Electric Vehicle (EV) Legislation

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Presentation to Electricity as Vehicle Fuel Working Group

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Brief Legislative History

- $75 EV surcharge
  - First established in 2017 legislation
  - Imposed annually on all-electric vehicles
  - Charged as part of vehicle registration for passenger automobiles
  - “Grandfather” clause on total registration tax due
  - Revenue directed to the Highway User Tax Distribution (HUTD) Fund
- In subsequent years, various EV-related taxation changes proposed
  - Surcharge rate increase (flat amount, indexing)
  - Surcharge expansion to hybrid or plug-in hybrid vehicles, electric motorcycles
  - Shift to road usage charge
  - Electric fuel tax

EV Surcharge: 2025 Changes (1 of 2)

- 2025 surcharge modifications
  - Flat amount replaced with a formula
  - Expanded to plug-in hybrid electric vehicles (PHEV)
  - Grandfather clause removed
  - Effective January 1, 2026
- Basic formula: 0.5% (for EV) or 0.25% (for PHEV) of MSRP, multiplied by:
  - a devaluation factor, for a vehicle age 1 to 9; or
  - 10%, for a vehicle age 10 or older
- Devaluation factor
  - Sets a declining percentage based on the vehicle's age
  - Matches part of motor vehicle registration tax calculation formula

EV Surcharge: 2025 Changes (2 of 2)

- Minimum surcharge amounts specified:

Period	Vehicle Type	Amount
1/1/26 – 6/30/27	All-electric	$150
1/1/26 – 6/30/27	Plug-in hybrid	$75
7/1/27 & after	All-electric	$100
7/1/27 & after	Plug-in hybrid	$50

- Date of reduced minimum amounts aligns with date of electricity as a vehicle fuel tax implementation

EV Surcharge: Some Perspectives

- 2017 legislation
  - Forecasted long-term revenue decline for motor fuels tax
  - Arguably included focus on offsetting foregone gas tax revenue due to EV adoption
- Range of proposals
  - Various potential methods to structure & determine taxation
    - EV "fair share" calculation
    - Basis in use of road systems
- 2025 legislation (*Laws 2025, 1st Spec. Sess., Ch. 8, Art. 2*)
  - Arguably included focus on tax incidence (tax progressivity/regressivity, with vehicle value as a proxy for income)

Laws 2025, 1st Spec. Sess., Ch. 8, Art. 2 (1 of 4)

- Changes to Section 168.013 – Vehicle Registration Taxes
  - Electric vehicle surcharge (*Laws Sec. 16; Minn. Stat. Sec. 168.013, subd. 1m*)
  - Plug-in hybrid electric vehicle surcharge (*Laws Sec. 17; Minn. Stat. Sec. 168.013, subd. 1n*)

Laws 2025, 1st Spec. Sess., Ch. 8, Art. 2 (2 of 4)

- Changes to Chapter 296A – Tax on Petroleum and Other Fuels
  - Defining Relevant Terms (*Laws Sec. 67-71; Minn. Stat. Sec. 296A.01*)
    - Electric vehicle; Electric vehicle supply equipment; Electricity as vehicle fuel; Public charging station; Public charging station operator
  - Rulemaking authority (*Laws Sec. 72; Minn. Stat. Sec. 296A.02*)
    - "The commissioner [of revenue] may adopt rules relating to the administration and enforcement of laws regulating the sale, distribution, and use of petroleum products, <u>electricity sold as vehicle fuel,</u> and special fuel. The rules shall be reasonable and consistent with the law."
  - Public Charging Stations Licensure
    - Licensing requirements (*Laws Sec. 73; Minn. Stat. Sec. 296A.051(New)*)
    - Suspension of license (*Laws Sec. 74; Minn. Stat. Sec. 296A.06, subd. 2*)
    - Cancellation or non-renewal of license (*Laws Sec. 75; Minn. Stat. § 296A.061*)
    - Effective July 1, 2027

Laws 2025, 1st Spec. Sess., Ch. 8, Art. 2 (3 of 4)

- Changes to Chapter 296A, continued
  - Establishing Electricity as Vehicle Fuel Tax (*Laws Sec. 76; Minn. Stat. Sec. 296A.075 (New)*)
    - Imposes tax of five cents per kilowatt hour of electricity sold as vehicle fuel
    - Applies to public charging stations, with some exemptions
    - Proceeds to be deposited in the Highway User Tax Distribution Fund
    - Effective July 1, 2027

Laws 2025, 1st Spec. Sess., Ch. 8, Art. 2 (4 of 4)

- Working Group Established (*Laws Sec. 118*)
- Establishing language
  - The commissioners of transportation, public safety, management and budget, revenue, and commerce must convene an Electricity as Vehicle Fuel Working Group to evaluate, promote, and provide recommendations to facilitate the development and integration of electricity used as vehicle fuel within the state's transportation, energy, commercial, industrial, and residential sectors.
- Duties:
  - (1) provide a comprehensive analysis of electricity used as vehicle fuel infrastructure opportunities and barriers;
  - (2) develop a roadmap with policy and funding recommendations for sustainable transportation funding mechanisms consistent with the Minnesota Constitution, article XIV, including a plan for the studied mechanisms to replace the electric vehicle surcharges under Minnesota Statutes, section 168.013, subdivisions 1m and 1n; and
  - (3) research and analyze legislation and policy made in other states to determine equitable and comprehensive fuel assessment methods for electric vehicles.