

SF2688 - 0 - Electric Vehicle Surcharge Modification

Chief Author: **Ann Johnson Stewart**
 Committee: **Transportation**
 Date Completed: **4/21/2025 8:41:09 AM**
 Lead Agency: **Public Safety Dept**
 Other Agencies:
 Transportation 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	-	180	180	180	180	180
Highway Users Tax Distribution	-	-	-	-	-	-
Transportation Dept						
Highway Users Tax Distribution	-	(5,412)	(12,203)	(14,101)	(15,903)	
State Total						
Restrict Misc Special Revenue	-	180	180	180	180	180
Highway Users Tax Distribution	-	(5,412)	(12,203)	(14,101)	(15,903)	
Total	-	(5,232)	(12,023)	(13,921)	(15,723)	
Biennial Total			(17,255)		(29,644)	

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
Public Safety Dept						
Restrict Misc Special Revenue	-	2	2	2	2	2
Highway Users Tax Distribution	-	-	-	-	-	-
Transportation Dept						
Highway Users Tax Distribution	-	-	-	-	-	-
Total	-	2	2	2	2	2

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:** 4/21/2025 8:41:09 AM
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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	-	180	180	180	180	180
Highway Users Tax Distribution	-	-	-	-	-	-
Transportation Dept						
Highway Users Tax Distribution	-	(5,412)	(12,203)	(14,101)	(15,903)	(15,903)
Total	-	(5,232)	(12,023)	(13,921)	(15,723)	(15,723)
Biennial Total			(17,255)		(29,644)	(29,644)
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Public Safety Dept						
Restrict Misc Special Revenue						
Expenditures	-	250	180	180	180	180
Absorbed Costs	-	(70)	-	-	-	-
Highway Users Tax Distribution	-	-	-	-	-	-
Transportation Dept						
Highway Users Tax Distribution	-	-	-	-	-	-
Total	-	180	180	180	180	180
Biennial Total			360		360	360
2 - Revenues, Transfers In*						
Public Safety Dept						
Restrict Misc Special Revenue	-	-	-	-	-	-
Highway Users Tax Distribution	-	-	-	-	-	-
Transportation Dept						
Highway Users Tax Distribution	-	5,412	12,203	14,101	15,903	15,903
Total	-	5,412	12,203	14,101	15,903	15,903
Biennial Total			17,615		30,004	30,004

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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

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
Restrict Misc Special Revenue	-	180	180	180	180	180
Highway Users Tax Distribution	-	-	-	-	-	-
Total	-	180	180	180	180	180
Biennial Total			360	360		360

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
Restrict Misc Special Revenue	-	2	2	2	2	2
Highway Users Tax Distribution	-	-	-	-	-	-
Total	-	2	2	2	2	2

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:** 4/17/2025 9:51:34 AM
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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
Restrict Misc Special Revenue	-	180	180	180	180
Highway Users Tax Distribution	-	-	-	-	-
Total	-	180	180	180	180
Biennial Total			360		360
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Restrict Misc Special Revenue					
Expenditures	-	250	180	180	180
Absorbed Costs	-	(70)	-	-	-
Highway Users Tax Distribution	-	-	-	-	-
Total	-	180	180	180	180
Biennial Total			360		360
2 - Revenues, Transfers In*					
Restrict Misc Special Revenue	-	-	-	-	-
Highway Users Tax Distribution	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

The bill modifies Minnesota Statutes 168.013 to impose various surcharges on various plug-in hybrid and electric vehicles. The effective date is Aug. 1, 2025.

Assumptions

The existing surcharge for all-electric vehicles will change from \$75 per registration period to \$200 per registration period. A new surcharge will be created in MNDrive for plug-in hybrid EVs (PHEV) in the amount of \$100. A new surcharge will be created in MNDrive for all-electric motorcycles (EVMC) in the amount of \$40. A new surcharge will be created in MNDrive for plug-in hybrid motorcycles (PHMC) in the amount of \$20.

System updates and programming are needed to implement these changes and will cost \$69,888. These costs will be covered under the existing vendor contract. Vehicle fuel type information in MNDrive is pulled from VINTell. Currently, the advanced fuel type code that PHEV and PHMC fall 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 and PHMCs. A DVS 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 or renewed.

Once the new surcharges are imposed, if the gasoline excise tax is increased all surcharges will be adjusted every year beginning on Oct. 1, 2025, by a corresponding percentage. These adjustments will be rounded to the nearest whole dollar and would be applied to registration periods starting on or after the following Jan. 1.

If the gasoline excise tax is decreased, there will be no change to the surcharges imposed.

Currently, both the all-electric and plug-in hybrid surcharges 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, DVS would have difficulty meeting the effective date. For continuity with other registration-related initiatives, DVS would suggest a Jan. 1, 2026, effective date.

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 Highway User Tax Distribution (HUTD) fund.

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

DVS will defer to the Department of Transportation for anticipated changes to the gasoline excise tax. Anticipated impact to funding from fees collected assume that the gasoline excise tax has no change.

Current and New EV Surcharge Revenue.

