

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Amanda Duerr Organization: MADA

**Recommendation Category:**

- ☒ Changes to Minnesota's Electric Vehicle Charging Tax
 ☐ Changes to Electric Vehicle Surcharge  
☐ Proposals to tax electricity as vehicle fuel via different methods than a public charging tax  
☐ Proposals connected to Sales Tax on Electricity
 ☐ Other

**Recommendation:**

Repeal the five-cent per kWh tax.

**Is there any additional information you would like to provide alongside your recommendation?**

With 80% of EV charging taking place at home, and the tax only applied to Level 3 charging stations selling electricity, only a small percentage of EV charging will be captured by this tax. I believe it also provides disincentive for the installation to additional charging infrastructure, when "range anxiety" is the biggest obstacle to EV adoption. Charging stations at non-convenience store settings (ie car dealerships) sell very low volumes of electricity, so collecting and remitting the tax will be a lot of administrative effort for very little state revenue.

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Anjali Bains Organization: Fresh Energy

**Recommendation Category:**

- ☒ Changes to Minnesota's Electric Vehicle Charging Tax
 ☐ Changes to Electric Vehicle Surcharge  
☐ Proposals to tax electricity as vehicle fuel via different methods than a public charging tax  
☐ Proposals connected to Sales Tax on Electricity
 ☐ Other

**Recommendation:**

Given how early the EV market still is and the inequitable burden of placing an additional tax on public charging (which is already more expensive for those that rely on it because they don't have home charging) on top of EVs already paying a separate surcharge to replace gas tax, we recommend the legislature remove the public charging tax. Alternatively we recommend delaying implementation of a public charging tax until a threshold of EV market penetration (e.g. this public charging tax will go into effect when EV adoption reaches 10% of all passenger vehicles).

**Is there any additional information you would like to provide alongside your recommendation?**

There should not be double taxation on electricity used as a vehicle fuel, i.e. if and when a charging tax is implemented, then legislature will need to exempt sales tax on electricity used as a vehicle fuel. Administratively, it may be easier to keep the sales tax and discard the charging tax, and use a calculation to estimate what amount of general funds should be reallocated to the HUTDF each year. Nothing will be perfect in any scenario but this approach might be simpler.

Even with a sales tax exemption, it should be noted that the EV surcharge is meant to recover 'lost gas tax', so an additional public charging tax is already a double taxation on EVs. If a public charging tax remains to gather revenue from non-Minnesotan registered drivers, then a mechanism to provide Minnesotans a refund on the public charging tax they pay would be preferred.

Name: Sen. Johnson Stewart Organization: Senate

**Recommendation Category:**

- ☒ Changes to Minnesota's Electric Vehicle Charging Tax ☐ Changes to Electric Vehicle Surcharge  
☐ Proposals to tax electricity as vehicle fuel via different methods than a public charging tax  
☐ Proposals connected to Sales Tax on Electricity ☐ Other

**Recommendation:**

The legislature should establish the required federal purchase exemption for electricity sold as vehicle fuel to federally owned vehicles

**Is there any additional information you would like to provide alongside your recommendation?**

Recommendation based on technical assistance from the Department of Revenue and was discussed in the Department's presentation to the working group on November 20th.

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: John Hausladen Organization: Minnesota Trucking Association

**Recommendation Category:**

- ☒ Changes to Minnesota's Electric Vehicle Charging Tax
 ☐ Changes to Electric Vehicle Surcharge  
☐ Proposals to tax electricity as vehicle fuel via different methods than a public charging tax  
☐ Proposals connected to Sales Tax on Electricity
 ☐ Other

**Recommendation:**

The Minnesota Trucking Association has been a consistent cheerleader for Minnesota's constitutional highway funding mechanisms. Fuel taxes, in particular, are efficient, are dedicated to our roadways and treat vehicles fairly based on fuel consumption. For that reason, we believe electricity should be taxed like a fuel.

**Is there any additional information you would like to provide alongside your recommendation?**

- We think treating electric vehicles like any other passenger vehicle makes sense. For the last decade, the legislature has chosen to make policy in a way that incentivized the purchase and use of EV's vis a vis vehicles using different fuel sources. But make no mistake, electricity is a motor vehicle fuel.
- Motor vehicle sales tax, registration tax and fuel taxes are dedicated to the Highway User Trust Distribution Fund – dedicated to the construction of the roads and bridges we all drive on.
- Article 14 itself was passed as an amendment to the MN Constitution in 1920. Since then, corn, soybeans, natural gas and other fuels have been identified and a tax specified in Chapter 296A, related to the Section of the Constitution I referenced.
- We further believe that offroad 'electric fuel' should be tax exempt, just other off road fuels.
- As EV's increase as a percentage of the total vehicle fleet, the HUTDF will only fall further behind if the Legislature does not capture the revenue from electricity fuel.

Electricity as Vehicle Fuel Working Group- Submissions for Potential RecommendationsName: **John Pollard**

International Union of Operating Engineers Local 49

Organization: \_\_\_\_\_

**Recommendation Category:**

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|--|--|
| <input checked="" type="checkbox"/> Changes to Minnesota's Electric Vehicle Charging Tax                               | <input type="checkbox"/> Changes to Electric Vehicle Surcharge |
| <input type="checkbox"/> Proposals to tax electricity as vehicle fuel via different methods than a public charging tax |  |
| <input type="checkbox"/> Proposals connected to Sales Tax on Electricity   | <input type="checkbox"/> Other                                 |

**Recommendation:**

Keep the excise tax on EV charging stations at the rate of 5 cents per kWh  
- Increase at the rate of inflation

**Is there any additional information you would like to provide alongside your recommendation?**

Keep the excise tax on EV charging stations  
- Increase at the rate of inflation

Electricity as Vehicle Fuel Working Group- Submissions for Potential RecommendationsName: **John Pollard**

International Union of Operating Engineers Local 49

Organization: \_\_\_\_\_

**Recommendation Category:**

Changes to Minnesota's Electric Vehicle Charging Tax



Changes to Electric Vehicle Surcharge



Proposals to tax electricity as vehicle fuel via different methods than a public charging tax



Proposals connected to Sales Tax on Electricity



Other

**Recommendation:**

Broaden the standard of excise taxation to include level 2 charging stations along with level 3 charging stations.

