

Submitted Electronically

TESTIMONY OPPOSING HOUSE FILE 523 AND AMENDMENT A1

House Committee on Transportation Finance and Policy
on Thursday, March 31, 2022 at 1 PM

Dear Chair Hornstein and Committee Members,

Tesla's mission is to accelerate the world's transition to sustainable energy. We are proud to report that the American-Made Index recently placed Tesla's Model 3 electric sedan and Model Y crossover SUV as the #1 and #3 most American-made vehicles for 2021.¹ Tesla employs about 200 Minnesotans, primarily located at Tesla Brooklyn Park, where engineers and machinists critical to Tesla's mission and success design and build the machines used in our manufacturing lines. Tesla has also invested ~\$6M in charging solutions and destination charging stations. The Tesla Supercharger network of DC fast charging ports in Minnesota currently includes 23 locations with 150+ charging stalls. Additionally, we've partnered with destination centers like hotels and restaurants in the state to deploy over 160 Level 2 charging stations across 55 locations.

As an automaker, Tesla recognizes the importance of ensuring state roadway fund solvency. To that end, taxation methods should treat Minnesotans fairly. However, HF 523, including Amendment A1, do not create a fair outcome

HF 523 would unfairly tax electric vehicle (EV) owners by comparison to internal combustion engine (ICE) equivalents. ICE vehicles come in a range of efficiency levels, offering consumers that choose higher efficiency ICE vehicles an opportunity to lower their total cost of

¹ <https://www.cars.com/american-made-index/>

ownership. Owners of EVs, which are more efficient than ICE vehicles, should not be penalized for choosing efficiency simply for choosing a vehicle propelled by electricity when ICE equivalents are not penalized. For example, if a consumer purchased a 2022 hybrid sedan today, that consumer would see a combined (city/highway) mile per gallon rating around 50+. Yet HF 523 bases the methodology to calculate road use fees upon the average vehicle in the class (excluding EVs) or real-world miles per gallon of the make and model registered with the exception of EV's. By using the average vehicle in its class, which will most likely be the case due to data availability, the consumer who chooses the EV loses the benefit of its efficiency while the hybrid owner in this example does not, simply because of the fuel source of the vehicle. The hybrid owner pays at the pump in this scenario, paying taxes on fuel use through the petroleum tax which accounts for their choice in vehicle efficiency. Yet under the HF 523 proposal, the EV owner would be charged the state petroleum tax for the average ICE equivalent in the class. Further, plug-in hybrid (PHEV) owners who may be driving significant miles per year using electricity for fuel are not required to participate in the road use program. The resulting tax collection methodology from HF 523 provides relief to high efficiency ICE and PHEV buyers yet penalizes fully battery electric vehicle buyers, requiring EV owners to pay more than ICE or PHEV drivers for choosing efficiency in vehicle selection. EV owners should be treated at least on par with the most efficient ICE and PHEV vehicle owner/buyer when it comes to state roadway taxes. If there is a hybrid sedan, SUV or truck being sold new to a customer in MN, why should someone who chooses to purchase an EV pay more in taxes than the hybrid or PHEV equivalent? Doing so would overcharge the EV driver by comparison simply because they chose a different, lower polluting fuel type.

EV owners already pay their fair share towards state roadway taxes²

As the Great Plains Institute's analysis demonstrates, EV drivers already pay their fair share. Their analysis brings an additional point to the surface regarding double taxation.

In order to adopt a Road Use Charge, taxation on fuel would require further assessment and additional changes to the tax system to avoid double taxation.

Minnesotans are already charged 6.875% Minnesota State Sales Tax on their electricity bills from the utility company. In some cases, EV charging station providers are exempt from sales tax as a customer however must collect and remit the state sales tax from their customers and to the state. In either case, state sales tax is collected and paid for electricity used as a transportation fuel. Moreover, in many cases, EV charging providers are paying additional Local Sales and Use Taxes in addition to the Minnesota State Sales Tax. While these taxes may not necessarily fund roadways, motor fuels and other petroleum products are subject to either petroleum tax or sales and use tax, but never both in Minnesota.³ Yet HF 523 does not address the fact that EV owners would be required to pay both sales tax on electricity and a petroleum tax equivalent in the form of a Road Use Tax, resulting in double taxation.

