

HF1817 - 0 - Electric Vehicle Surcharges; Acc. Transfers Mod.

Chief Author: **Larry Kraft**
 Committee: **Transportation Finance and Policy**
 Date Completed: **3/15/2025 3:11:10 PM**
 Lead Agency: **Transportation Dept**
 Other Agencies:
 Public Safety Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue	X	
Information Technology	X	
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Public Safety Dept						
Restrict Misc Special Revenue	-	91	92	92	92	92
Transportation Dept						
Other Misc Special Revenue	-	(6,900)	(7,900)	(8,900)	(9,900)	(9,900)
Highway Users Tax Distribution	-	3,375	3,375	3,375	3,375	3,375
State Total						
Restrict Misc Special Revenue	-	91	92	92	92	92
Other Misc Special Revenue	-	(6,900)	(7,900)	(8,900)	(9,900)	(9,900)
Highway Users Tax Distribution	-	3,375	3,375	3,375	3,375	3,375
Total	-	(3,434)	(4,433)	(5,433)	(6,433)	(6,433)
Biennial Total			(7,867)		(11,866)	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Public Safety Dept					
Restrict Misc Special Revenue	-	1	1	1	1
Transportation Dept					
Other Misc Special Revenue	-	-	-	-	-
Highway Users Tax Distribution	-	-	-	-	-
Total	-	1	1	1	1

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Laura Cecko **Date:** 3/15/2025 3:11:10 PM
Phone: 651-284-6543 **Email:** laura.cecko@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2	Biennium			Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Public Safety Dept					
Restrict Misc Special Revenue	-	91	92	92	92
Transportation Dept					
Other Misc Special Revenue	-	(6,900)	(7,900)	(8,900)	(9,900)
Highway Users Tax Distribution	-	3,375	3,375	3,375	3,375
Total	-	(3,434)	(4,433)	(5,433)	(6,433)
Biennial Total			(7,867)		(11,866)
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Public Safety Dept					
Restrict Misc Special Revenue					
Expenditures	-	148	92	92	92
Absorbed Costs	-	(57)	-	-	-
Transportation Dept					
Other Misc Special Revenue	-	-	-	-	-
Highway Users Tax Distribution	-	-	-	-	-
Total	-	91	92	92	92
Biennial Total			183		184
2 - Revenues, Transfers In*					
Public Safety Dept					
Restrict Misc Special Revenue	-	-	-	-	-
Transportation Dept					
Other Misc Special Revenue	-	6,900	7,900	8,900	9,900
Highway Users Tax Distribution	-	(3,375)	(3,375)	(3,375)	(3,375)
Total	-	3,525	4,525	5,525	6,525
Biennial Total			8,050		12,050

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State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Other Misc Special Revenue	-	(6,900)	(7,900)	(8,900)	(9,900)	
Highway Users Tax Distribution	-	3,375	3,375	3,375	3,375	3,375
Total	-	(3,525)	(4,525)	(5,525)	(6,525)	(6,525)
Biennial Total			(8,050)		(12,050)	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Other Misc Special Revenue	-	-	-	-	-
Highway Users Tax Distribution	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Laura Cecko **Date:** 3/15/2025 3:09:39 PM
Phone: 651-284-6543 **Email:** laura.cecko@lbo.mn.gov

State Cost (Savings) Calculation Details

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*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Other Misc Special Revenue	-	(6,900)	(7,900)	(8,900)	(9,900)
Highway Users Tax Distribution	-	3,375	3,375	3,375	3,375
Total	-	(3,525)	(4,525)	(5,525)	(6,525)
Biennial Total			(8,050)		(12,050)
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Other Misc Special Revenue	-	-	-	-	-
Highway Users Tax Distribution	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-
2 - Revenues, Transfers In*					
Other Misc Special Revenue	-	6,900	7,900	8,900	9,900
Highway Users Tax Distribution	-	(3,375)	(3,375)	(3,375)	(3,375)
Total	-	3,525	4,525	5,525	6,525
Biennial Total			8,050		12,050

Bill Description

This bill modifies surcharges for all-electric vehicles and imposes a new surcharge on plug-in electric vehicles.

Section 2 requires MnDOT to transfer fund balance from the transportation impact assessment and mitigation account to the highway user tax distribution account when half of the funds from the prior fiscal year remain unspent in the account.