**Is there any additional information you would like to provide alongside your recommendation?**

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Justin Emmerich Organization: \_\_\_\_\_

**Recommendation Category:**

- ☒ Changes to Minnesota's Electric Vehicle Charging Tax
 ☐ Changes to Electric Vehicle Surcharge  
☐ Proposals to tax electricity as vehicle fuel via different methods than a public charging tax  
☐ Proposals connected to Sales Tax on Electricity
 ☐ Other

**Recommendation:**

Industry growth should be prioritized before putting on market disincentives. Minnesota should apply a fuel tax only to EV chargers that meet a defined utilization-rate benchmark, or just have an outright delay until 2035. The revenue collected is insignificant compared to the damage done to the market, and we have yet to see strong EV out of state traffic.

**Is there any additional information you would like to provide alongside your recommendation?**

Investors are currently building charging stations with the understanding that EV adoption remains low and that early-stage utilization will lag for several years. These investors are relying on a long-term growth curve focused on when utilization is expected to improve. At the same time, rate schedules penalize low-demand stations, making it even more challenging for charging station investors to break even.

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Margaret Donahoe Organization: MN Transportation Alliance

**Recommendation Category:**

- ☒ Changes to Minnesota's Electric Vehicle Charging Tax ☐ Changes to Electric Vehicle Surcharge
- ☐ Proposals to tax electricity as vehicle fuel via different methods than a public charging tax
- ☐ Proposals connected to Sales Tax on Electricity ☐ Other

**Recommendation:**

Lower the threshold from level three to level two charging stations for application of the 5-cent per kilowatt hour charging fee. Whether charging faster or more slowly, vehicles are still using the roadways and the fee should apply to those vehicles charging at a level two charging station.

**Is there any additional information you would like to provide alongside your recommendation?**

MnDOT estimates that funding gap for the trunk highway system for the next 20 years is \$17.8 billion or \$890 million per year and local governments, who have jurisdiction over most of the lane miles of roadway in the state, have identified a funding gap for local roads and bridges of approximately \$1 billion per year. We need to ensure that all vehicles using the roadways are paying the fuel tax or an equivalent.



Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: **Margaret Donahoe** Organization: **MN Transportation Alliance**

**Recommendation Category:**

- ☒ Changes to Minnesota's Electric Vehicle Charging Tax
 ☐ Changes to Electric Vehicle Surcharge  
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 ☐ Other

**Recommendation:**

Clarify the definition of public charging stations to include any station where a fee is charged that is available to the general public. The 5-cent per kilowatt hour fee collected at public charging stations should be retained so we capture revenue from drivers traveling through the state and the revenue fits the Constitutional definition of an excise tax charged a substance used for propelling vehicles on the public highways resulting in the revenue being deposited into the Highway User Tax Distribution Fund.

**Is there any additional information you would like to provide alongside your recommendation?**

The state levies a fuel tax on all other alternative fuels: E85, M85, liquefied petroleum gas or propane, liquefied natural gas, compressed natural gas and other special fuels. Electricity used as a fuel is not included in the state fuel taxes. Electricity should be included and the 5-cent per kilowatt hour is the most logical and efficient way to accomplish this. Wisconsin and Iowa have implemented both the flat rate annual EV fee and a per-kilowatt hour fee, demonstrating the ability to effectively implement this policy. All publicly-available charging stations should collect this fee, ensuring a level playing field for station owners.

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Carolyn Berninger Organization: Drive Electric Minnesota

**Recommendation Category:**

- ☐ Changes to Minnesota's Electric Vehicle Charging Tax
 ☐ Changes to Electric Vehicle Surcharge  
☒ Proposals to tax electricity as vehicle fuel via different methods than a public charging tax  
☐ Proposals connected to Sales Tax on Electricity
 ☐ Other

**Recommendation:**

Eliminate the public charging tax. Most electric vehicle (EV) charging happens at home, so taxing public fast charging is ineffective at capturing usage and replacing gas tax revenue. Taxing public charging also raises equity considerations, as EV owners without access to home charging—such as renters and those living in multi-unit dwellings—are more likely to rely on public charging regularly. This would raise costs for individuals who already face higher barriers to electrifying and further strain the already challenging economics of fast charging, while generating limited revenue for the state.

**Is there any additional information you would like to provide alongside your recommendation?**

Electricity is already subject to sales and use tax, which contributes to the general fund. Adding a public charging tax on top of an already elevated EV surcharge creates significant burdens for EV drivers, exceeding what gas vehicle owners pay through fuel taxes. It also worsens the already challenging economics of fast charging, where high infrastructure and operating costs and often-low utilization currently make profitability difficult. Eliminating this fee would make public charging more affordable and accessible, supporting equitable EV adoption and advancing Minnesota's clean transportation and climate goals.

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Erik Rudeen Organization: MnDOT

**Recommendation Category:**

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|-------------------------------------|---|--------------------------|---------------------------------------|
| <input type="checkbox"/>            | Changes to Minnesota's Electric Vehicle Charging Tax  | <input type="checkbox"/> | Changes to Electric Vehicle Surcharge |
| <input checked="" type="checkbox"/> | Proposals to tax electricity as vehicle fuel via different methods than a public charging tax |                          |                                       |
| <input type="checkbox"/>            | Proposals connected to Sales Tax on Electricity   | <input type="checkbox"/> | Other                                 |

**Recommendation:**

Utilize existing research and approaches from Minnesota, other states and other countries to further explore alternative taxing approaches (road user charges, etc.) that could provide the most equitable outcome for Minnesotans as they pay for their transportation use while ensuring revenue remains consistent with Minnesota's needs.

Is there any additional information you would like to provide alongside your recommendation?

