

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 615** HLS 21RS 971

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.: **w/ PROP HSE FLOOR AMD**

Sub. Bill For.:

Date: May 19, 2021 2:58 PM	Author: FREIBERG
Dept./Agy.: OMV/DOTD/Chutzpah	Analyst: Benjamin Vincent
Subject: Electric/Hybrid Vehicle Tax; TTF CSF Dedication	

TAX/GASOLINE TAX EG INCREASE SD RV See Note Page 1 of 1
Adjusts the amount of excise tax levied on gasoline, diesel, and special fuels and levies new taxes on gasoline, diesel, special fuels, and electric and hybrid vehicles

This fiscal note assumes adoption of proposed amendment #1895 on the House Floor. Proposed law implements, beginning in FY23, an annual tax of \$200 per electric vehicle and \$100 per hybrid vehicle, to be collected and reported by the dealer at initial sale, and directs OMV to give written notice to taxpayers annually indicating the amount due. Proposed law dedicates the avails to the Construction Subfund (CSF) of the Transportation Trust Fund (TTF). Proposed law provides restrictions on the use of funds within the CSF, and additionally implements certain requirements on expenditures within the Highway Priority Program. Proposed law requires the Legislative Auditor to audit the operations and efficiency of the Department of Transportation & Development (DOTD), and its use of funds within the CSF.

Effective July 1, 2022.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$84,000	\$63,000	\$63,000	\$63,000	\$63,000	\$336,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$84,000	\$63,000	\$63,000	\$63,000	\$63,000	\$336,000

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

Fiscal note assumes adoption of proposed amendment #1895 on the House Floor. The Office of Motor Vehicles would incur programming and administration costs to identify and track the number of electric and hybrid-electric vehicles, to issue notices of tax due annually, and to collect the new annual taxes on those vehicles. An upfront cost of approximately \$21,000 is anticipated for FY22 to establish the levy within the OMV systems. OMV notes that accurate initial disclosure of the vehicle fuel type by the dealer will be required for effective administration and collection of the tax.

OMV indicates that under its existing system, a manual process for identification of eligible vehicles, assessment of tax due, and customer notification would be required. Administration of the manual process would require one additional T.O. position, reflected in the table above as a recurring cost of approximately \$61,000. Recurring annual costs for taxpayer notification, under the assumption of approximately 2,900 eligible vehicles, results in an additional \$2,000 in recurring costs. Costs will grow as the number of affected vehicles grows.

OMV notes that its legacy system is being upgraded, and that completion is anticipated in approximately five years. Under the updated system, it is possible that the manual process would no longer be required.

REVENUE EXPLANATION

Fiscal note assumes adoption of proposed amendment #1895 on the House Floor. Proposed law levies an annual tax of \$200 on electric vehicles and \$100 on hybrid-electric vehicles in the state, and dedicates the avails to the CSF.

Official state electric vehicle data is not collected, however industry estimates suggest the 2020 total to be approximately 2,900 such vehicles in the state, implying a revenue impact of approximately \$1 million. To the extent that purchases of these types of vehicles become more commonplace, this figure would increase over time. LFO notes that proposed law contains no mechanism for identifying already-existing eligible vehicles, and relies upon future sales to begin tracking them. This implies a gradual ramp-up in collections, as more and more vehicles are reported to OMV as electric or hybrid.

For information purposes, in a hypothetical scenario where the first year of effectiveness saw 500 electric vehicles and 350 hybrid vehicles sold, the implied revenue impact would be \$170,000 for such a year. If the same sales were observed in the following year, the implied revenue impact would total \$340,000, as the new sales would result in \$170,000, and the existing vehicles would again owe \$170,000 for the year. This ramp-up process would continue until the stock of affected vehicles in the state stabilizes.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Gregory V. Albrecht
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Chief Economist