Currently 30 states charge an EV and/or Hybrid vehicle fee to compensate for the lack of fuel tax collections from these vehicles.

Since 1893

525 Park St., Ste. 240 ● Saint Paul, MN 55103 ● 651/659-0804 ● Fax 651/659-9009

Email: margaret@transportationalliance.com ● www.transportationalliance.com

The Minnesota Transportation Alliance also supports legislation that dedicates all of the revenue generated by the sales tax on auto repair parts to transportation. Dedicating all of the revenue from the existing sales tax on auto repair parts will provide the needed funds to match formula funds being made available through the federal Infrastructure Investment and Jobs Act (IIJA) while also reducing the ongoing funding gap in transportation.

Current law dedicates \$145.6 million per year of the revenue from sales tax on auto repair parts to transportation. Increasing the amount of the dedication would provide more stability over the five-year life of the IIJA and beyond. The increased funding amount would be similar to the dollar amount recommended by the governor in his supplemental budget recommendation over the next four years, adding to the base level of funding, so the impact on the general fund will be similar.

In addition to providing needed matching dollars, the dedication of the sales tax on auto repair parts can be used to reduce the significant funding gap the state faces for the foreseeable future. While the IIJA provides a major increase in federal transportation funds, it does not take care of all of the funding needs on the system. Directing dollars into existing transportation accounts allows for the most efficient use of these dollars whether to match new federal funds or to invest directly in Minnesota's transportation system.

Sincerely,

Margaret Donahoe
Executive Director

Resources:

Minnesota Constitution – Article XIV

The legislature may levy an excise tax on any means or substance used for propelling vehicles on the public highways of this state or on the business of selling it. The proceeds of the tax shall be paid into the highway user tax distribution fund.

M.S.296A

- (1) E85 is taxed at the rate of [17.75](#) cents per gallon;
- (2) M85 is taxed at the rate of [14.25](#) cents per gallon; and
- (3) all other gasoline is taxed at the rate of 25 cents per gallon.

The special fuel excise tax is imposed at the following rates:

- (a) Liquefied petroleum gas or propane is taxed at the rate of 18.75 cents per gallon.
- (b) Liquefied natural gas is taxed at the rate of 15 cents per gallon.
- (c) Compressed natural gas is taxed at the rate of \$1.974 per thousand cubic feet; or 25 cents per gasoline equivalent. For purposes of this paragraph, "gasoline equivalent," as defined by the National Conference on Weights and Measures, is 5.66 pounds of natural gas or 126.67 cubic feet.
- (d) All other special fuel is taxed at the same rate as the gasoline excise tax as specified in section [296A.07, subdivision 2](#). The tax is payable in the form and manner prescribed by the commissioner.