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: **John Pollard** Organization: International Union of Operating Engineers Local 49

**Recommendation Category:**

- |   |  |
|---|--|
| <input type="checkbox"/> Changes to Minnesota's Electric Vehicle Charging Tax   | <input type="checkbox"/> Changes to Electric Vehicle Surcharge |
| <input checked="" type="checkbox"/> Proposals to tax electricity as vehicle fuel via different methods than a public charging tax |  |
| <input type="checkbox"/> Proposals connected to Sales Tax on Electricity  | <input type="checkbox"/> Other                                 |

**Recommendation:**

The legislature should continue to pursue and eventually implement a system that distribute tax revenue obtained from residential EV vehicular charging to the Highway Tax Fund and not the General Tax Fund

Is there any additional information you would like to provide alongside your recommendation?

Name: Sen. Johnson Stewart Organization: Senate

**Recommendation Category:**

- |  |  |
|--|--|
| <input type="checkbox"/> Changes to Minnesota's Electric Vehicle Charging Tax  | <input type="checkbox"/> Changes to Electric Vehicle Surcharge |
| <input type="checkbox"/> Proposals to tax electricity as vehicle fuel via different methods than a public charging tax |  |
| <input checked="" type="checkbox"/> Proposals connected to Sales Tax on Electricity                                    | <input type="checkbox"/> Other                                 |

**Recommendation:**

The legislature should eliminate the sales tax on electricity at public electric vehicle charging stations

**Is there any additional information you would like to provide alongside your recommendation?**

The legislature should work to eliminate unfair double taxation, while ensuring that motor fuels taxes are dedicated to transportation purposes. While this may be more challenging for home EV charging, the legislature can and should take this step at public chargers where the public charging excise tax applies.

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Amanda Duerr Organization: MADA

**Recommendation Category:**

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 ☐ Other

**Recommendation:**

Replace the MSRP-based surcharge with a flat fee.

**Is there any additional information you would like to provide alongside your recommendation?**

The price of a vehicle has little to do with its impact on the state's infrastructure. For the first several years, the surcharge on most EV's will be significantly higher than the \$200 flat fee originally contemplated during session. This MSRP-based tax model adds real costs to EV ownership, which seems counterproductive to the state's goal to electrify the transportation sector. A flat fee reflective of average road use would be more appropriate.

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Anjali Bains Organization: Fresh Energy

**Recommendation Category:**

- ☐ Changes to Minnesota's Electric Vehicle Charging Tax
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 ☐ Other

**Recommendation:**

The legislature should take up Rep Elkin's proposal to create a mileage-based user system, modified to apply to all efficient vehicles, not just EVs (like what they do in VA) alongside a flat fee, to allow drivers an option on which one they would like to use. For the flat fee/surcharge, it should be calculated based on a formula (similar to Virginia) rather than an arbitrary amount. The flat surcharge should also retain some cost savings for efficient vehicles (e.g. VA only charged 80% of the difference between what efficient vehicles pay vs. the average vehicle in gas tax). Legislation could include regular updates to the pricing used in this framework, at regular intervals, to reflect the increasing efficiency of the average vehicle.

**Is there any additional information you would like to provide alongside your recommendation?**

There will be an efforts this year again to add in a federal EV surcharge. If that were to pass, recommend adding trigger language that would ratchet down the MN fee or take other action to reduce the cost burden on EV drivers.

Additionally, the EV surcharge coupled with a public charging tax means EVs are being double taxed. Should both move forward, they should each respectively be reduced to ensure the overall cost burden on an EV isn't more so than an efficient gas vehicle. See our presentation for a graphic on the overall tax burden on an EV vs a gasoline vehicle.

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Carolyn Berninger Organization: Drive Electric Minnesota

**Recommendation Category:**

- ☐ Changes to Minnesota's Electric Vehicle Charging Tax
 ☒ Changes to Electric Vehicle Surcharge  
☐ Proposals to tax electricity as vehicle fuel via different methods than a public charging tax  
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 ☐ Other

**Recommendation:**

Reduce the electric vehicle surcharge to ensure that electric vehicle (EV) drivers are not required to contribute more to transportation funding than drivers of similar gas-powered vehicles. Sustainable funding solutions should consider the true causes of declining transportation revenues, including the rising fuel efficiency of gas-powered cars and increasing construction costs.

**Is there any additional information you would like to provide alongside your recommendation?**

All drivers should contribute fairly to Minnesota's transportation system, but EV drivers should not be required to pay more than drivers of comparable gas vehicles. Under the current design, EV owners face disproportionate costs--for example, under the new system, the driver of a new Kia Niro EV will pay around \$200 annually, and the owner of a new Ford F-150 Lightning will pay \$325 annually--regardless of how much they drive. By contrast, drivers of new gas vehicles commonly used in Minnesota pay between \$125 and \$211 each year, assuming average mileage, and they retain the option to reduce costs by driving less. This inequity risks discouraging EV adoption at a time when Minnesota has set ambitious goals for expanding clean transportation.



Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Anjali Bains Organization: Fresh Energy

**Recommendation Category:**

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 ☒ Other

**Recommendation:**

Given the early stage of the EV public charging market, the legislature should remove the public charging operator's license, or add in a trigger point to include it e.g. when EV penetration reaches 10% of passenger vehicles (currently EVs comprise 1% of passenger vehicles), then a public charging operator's license will go into effect.

**Is there any additional information you would like to provide alongside your recommendation?**

With the annual inspection fee already in place, the need for a public charging operator's license at this juncture is lessened. The burden on a public charging station owner or operator to manage both, when much of the market is still trying to build and expand public charging, is too great. Nixing the charging operator's license will still retain the benefits of ensuring public chargers are providing a reliable and standard experience for users via the annual inspection.

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Anjali Bains Organization: Fresh Energy

**Recommendation Category:**

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|--|--|
| <input type="checkbox"/> Changes to Minnesota's Electric Vehicle Charging Tax  | <input type="checkbox"/> Changes to Electric Vehicle Surcharge |
| <input type="checkbox"/> Proposals to tax electricity as vehicle fuel via different methods than a public charging tax |  |
| <input type="checkbox"/> Proposals connected to Sales Tax on Electricity   | <input checked="" type="checkbox"/> Other                      |

**Recommendation:**

The legislature should amend the annual inspection fee placed on public chargers to be free for at least 3 years, as a transition period for public charging station owners. After that, a minimal inspection fee may be added in, with a waiver for public charging stations owned by a nonprofit or public entity. Alternatively, if current legislation allows the Department of Commerce to waive these fees in the early years of implementation and for nonprofits or public entities, the Department should do so. Inspection fees could be raised once EV market adoption hits a threshold, e.g. 10% of passenger vehicles are EVs.

