



March 30, 2022

Dear Chair Hornstein and House Transportation Committee Members:

On behalf of the member organizations of the Minnesota Transportation Alliance, I am writing to thank Representative Elkins for introducing HF523, a proposal for a new way of collecting revenue for the Highway User Tax Distribution Fund in recognition of the changing fuels being used in vehicles.

The Transportation Alliance appreciates the goal of providing a level playing field when it comes to taxes on fuels. All vehicles pay varying amounts in registration taxes and motor vehicles sales taxes, depending on the value of the vehicle, regardless of what type of fuel the vehicle uses.

When it comes to the fuel tax in particular, we believe that all vehicles that use the roadways should also contribute to road maintenance through the fuel tax. Taxes are imposed on many types of fuel – compressed natural gas, E85, propane and liquified natural gas – are all taxed in addition to gasoline and diesel fuels. Taxing electricity used in motor vehicles makes sense and would ensure that the revenue collected from that tax would have to be deposited in the Highway User Tax Distribution Fund per Minnesota's Constitution.

Today, 30 states charge a flat, annual EV and/or hybrid vehicle fee in order to compensate for the lack of fuel tax collected while keeping the administrative cost of collecting those dollars low. These fees have not deterred drivers from purchasing electric or hybrid vehicles as we see the sales of these vehicles increase significantly.

HF523 charges a road user fee on electric vehicles in place of the current \$75 annual fee in order to more closely match miles driven with the tax collected. We would like to stress the importance of ensuring that the Highway User Tax Distribution Fund not lose money as part of this transition. With a major funding shortfall and huge backlog of projects, we can't afford to go backward with highway funding.

Again, thank you for looking toward the future and working toward a sustainable way to fund highways in Minnesota.

Sincerely,

Margaret Donahoe
Executive Director

Since 1893

525 Park St., Ste. 240 ● Saint Paul, MN 55103 ● 651/659-0804 ● Fax 651/659-9009
Email: margaret@transportationalliance.com ● www.transportationalliance.com