Section 3 modifies the surcharge for all-electric vehicles from \$75 to \$100. Section 4 adds a surcharge of \$25 for plug-in hybrid electric vehicles. If the gas tax changes, these surcharges will also be adjusted by the same percent change and rounded to the nearest increment of \$5. The revenue from these surcharges will be deposited in the transportation impact assessment and mitigation account.

Assumptions

MnDOT is using DPS assumptions for the numbers of all-electric and plug-in hybrid electric vehicles that will be subject to the surcharges in this bill.

DPS assumes there were approximately 45,000 all-electric vehicles registered in Minnesota in FY2024. This would account for \$3,375,000 of revenue in the Highway User Tax Distribution account. MnDOT assumes that this revenue will no longer be deposited into the HUTD starting in 2025 and instead will be deposited into the transportation impact assessment and mitigation account. MnDOT assumes this base revenue decrease as the minimum potential impact to the HUTD fund due to this bill language.

Per the Minnesota State Constitution, Article XIV, revenues deposited in the HUTD fund are allocated to the Trunk Highway (TH), County State Aid Highway (CSAH), and Municipal State Aid Street (MSAS) Funds. Overall, the allocations are detailed in the table below:

Fund	Agency	Percentage	Overall Percentage of Taxes
Trunk Highway	MnDOT	62% of 95%	58.90%
County State Aid Highway	MnDOT	29% of 95% + 5%	32.55%

Municipal State Aid Street	MnDOT	9% of 95%	8.55%
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DVS estimates that in FY2026 there will be 69,000 all-electric vehicles registered in Minnesota and 10,000 additional will be registered each year. DVS does not currently capture the number of registered plug-in hybrid electric vehicles and did not provide an estimate of registrations or revenue projections.

MnDOT assumes that the gasoline excise tax will not increase by more than 2.5% by January 2028 and therefore the \$100 surcharge for all-electric vehicles will not be increased in January 2028.

	FY 2026	FY 2027	FY 2028	FY 2029
Surcharge	\$100	\$100	\$100	\$100
Electric Vehicles	69,000	79,000	89,000	99,000
Total	\$6,900,000	\$7,900,000	\$8,900,000	\$9,900,000

Expenditure and/or Revenue Formula

Revenue in the HUTD will decrease by \$3,375,000 each year. The following table shows the decreases in thousands to the transfer accounts impacted by the HUTD.

Fund	FY 2026	FY 2027	FY 2028	FY 2029
TH	1,987.875	1,987.875	1,987.875	1,987.875
CSAH	1,098.5625	1,098.5625	1,098.5625	1,098.5625
MSAS	288.6525	288.6525	288.6525	288.6525

New revenues from the increased surcharge for all-electric vehicles will be added to the transportation impact assessment and mitigation account.

FY 2026	FY 2027	FY 2028	FY 2029
\$6,900,000	\$7,900,000	\$8,900,000	\$9,900,000

Long-Term Fiscal Considerations

Increases or decreases to the gas tax will correspondingly impact these surcharges. Additional revenue will likely come from plug-in electric vehicles, but that cannot be estimated at this time.

Local Fiscal Impact

Changed HUTD revenues would change the amounts counties and cities receive for transportation projects in the CSAH and MSAS funds.

References/Sources

MnDOT Office of Financial Management

Agency Contact:

Agency Fiscal Note Coordinator Signature: Catherine Greene

Date: 3/14/2025 4:37:39 PM

Phone: 612-523-2198

Email: catherine.greene@state.mn.us

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 Committee: **Transportation Finance and Policy**
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State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology	X	
Local Fiscal Impact		X

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Restrict Misc Special Revenue	-	91	92	92	92	92
Total	-	91	92	92	92	92
Biennial Total			183			184

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Restrict Misc Special Revenue	-	1	1	1	1
Total	-	1	1	1	1

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Laura Cecko **Date:** 3/14/2025 12:45:49 PM
Phone: 651-284-6543 **Email:** laura.cecko@lbo.mn.gov

State Cost (Savings) Calculation Details

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Total	-	91	92	92	92	92
Biennial Total			183			184
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Restrict Misc Special Revenue						
Expenditures	-	148	92	92	92	92
Absorbed Costs	-	(57)	-	-	-	-
Total	-	91	92	92	92	92
Biennial Total			183			184
2 - Revenues, Transfers In*						
Restrict Misc Special Revenue	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill is amending certain requirements governing electric vehicle surcharges, including to modify the surcharge on all-electric vehicles and impose a surcharge on plug-in hybrid electric vehicles, provide for account transfers and amend Minn. Stat. 168.013 by adding a new subdivision.