**Is there any additional information you would like to provide alongside your recommendation?**

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Anjali Bains Organization: Fresh Energy

**Recommendation Category:**

- ☐ Changes to Minnesota's Electric Vehicle Charging Tax
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 ☒ Other

**Recommendation:**

This is an idea to explore further, which is -- how much do commercial vehicles or other vehicles pay into our gas tax and larger HUTDF, and is it an equitable distribution vs. passenger vehicles writ large and electric vehicles specifically? If the goal is to help reduce the gap in HUTDF, we need to look at the whole picture and include an equitable distribution of the burden of increased costs across all vehicles, including larger commercial ones.

**Is there any additional information you would like to provide alongside your recommendation?**

As our presentation showed, beyond ensuring an equitable distribution of costs amongst all vehicle types to make up for lagging roadway funds, costs on EVs and more efficient vehicles should be sized appropriately to acknowledge there are other co-benefits to such vehicles -- e.g. improved public health and lower health costs from less air pollution and climate emissions -- that should still be incentivized in any final fee structure. Virginia's approach, where efficient vehicles and EVs only pay 80% of the cost difference between the average gas tax of an inefficient vehicle (vs. 100%) is a good example of this.

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Erik Rudeen Organization: MnDOT

**Recommendation Category:**

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| <input type="checkbox"/> Proposals connected to Sales Tax on Electricity   | <input checked="" type="checkbox"/> Other                      |

**Recommendation:**

Continue state support for building out a network of electric vehicle charging facilities, especially since federal funding for construction of additional charging locations will soon end.

**Is there any additional information you would like to provide alongside your recommendation?**

MnDOT has identified a need for as many as 4,000 public DC fast charging ports to support a public EV charging network.

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Gary Hansen Organization: League of Minnesota Cities

**Recommendation Category:**

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| <input type="checkbox"/> Changes to Minnesota's Electric Vehicle Charging Tax  | <input type="checkbox"/> Changes to Electric Vehicle Surcharge |
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| <input type="checkbox"/> Proposals connected to Sales Tax on Electricity   | <input checked="" type="checkbox"/> Other                      |

**Recommendation:**

A portion of revenue from assessment of electric vehicles for use of Minnesota roadways should be dedicated to municipalities for construction and maintenance of roads and bridges within their jurisdiction.

**Is there any additional information you would like to provide alongside your recommendation?**

Local governments having jurisdiction over a substantial portion of roadways in the state are experiencing significant construction and maintenance funding gaps. City streets are an integral part of Minnesota's network of roads supporting movement of people and goods. An equitable portion of electric vehicle fees should be a source of revenue to help cities meet growing demands for street improvements and maintenance.

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Justin Emmerich Organization: \_\_\_\_\_

**Recommendation Category:**

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|--|--|
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| <input type="checkbox"/> Proposals connected to Sales Tax on Electricity   | <input checked="" type="checkbox"/> Other                      |

**Recommendation:**

297B.01, Subd. 11 is the Auto Parts Sales Tax. The definition should be expanded to include electric vehicle chargers and charging components.

Is there any additional information you would like to provide alongside your recommendation?

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Justin Emmerich Organization: \_\_\_\_\_

**Recommendation Category:**

- ☐ Changes to Minnesota's Electric Vehicle Charging Tax
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 ☒ Other

**Recommendation:**

In regards to the time-of-use rate, Minnesota should implement a demand response program to curtail and discharge load from EV batteries and chargers. For this program, it is essential to create a rate schedule that customers can respond to and adjust their charging rates based on if demand is lower or higher.

**Is there any additional information you would like to provide alongside your recommendation?**

Under the current rate schedule, it is increasingly difficult for charger operators to enter the market. Minnesota electricity providers' rate schedules penalize low-utilization stations through high demand charges and fixed fees, making it almost impossible for charging station owners to maintain electricity costs at a level that allows them to break even. An updated rate schedule would reduce demand charges and fixed monthly fees, which are very expensive for charger operators when charger utilization is low. Illow.low.expensive for charger operators when charger utilization is

Electricity as Vehicle Fuel Working Group- Submissions for Potential RecommendationsName: **John Pollard**

International Union of Operating Engineers Local 49

Organization: \_\_\_\_\_

**Recommendation Category:**☐

Changes to Minnesota's Electric Vehicle Charging Tax

☐

Changes to Electric Vehicle Surcharge

☐

Proposals to tax electricity as vehicle fuel via different methods than a public charging tax

☐

Proposals connected to Sales Tax on Electricity

☒

Other

**Recommendation:**

The legislature should clarify the definition of a public charging station to include retail charging stations.

**Is there any additional information you would like to provide alongside your recommendation?**



Electricity as Vehicle Fuel Working Group- Submissions for Potential RecommendationsName: **John Pollard**

International Union of Operating Engineers Local 49

Organization: \_\_\_\_\_

**Recommendation Category:**☐

Changes to Minnesota's Electric Vehicle Charging Tax

☐

Changes to Electric Vehicle Surcharge

☐

Proposals to tax electricity as vehicle fuel via different methods than a public charging tax

☐

Proposals connected to Sales Tax on Electricity

☒

Other

**Recommendation:**

Clarify direct the applicable state agencies to implement legislatively agreed upon task force recommendations.

**Is there any additional information you would like to provide alongside your recommendation?**

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Margaret Donahoe Organization: MN Transportation Alliance

**Recommendation Category:**

- ☐ Changes to Minnesota's Electric Vehicle Charging Tax
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 ☒ Other

**Recommendation:**

Explore voluntary fuel-efficient vehicle fee or road user charge for electric vehicles.

**Is there any additional information you would like to provide alongside your recommendation?**

As states look to stabilize transportation funding, some are exploring road usage charges that based on the number of miles a vehicle travels. Currently, four states have implemented a road user charge program. Most states allow drivers to choose this option for contributing to road maintenance.

