

April 9, 2025

RE: SF966, SF2688, SF2092

Dear Chair Rest and Sente Tax Committee Members:

We strongly support efforts to adjust the current \$75 electric vehicle fee to align it more fairly with the fuel tax paid by drivers of other fuel-powered vehicles.

Minnesota's road system at all levels is underfunded with a significant funding gap identified by MnDOT of over \$1 billion per year. As electric vehicles become more prevalent, we have more drivers that are not paying the fuel tax. As the difference in price between electric and gasoline powered vehicles continues to shrink, we believe that all vehicle owners should pay the motor vehicle registration tax, sales tax and fuel tax to support the maintenance and improvement of our road system.

The average driver in Minnesota pays between \$150 and \$200 per year for the 31.8 cent per gallon gasoline and diesel fuel tax. When drivers pay less than that amount, we are losing revenue needed to repair and maintain roadways. **Every other fuel type (compressed natural gas, propane, liquified natural gas, etc.) is taxed in Minnesota at a rate that is comparable to the gasoline and diesel tax with the exception of electricity.**

As of January, 2025:

- 39 states collect an electric vehicle registration fee as a proxy for the traditional fuel tax.
- Twelve states charge \$200 or more annually for the electric vehicle registration fee.
- Twenty-eight states charge a hybrid electric vehicle annual fee.
- 25 of those states charge \$50 or more for the hybrid electric vehicle fee.

Most states charge an annual fee because it is easier and more cost-efficient to administer but more states are considering a per-kilowatt-hour fee, especially at public charging stations. In the State of Wisconsin, a 3 cent per-kilowatt-hour fee went into effect in January at public charging stations. The state continues to collect the \$175 annual fee for all electric vehicles and \$75 fee for hybrid vehicles. A fee collected at charging stations allows states to collect revenue from drivers who don't live in the state and are using the roadways.

All vehicle owners pay the Motor Vehicle Sales Tax (MVST) and Registration Tax (license tab fee). The average price for a new car is currently \$48,641 while the average price for an all-electric vehicle is currently \$55,500. The gap between the cost of electric vehicles and other vehicles continues to shrink.

A fair and reasonable fee, aligned with the cost of maintaining the infrastructure all drivers use, is unlikely to significantly affect consumer decision-making, especially as more affordable EV models continue to enter the market and the overall cost gap between EVs and traditional vehicles narrows.

Now is the time to provide more parity among all users of our roadways. We urge you to support efforts to help stabilize funding for our roadways and thank you for your consideration.

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