The effective date for sections relating to Driver and Vehicles service is the day following final enactment and applies to taxes payable for registration periods starting on or after Aug. 1, 2025.

Assumptions

The existing surcharge for all-electric vehicles will change from \$75 per registration period to \$100 per registration period.

The account the surcharge revenue is deposited into will change from the highway user tax distribution (HUTD) fund to the transportation impact assessment and mitigation account under Minn. Stat. 161.178, subdivision 8.

A new surcharge will be created in MNDrive for plug-in hybrid EVs (PHEV) in the amount of \$25.

This surcharge will be deposited into the transportation impact assessment and mitigation account under Minn. Stat. 161.178, subdivision 8.

Vehicle fuel type information in MNDrive is pulled from VINTell. Currently, the advanced fuel type code that PHEV falls under is not a required field by vehicle manufacturers and the ability to add this code manually will need to be programmed in as part of the surcharge setup. Because this fuel type code is not required, this also means that the surcharge may not be assessed on all PHEVs. The MNDrive vendor will backfill data as manufacturer information in VINTell is updated but DVS will rely on dealers and Deputy Registrars to also verify this field is updated in MNDrive for these vehicles as they are registered.

Currently, both the EV surcharge and PHEV surcharge will go into effect and be payable for registration periods starting

Aug. 1, 2025, or after. With lead times being two months to prepare, review, and mail the renewal notices out to customers, along with the time needed to program MNDrive with the changes outlined in the bill, it will be difficult for DVS to meet this effective date. For continuity with other registration-related initiatives, DVS would suggest a Jan. 1, 2026, effective date.

Once the new surcharges are imposed, if the gasoline excise tax is increased or decreased both surcharges will be adjusted every 3 years beginning on Jan. 15, 2028, by a corresponding percentage. These adjustments will be rounded to the nearest increment of five dollars (\$5) and would be applied to registration periods starting on or after the following Feb. 1.

A two-week enactment time frame for these changes will be difficult, if not unlikely, for DVS to meet. Like the enactment of new surcharge rates going into effect in 2025, the lead time for preparing, reviewing, and mailing renewal notices to customers is two months. DVS would suggest an April 1 effective date for any adjustments to the surcharge.

System updates and programming to implement these changes will be required and will be covered under the existing vendor contract.

In FY 2024, there were approximately 45,000 all-electric vehicles (EVs) registered in Minnesota. Each was charged a \$75 electric vehicle surcharge with the funds being deposited into the hudt fund.

Based on the increased number of registered EVs over the last five fiscal years, DVS forecasts that by FY 2026 we will have approximately 69,000 EVs registered in Minnesota. Based on prior growth, DVS estimates an additional 10,000 EVs will be registered each fiscal year going forward.

Changes to registration fees and surcharges and adding a new surcharge to the PHEV vehicles will generate additional calls and emails from customers to the Public Information Center (PIC). When the surcharge amount changes every 3 years, and with the expected growth in registered EVs and PHEVs, there will again be additional calls and emails from customers who have questions about the difference in amounts and calculations from year to year.

PIC expects that approximately 30%, or 13,500 ($45,000 \times 0.30 = 13,500$), of the 45,000 EV owners will contact PIC with surcharge questions. This will result in an average of 54 additional contacts per day ($13,500 / 250$ working days = 54).

These calls and emails will be handled by 1 additional full-time (FTE) Customer Service Specialist Senior with an annual salary, fringe, peripherals of \$91,551 to manage the increase in the number of contacts to the PIC.

Expenditure and/or Revenue Formula

Expenditures

Driver and Vehicle Services Operating Account

\$91,551 Customer Specialist Senior salary, fringe and peripherals

Driver and Vehicle Services Technology Account

\$56,784 System Upgrades ($\218.40 per hour x 260 hours = \$56,784 absorbed)

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Driver and Vehicle Services

Agency Contact: Pong Xiong

Agency Fiscal Note Coordinator Signature: Brian Awsumb

Phone: 651-539-3387

Date: 3/14/2025 12:19:36 PM

Email: brian.awsumb@state.mn.us