The State of Virginia has implemented a Fuel-Efficient Vehicle Fee. The fee is paid at the time of registration. This fee is based on the vehicle's combined miles per gallon (MPG) and is designed to compensate for the lower gas tax revenue from vehicles that use less fuel. In addition, a voluntary Mileage Choice Program allows owners to pay a per-mile fee instead of the annual flat fee. A vehicle with a combined fuel economy of 25 miles per gallon or greater is considered a fuel-efficient vehicle.

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

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**Recommendation Category:**

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**Recommendation:**

Provide tax benefits/credits to help bring down initial purchase price. Minnesota has previously provided a tax credit to help people with electric vehicle purchases. We know from national research that the provision of tax benefits or credits changes people's purchasing decisions and makes it much more likely that people will purchase an electric vehicle.

**Is there any additional information you would like to provide alongside your recommendation?**

One of the main concerns people cite regarding why they don't purchase an electric vehicle is the high purchase price. That is much more of a concern than any EV fees or taxes.

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Margaret Donahoe Organization: MN Transportation Alliance

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 ☒ Other

**Recommendation:**

Inventory existing charging ports and invest in public charging stations around the state.

**Is there any additional information you would like to provide alongside your recommendation?**

MnDOT estimates that to meet Minnesota's goals for electrification, the state will need 193,000 charging ports by 2030. The state needs an up-to-date inventory of where current EV chargers are and develop a plan for where additional ports are needed.

The federal NEVI program is providing formula funds to help build new charging infrastructure. Additional funding is needed support the development of new charging stations, particularly in rural areas.

Range anxiety is another major factor cited by people who choose not to purchase an electric vehicle.

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 ☒ Other

**Recommendation:**

Minnesota should charge and annual EV fee of at least \$200 per year to compensate for loss of revenue from the fuel tax. Average vehicle in the fleet today pays \$234 per year in fuel taxes. With 80% of EV charging occurring at home, this ensures the state does not lose revenue needed for road maintenance.

**Is there any additional information you would like to provide alongside your recommendation?**

Over the lifetime of vehicle ownership, EVs are less expensive than ICE vehicles. Due to lower fuel and maintenance costs, the lifetime savings is estimated at somewhere between \$6,000 and \$10,000. In Minnesota, the average cost for electricity with home charging is \$571 per year while owners of ICE vehicles pay an average of \$1,268 per year for fuel. EVs typically have lower maintenance costs as they do not have the same cost for oil changes, tire rotations and brake servicing among other maintenance costs. Insurance rates for EVs does tend to be about 15% higher. EVs also tend to retain their value better than ICE vehicles. The annual fees and charging station fees are not a major factor in consumer behavior and are not a significant cost when considering the purchase and maintenance costs of any vehicle.

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Margaret Donahoe Organization: MN Transportation Alliance

**Recommendation Category:**

- |  |  |
|--|--|
| <input type="checkbox"/> Changes to Minnesota's Electric Vehicle Charging Tax  | <input type="checkbox"/> Changes to Electric Vehicle Surcharge |
| <input type="checkbox"/> Proposals to tax electricity as vehicle fuel via different methods than a public charging tax |  |
| <input type="checkbox"/> Proposals connected to Sales Tax on Electricity   | <input type="checkbox"/> Other                                 |

**Recommendation:**

Maintain 5-cent per kilowatt hour fee at public charging stations. For Minnesota, with the language of section 10, article XIV of our Constitution, revenue collected from a tax on electricity used as a fuel is constitutionally-dedicated and must be paid into the highway user tax distribution fund just like the revenue from fuel taxes.

**Is there any additional information you would like to provide alongside your recommendation?**

Ten states have enacted an EV charging station tax or fee. These fees are generally charged on a cents per kilowatt hour basis. For the average EV car that requires 60 kilowatt hours for a full charge, Minnesota's 5-cent per kilowatt hour charging fee would cost \$3.00 per charge for the average EV car. The state tax on full tank of gas at 15 gallons would be \$4.77. This fee has not been shown to discourage EV adoption or charging in the states that have enacted this fee.

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Margaret Donahoe Organization: MN Transportation Alliance

**Recommendation Category:**

- ☐ Changes to Minnesota's Electric Vehicle Charging Tax
 ☐ Changes to Electric Vehicle Surcharge  
☐ Proposals to tax electricity as vehicle fuel via different methods than a public charging tax  
☐ Proposals connected to Sales Tax on Electricity
 ☒ Other

**Recommendation:**

Maintain needed revenue for Minnesota transportation needs regardless of potential federal tax changes.

**Is there any additional information you would like to provide alongside your recommendation?**

The federal excise tax on gasoline is 18.4 cents per gallon and 24.4 cents per gallon on diesel fuel, which is charged in addition to Minnesota's fuel tax. This is not considered double taxation. EVs do not pay the federal fuel tax. Efforts at a national level to compensate for the loss of revenue from EVs not paying the federal excise tax do not change the goal of Minnesota and other states of trying to compensate for the loss of state fuel tax revenue.

Electricity as Vehicle Fuel Working Group- Submissions for Potential Recommendations

Name: Steve Organization: Elkins

**Recommendation Category:**

- ☒ Changes to Minnesota's Electric Vehicle Charging Tax
 ☐ Changes to Electric Vehicle Surcharge  
☒ Proposals to tax electricity as vehicle fuel via different methods than a public charging tax  
☐ Proposals connected to Sales Tax on Electricity
 ☒ Other

**Recommendation:**

Drop consideration of trying to tax the electricity going into EVs (which is impractical) and instead follow Utah's lead and implement a fair mileage-based road user charge under which EV owners would pay a rate-per-mile tax calculated so that an EV would pay an amount equal to what the owner of an ICE vehicle would pay in gas taxes for a similar car driven the same number of miles. The mileage-based road user charge would be a voluntary alternative to paying the EV registration surcharge. Only odometer readings would be collected -- no trip data would be collected.)