While HF 523 includes direction to establish data privacy protections, the requirement would risk Tesla customer security.

Customer privacy is paramount to Tesla and each product, service, and feature undergoes systematic review to ensure its design continues to protect customer data and privacy. We collect and use only the personal data we need for the reasons we say, and keep it

² <https://driveelectricmn.org/position-statement-unfair-taxes-for-electric-vehicles/>

³ <https://www.revenue.state.mn.us/sites/default/files/2021-03/FS116.pdf>

only as long as we need to. If we want to use it for a new purpose, we get new permission, and we never sell or rent personal data to others for any purpose, period.⁴

We also honor personal choice. For example, customers can choose whether to disable data sharing with Tesla. We have found that third party vendors periodically solicit Tesla customers to download the third-party's app as a way for the vendor to sell the service of collecting and reporting vehicle data for participation in Road Use Charge programs. These apps "work" by requiring that customers turn over their Tesla account name and password. Tesla doesn't currently authorize public use of its API (including with third party vendors) and we strongly advise against this practice. Tesla specifically cautions customers against sharing their Tesla Account credentials when signing into a third party application due to account security concerns.⁵ To be clear, we do not participate directly as an "account provider" in any Road Use Charge programs in the US.

The good news is that Minnesota has time to develop a mechanism to fairly tax all drivers, including EV owners to fund roadways. However, there is no urgency because existing statute requires EV owners to pay additional registration fees.⁶

The transition to electric vehicles has begun. Automakers globally have made announcements committing to electrification over the next two decades. However as of the end of 2020, of the 1,841,690 registered vehicles in Minnesota⁷, only 15,062 fully electric vehicles existed⁸, a fraction of a percentage. Additionally, according to IHS Markit, a leading automotive

⁴ <https://www.tesla.com/legal/privacy?redirect=no#data-sharing>

⁵ <https://www.tesla.com/support/account-support?redirect=no#account-security>

⁶ See 1m,

<https://www.revisor.mn.gov/statutes/cite/168.013#:~:text=A%20person%20operating%20a%20commercial,the%20vehicle%20be%20registered%20at>

⁷ <https://www.fhwa.dot.gov/policyinformation/statistics/2020/mv1.cfm>

⁸ <https://www.dot.state.mn.us/sustainability/electric-vehicle-dashboard.html>

consulting agency, people in the US are keeping their cars for around 12 years.⁹ Consequently, market conversion to EVs is going to take decades. The New York Times best highlights the point I want to get across; even if EVs, “which could make up one-quarter of new sales by 2035..., only 13% of vehicles on the road would be electric.”¹⁰ There are numerous ways to collect roadway funding and Minnesota has time to ensure adoption of a fair and reasonable mechanism to collect and ensure roadway funding continues. As EVs represent less than 1% percent of the total vehicles registered and state law already requires EV owners to pay their fair share of taxes, the state has time to fully consider taxation approaches.

The aforementioned points are not an exhaustive list of Tesla’s concerns with HF 523 however Tesla urges further consideration of methodologies to collect roadway funds at this time.

Many US states, like Minnesota, are continuing to debate the future of fuel taxation relating to roadway funding as we transition to electricity as a transportation fuel. We encourage further consideration in order for Minnesota to provide a means that is inclusive, fair and recognizes the efficiency levels of all vehicles, no matter the fuel type to provide Minnesotans with confidence in the tax laws governing them. Please hold HF 523 for further consideration.

Respectfully,

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⁹ <https://www.caranddriver.com/news/a33457915/average-age-vehicles-on-road-12-years/#:~:text=A%20study%20from%20IHS%20Markit%20found%20that%20the%20average%20age,month%20older%20than%20in%202019.>

¹⁰ <https://www.nytimes.com/interactive/2021/03/10/climate/electric-vehicle-fleet-turnover.html>

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