

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 582** HLS 21RS 857

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 20, 2021	10:48 AM	Author: MCFARLAND
Dept./Agy.: OMV/DOTD		Analyst: Benjamin Vincent
Subject: Electric/Hybrid Vehicle Fee; Redirection of TTF Revenues		

TAX/GASOLINE TAX RE SEE FISC NOTE GF EX See Note Page 1 of 1
Dedicates a portion of the existing tax levied on gasoline and diesel into the Construction Subfund and imposes a road-use fee on electric and hybrid vehicles

Proposed law imposes an annual road use fee of \$200 per electric vehicle and \$100 per hybrid vehicle, to be collected by dealers and remitted to the Office of Motor Vehicles, and dedicates the avails to the Construction Subfund (CSF).

Proposed law redirects \$120 million of gasoline and diesel fuels tax collections annually from the Transportation Trust Fund (TTF) to the Construction Sub-Fund (CSF) of the TTF.

Effective July 1, 2021.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW					
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						
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	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

EXPENDITURE EXPLANATION

Proposed law reduces dedicated TTF revenues by \$120 mil annually (redirecting that amount to the CSF). TTF is the means of finance for a significant portion of the DOTD operating budget. In FY21, the fuels taxes that are redirected by proposed law are a portion of approximately \$465 mil in dedicated TTF revenues. DOTD reports that for FY21, \$414 mil of their \$656 mil operating budget was supported by TTF resources. This implies an offsetting increase in annual general fund expenditures to fund DOTD operations in order to maintain current DOTD operations and services currently funded by TTF resources.

Additionally, OMV 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 FY22 cost of approximately \$21,000 is anticipated to establish the levy within the OMV systems. Under the existing OMV system, a manual process for identification of eligible vehicles, assessment of tax due, and customer notification would be required. Administration of the manual process is anticipated to require one additional T.O. position, at 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 accurate initial disclosure by the dealer will be required to effectively administer and collect the tax.

REVENUE EXPLANATION

Proposed law redirects \$120 mil of fuels tax revenues from the TTF to the CSF, which may result in significant state general fund expenditure requirements to backfill any portion of the DOTD budget that cannot be supported with CSF resources. The Expenditure Explanation section above contains some detail on the potential expenditure impact due to this redirection of dedicated revenues.

Additionally, proposed law levies an annual fee of \$200 on electric vehicles and \$100 on hybrid-electric vehicles in the state, and dedicates the avails to the CSF. Industry estimates suggest that approximately 2,900 such vehicles are registered 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}

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