**Is there any additional information you would like to provide alongside your recommendation?**

The task force has established that it is impractical to tax the electricity going into the 80% of electric vehicles that are charged at home (and that it is unfair to double tax the 20% of electric vehicles that are charged in public both an electricity sales tax and a separate EV electricity sales tax surcharge). At the same time, Utah has proven that a fair mileage-based road user charge can be implemented quickly and that collection costs can be reduced to a reasonable level.





December 12, 2025

Senator Ann Johnson Stewart  
Chair, Electricity as Fuel Working Group  
3211 Minnesota Senate Bldg.  
St. Paul, MN 55155

RE: Submissions for Potential Recommendations

Chair Johnson Stewart,

**On behalf of the Minnesota Chamber of Commerce, representing 6,300 employers and their more than 500,000 employees across the state, I am writing to share our input and feedback regarding potential recommendations made by the Electricity as Fuel Working Group.**

Minnesota businesses depend upon a safe, reliable, efficient, and multimodal transportation system to get their goods to market and their employees, customers, and input materials to their door. As the transportation industry continues to move toward a more fuel-efficient vehicle fleet, we have long been supportive of efforts by the state to ensure sufficient resources exist to maintain and improve the state's roads and bridges. To that end, we have supported measures to increase the amount electric vehicles (EVs) contribute to the maintenance and upkeep of our transportation system, with a goal of doing so in a way that is commensurate with what drivers of internal combustion engine vehicles contribute through the gas tax.

We believe it is important begin this work now, while the size of the EV fleet in Minnesota is still relatively small. Current forecasts indicate that the EV fleet will only continue to grow. And, as it does, it will become more difficult to put meaningful funding mechanisms in place to backfill projected declines in the gas tax. As such, we are grateful the Legislature acted during the 2025 session, in a bipartisan manner, to increase meaningfully the contribution of EVs to the maintenance and upkeep of our transportation system. At the same time, we are pleased the 2025 legislation included the establishment of this Working Group to provide an opportunity for interested and impacted parties to review and study the state's new approach to EVs, compare and contrast it with similar measures being implemented elsewhere in the country, and offer the Legislature and policymakers additional input and suggestions about how best to position the state for success moving forward. To that end, the Minnesota Chamber offers the comments below for your review and consideration.

380 St. Peter Street, Suite 1050, St. Paul, MN 55102  
[www.mnchamber.com](http://www.mnchamber.com)

### **Electric Vehicle Charging Tax**

Beginning July 1, 2027, Minnesota will levy a new excise tax of 5 cents per kilowatt-hour (kWh) of electricity sold to a customer as vehicle fuel at a public (for-profit) charging station that was installed after October 1, 2023 and has a metering system and a capacity of more than 50kW.

As the Minnesota Department of Revenue pointed out in its presentation to the Working Group, current state statute provides no standard exemption for fuel purchased by the federal government. We agree with the Department that such an exemption should be added to the law to ensure compliance with the U.S. Constitution.

The Department of Revenue also clarified that Minnesota is one of only two states in the country (the other being Kentucky) that subjects electricity sold as vehicle fuel both to an excise tax AND sales and use tax. Put simply, those charging EVs at public charging stations are being double taxed in Minnesota. What's more, at 5 cents per kWh of electricity sold, Minnesota's excise tax is already among the highest in the country. But this tax burden only increases when considering that the sales and use tax in our state adds another roughly 7% to 10% to the purchase of electricity as fuel. To avoid double taxation and to lessen the tax burden on this fuel source, we encourage the state to exempt electricity sold as vehicle fuel from sales and use tax.

We also encourage the state to level the playing field between different charging stations as it relates to the imposition of the excise tax. At present, the tax essentially applies only to level 3 charging stations where electricity as fuel is sold by a for-profit business. According to the Department of Revenue, this current structure exempts about 60% of the charging stations in the state. Over time, we are concerned this will unnecessarily lessen the value of the new excise tax as a funding source for our state's transportation infrastructure and could diminish the incentive for additional private sector investment in the state's EV charging network.

Finally, we would like to highlight and echo the request from the convenience store and travel center industry to simplify the procedures and forms for remittance of the new excise tax. The process should parallel and mirror the requirements for remittance of the state's fuel tax. We do not believe that remitting the new charging tax should be more expensive and burdensome than remitting the fuel tax.

### **EV Surcharge**

Because it is estimated that roughly 80% of EV charging is done at home, we view the new EV charging excise tax as the primary means by which the state will generate revenue from out of state EV drivers moving through Minnesota. Conversely, we view the EV surcharge as the primary means by which Minnesota EV owners will contribute financially to the maintenance and upkeep of the state's transportation system. As such, and as noted above, we believe that the surcharge should be levied in an amount and in a way that is commensurate with what Minnesota's drivers of internal combustion engine vehicles contribute through the gas tax.

According to data presented to the Working Group by the Minnesota Departments of Transportation and Public Safety, the projected \$208 (2026) average amount levied by the newly increased EV surcharge is generally commensurate with the estimated \$234 (2026) average gas tax paid by Minnesotans. It should be noted, however, there may be opportunities for the state to improve the way in which the surcharge is calculated and levied, making it more commensurate with the gas tax in that respect.

As the Legislature's non-partisan staff noted for the Working Group, the new EV surcharge, which is calculated using the age and MSRP of the vehicle, "arguably included a focus on tax incidence (tax progressivity/regressivity, with vehicle value as a proxy for income)". This is different from how EV surcharges are calculated and levied in many other states. Virginia, for example, charges EV and other high efficiency vehicles a Highway Use Fee (HUF), which is calculated by comparing fuel tax payments of an average vehicle in Virginia to those for vehicles that get 25 miles or more per gallon. Because Virginia's HUF is tied to the state's gas tax and calculated using actual data regarding a given vehicle's fuel efficiency and the payment of the gas tax by an average driver in the state, it likely allows for a more transparent, logical, and defensible surcharge. Minnesota's surcharge approach may have value in its focus on tax incidence. But if the ultimate goal of the surcharge is to ensure EVs are financially supporting our transportation infrastructure in much the same way that the average Minnesotan does through the gas tax, there may be reason to consider an approach like Virginia's HUF.


It should be noted that Virginia has moved beyond simple reliance upon its HUF to ensure meaningful and commensurate financial contributions from EV owners. Virginians have a choice either to pay the HUF at registration or join the optional Mileage Choice Program (MCP) and pay a per mile fee, capped at the HUF amount. The flexibility and choice that is offered through Virginia's approach may be another reason for Minnesota to consider moving in a similar direction with its surcharge. However, one cannot ignore the current cost disadvantage of MCP and other mileage-based user fee/road user charge programs like it around the country. Virginia's HUF (and Minnesota's current surcharge) is collected in full at the time of registration, making it efficient and cost-effective to collect – meaning a significant share of the dollars collected are invested in transportation infrastructure. That stands in stark contrast to the cost-benefit equation of MCP, which currently costs the state of Virginia roughly \$2 to collect \$1 in revenue from the program. It is expected that improvements in technology will lower the cost of administering these types of user fees over time.

If Minnesota were to reorient its surcharge approach to one that is more closely tied to a vehicle's fuel economy and the average driver's gas tax bill, like Virginia's HUF, it may also position the state to move toward a direct user fee approach for EVs in the future, as the cost-benefit calculus of that type of model improves.

Thank you for the opportunity to provide this input. It has been a privilege to represent our members and the state's business community as a member of the Working Group. Please let me know if you have

questions about the input provided here that I can answer. I look forward to continued participation in the Working Group as we move toward the February 13, 2026, legislative report submission date.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bentley Graves", with a stylized flourish extending to the right.

Bentley Graves

Director, Health Care & Transportation Policy



## Electricity as a Fuel

### Transportation Funding in Minnesota's Constitution

Article XIV of Minnesota's Constitution governs the taxation of motor vehicles, the taxation of motor fuels and apportionment and distribution of revenue from the sales tax on motor vehicles. Voters approved amendments dedicating these funds for transportation and requiring the revenue be deposited into the Highway User Tax Distribution Fund and used solely for a highway purpose with the exception of 40% of the motor vehicle sales tax revenue which must be deposited into a fund dedicated solely to transit assistance.

Section ten of Article XIV states: **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.

Minnesota statutes set the rate of taxation for fuels:

The gasoline excise tax is imposed at the following rates\*:

- (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:

- (1) liquefied petroleum gas or propane is taxed at the rate of 18.75 cents per gallon;
- (2) liquefied natural gas is taxed at the rate of 15 cents per gallon;
- (3) compressed natural gas is taxed at the rate of \$1.974 per thousand cubic feet or 25 cents per gasoline equivalent; and
- (4) all other special fuel is taxed at the same rate as the gasoline excise tax

\*rates are indexed annually to MN highway construction cost index

In order to compensate for the lack of fuel tax paid by owners of electric vehicles, Minnesota imposed an annual electric vehicle fee of \$75 in 2017. This was amended in 2025 to a new EV fee based on each vehicle's MSRP and age with a minimum annual fee of \$150 in 2026 and \$100 from July 2027 on and a minimum fee of \$75 for plug-in hybrids in 2026 and \$50 from July 2027 on.

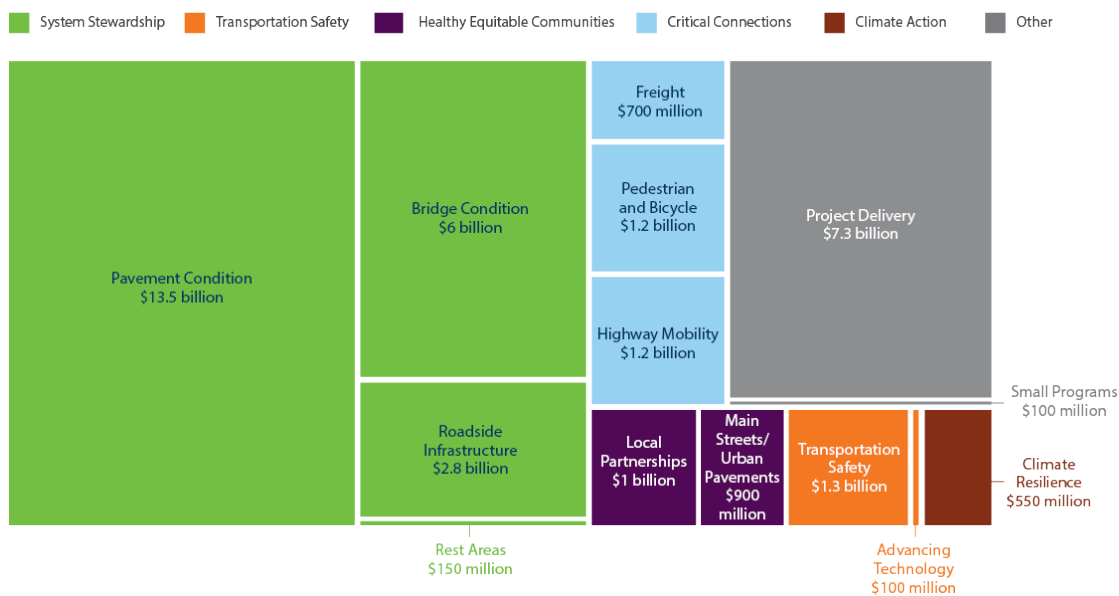
The EV was amended over concern about the growing number of electric and hybrid vehicles and the impact on the Highway User Tax Distribution Fund of a growing number of vehicles paying less than the drivers of vehicles with internal combustion engines (ICE).

Current data shows that as of 2023, there were approximately 50,000 EVs registered in Minnesota, representing about 1% of light-duty vehicles in the state. State projections estimate approximately 5.5 to 5.7 million EV vehicles in the state by 2050.

### Highway Funding Needs and Options

MnDOT estimates that funding gap for the trunk highway system for the next 20 years is \$17.8 billion or \$890 million per year. Local governments, who have jurisdiction over most of the lane miles of roadway in the state, have identified a funding gap for local roads and bridges of approximately \$1 billion per year.

The Minnesota State Highway Investment Plan (MnSHIP) projects total revenues over the next 20 years of \$36.7 billion. Of that amount, \$22.45 billion will be spent on existing pavement, bridges and roadside infrastructure. Of the \$36.7 billion, \$1.2 billion or 3.2% of the revenue is planned for highway mobility or capacity expansion projects while an equal amount (\$1.2 billion) is planned to be invested in pedestrian and bicycle infrastructure.



MnDOT has studied 22 options for narrowing the highway funding gap which fall into three main categories:

- Systemwide state options: fuel tax, registration taxes, road user charges, etc.
- Local government options: county wheelage tax, local sales tax for transportation, local bonds, etc.
- Program/project specific options: expand E-ZPass, expand financing options.

The majority of the options studied are currently being implemented in Minnesota. The road user charge would be a new fee.

## **EV/Hybrid Fees in Other States**

Minnesota is not alone in recognizing and addressing the impact of growing number of electric and hybrid vehicles and the impact on revenue need to maintain roadways.

As of September, 2025, 41 states have implemented an electric vehicle registration fee charged annually. These fees range from \$50 to \$1,100 with most fees in the range of \$100 to \$200. These annual flat fees are cost-effective to collect and approximate the amount of money paid by drivers of internal combustion engine vehicles in fuel taxes and fees charged at the pump. Many states charge a lower fee for plug-in hybrid electric vehicles.

In an effort to collect fees from out-of-state drivers using a state's roadways, ten states have enacted an EV charging station tax or fee. These fees are generally charged on a cents per kilowatt hour basis. For the average EV car that requires 60 kilowatt hours for a full charge, Minnesota's 5-cent per kilowatt hour charging fee would cost \$3.00 for a charge. The state tax on full tank of gas at 15 gallons would be \$4.77.

For Minnesota, with the language of section 10, article XIV of our Constitution, revenue collected from a tax on electricity is constitutionally-dedicated and must be paid into the highway user tax distribution fund just like the revenue from fuel taxes.

## **Barriers and Incentives for EV Buyers**

Minnesota has established state climate goals including reducing greenhouse gas emissions in the transportation sector. The turnover of the vehicle fleet to vehicles that run on less fossil fuel is an important part of the strategy to achieve the state's goals.

Studies of consumer attitudes and purchasing choices show that there are barriers and incentives that influence vehicle purchasing decisions.

The main concerns that people cite as reasons for not purchasing EVs include:

- High initial purchase price
- Lack of charging infrastructure
- Range limitations
- Time involved for battery charging

The biggest motivators for purchasing EVs include:

- Purchase price subsidies (tax credits/benefits)
- Reduced total cost to operate and maintain EVs versus ICE vehicles
- Environmental benefits

With the expiration of the federal EV tax credit of \$7,500, projections are that EV sales will be lower. In September, EVs accounted for 12.9% of new-vehicle retail sales, the highest ever, and well above the 8.5% recorded a year earlier, according to a report by [J.D. Power](#).

While the price difference between new EVs and new ICE vehicles is about \$9,000, the price difference between used EVs and used ICE vehicles has narrowed to only \$679. With an average purchase price of \$58,124 for new EVs, annual fees represent a small fraction of the cost to purchase and operate these vehicles.

Demand for hybrid electric vehicles (HEVs) in Minnesota is growing, with sales of all hybrid types up to 7.3% of the new car market in 2023, a significant increase from 6.1% in 2022.

### **Lifetime Cost of EVs versus ICE vehicles**

Over the lifetime of vehicle ownership, EVs are less expensive than ICE vehicles. Due to lower fuel and maintenance costs, the lifetime savings is estimated at somewhere between \$6,000 and \$10,000.

In Minnesota, the average cost for electricity with home charging is \$571 per year while owners of ICE vehicles pay an average of \$1,268 per year for fuel. EVs typically have lower maintenance costs as they do not have the same cost for oil changes, tire rotations and brake servicing among other maintenance costs. Insurance rates for EVs does tend to be about 15% higher. EVs also tend to retain their value better than ICE vehicles.

The annual fees and charging station fees are not a major factor in consumer behavior and are not a significant cost when considering the purchase and maintenance costs of any vehicle.

### **Recommendations**

- **EV fee of at least \$200 per year to compensate for loss of revenue. Average vehicle in the fleet today pays \$234 per year in fuel tax.**

As Minnesota continues to face a significant funding shortfall just to maintain existing roads and bridges, protecting collections into the Highway User Tax Distribution Fund is critical. The state needs to ensure that growing numbers of EV and hybrid vehicles do not reduce badly needed funding for our highway infrastructure.

- **Maintain 5-cent per kWh fee at public charging stations to capture revenue from out-of-state drivers.**

The fee charged at public charging stations ensures that drivers using Minnesota roadways – regardless of where they live or register their vehicles – are contributing to the maintenance of these roadways. In addition, the language in our Constitution ensures that this revenue will be used solely for a highway purpose.

- **Inventory existing charging ports and invest in public charging stations around the state.**

MnDOT estimates that to meet Minnesota's goals for electrification, the state will need 193,000 charging ports by 2030. The state needs an up-to-date inventory of where current EV chargers are and develop a plan for where additional ports are needed.



The federal NEVI program is providing formula funds to help build new charging infrastructure. Additional funding is needed support the development of new charging stations, particularly in rural areas.

- **Provide tax benefits/credits to help bring down initial purchase price.**

While the federal tax incentive has been discontinued for now, many states have provided state tax credits for EV purchases. Minnesota should consider providing this type of assistance once again to promote the purchase of EVs.

- **Explore voluntary fuel-efficient vehicle fee or road user charge for electric vehicles.**

As states look to stabilize transportation funding, some are exploring road usage charges that based on the number of miles a vehicle travels. Currently, four states have implemented a road user charge program. Most states allow drivers to choose this option for contributing to road maintenance.

The State of Virginia has implemented a Fuel-Efficient Vehicle Fee. The fee is paid at the time of registration. This fee is based on the vehicle's combined miles per gallon (MPG) and is designed to compensate for the lower gas tax revenue from vehicles that use less fuel. In addition, a voluntary Mileage Choice Program allows owners to pay a per-mile fee instead of the annual flat fee. A vehicle with a combined fuel economy of 25 miles per gallon or greater is considered a fuel-efficient vehicle.