Fund	FY 2026 (6 mos.)	FY 2027	FY 2028	FY 2029
Vehicle Count	69,000	79,000	89,000	99,000
HUTD Fund with current EV surcharge	\$2,587,500	\$5,925,000	\$6,675,000	\$7,425,000
HUTD fund with new EV surcharge	\$6,900,000	\$15,800,000	\$17,800,000	\$19,800,000
Additional revenue	\$4,312,500	\$9,875,000	\$11,125,000	\$12,375,000

In FY 2024, there were approximately 18,000 plug-in hybrid vehicles registered in Minnesota. Because the advanced fuel type code that plug-in hybrids fall under is not a required field by vehicle manufacturers, DVS cannot determine what the rate of increase will be for these vehicles as that advanced fuel type field becomes required to manually fill in if not populated by the manufacturer.

Change in Revenue for Plug-In Hybrid Electric Vehicles (PHEV).

Fund	FY 2026 (6 mos.)	FY 2027	FY 2028	FY 2029
Vehicle Count	18,000	18,000	18,000	18,000
HUTD Fund with current PHEV surcharge	\$0	\$0	\$0	\$0
HUTD fund with new PHEV surcharge	\$900,000	\$1,800,000	\$1,800,000	\$1,800,000
Additional revenue	\$900,000	\$1,800,000	\$1,800,000	\$1,800,000

There were no EVMCs or PHMCs registered in FY 2024.

Changes to registration fees and surcharges and adding a new surcharge to EV motorcycles and Plug-In Hybrid Electric Vehicles (PHEV) will generate additional calls and emails from customers to the Public Information Center (PIC). When the surcharge amount changes each year, and with the expected growth in registered EVs and PHEVs, calls and emails from customers will continue to increase.

There were approximately 45,000 EVs registered in FY2024, along with approximately 18,000 PHEVs, for a total of 63,000 qualified vehicles. PIC anticipates the number of PHEVs could be much higher once that data is required to be documented.

PIC expects that that approximately 35%, or 22,050 ($63,000 \times 0.35 = 22,050$), of the vehicle owners will contact PIC with questions about the difference in amounts and calculations from year to year. This will result in an average of 88 additional contacts per day ($22,050 / 250$ working days = 88.2). The increase in calls and emails will be fielded by two additional FTE Customer Service Specialists at cost of \$180,078 (\$173,102 salary and fringe + \$6,976 supplies, equipment, software, and support).

Total costs two CSSS FY 2026 and beyond = \$180,078 ($\$173,102 + \$6,976 = \$180,078$)

Expenditure and/or Revenue Formula

FY 2026

Expenditures

Driver and Vehicle Services Operating Account in the Special Revenue fund

\$180,078 for 2 FTE Customer Specialist Senior

Driver and Vehicle Services Technology Account in the Special Revenue fund

\$69,888 System Upgrades ($\218.40 per hour x 320 hours = \$69,888) - onetime; absorbed

Total expenditures = $\$180,078 + \$69,888 = \$249,966$

Revenue

Highway User Tax Distribution (HUTD) fund

\$4,312,500 electric vehicle surcharge ($\$125$ increase per vehicle x 69,000 vehicles = \$8,625,000 / 2 = \$4,312,500)

\$900,000 plug-in hybrid electric vehicle surcharge ($\$100$ per vehicle x 18,000 vehicles = \$1,800,000 / 2 = \$900,000)

Total HUTD Fund revenue = \$5,212,500

Note: FY 2026 revenue estimates reflect the suggested implementation of Jan. 1, 2026.

FY 2027

Expenditures

Driver and Vehicle Services Operating Account in the Special Revenue fund

\$180,078 for 2 FTE Customer Specialist Senior

Revenue

Highway User Tax Distribution (HUTD) fund

\$9,875,000 electric vehicle surcharge (\$125 increase per vehicle x 79,000 vehicles = \$9,875,000)

\$1,800,000 plug-in hybrid electric vehicle surcharge (\$100 per vehicle x 16,500 vehicles \$1,800,000)

Total HUTD Fund revenue = \$11,675,000

FY 2028

Expenditures

Driver and Vehicle Services Operating Account in the Special Revenue fund

\$180,078 for 2 FTE Customer Specialist Senior

Revenue

Highway User Tax Distribution (HUTD) fund

\$11,125,000 electric vehicle surcharge (\$125 increase per vehicle x 89,000 vehicles = \$11,125,000)

\$1,800,000 plug-in hybrid electric vehicle surcharge (\$100 per vehicle x 16,500 vehicles \$1,800,000)

Total HUTD Fund revenue = \$12,925,000

FY 2029

Expenditures

Driver and Vehicle Services Operating Account in the Special Revenue fund

\$180,078 for 2 FTE Customer Specialist Senior

Revenue

Highway User Tax Distribution (HUTD) fund

\$12,375,000 electric vehicle surcharge (\$125 increase per vehicle x 99,000 vehicles = \$12,375,000)

\$1,800,000 plug-in hybrid electric vehicle surcharge (\$100 per vehicle x 16,500 vehicles \$1,800,000)

Total HUTD Fund revenue = \$14,175,000

Note: For HUTD fund revenue, see Minnesota Department of Transportation's section of this fiscal note.

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

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Chief Author: **Ann Johnson Stewart**
 Committee: **Transportation**
 Date Completed: **4/21/2025 8:41:09 AM**
 Agency: **Transportation 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
Highway Users Tax Distribution		-	(5,412)	(12,203)	(14,101)	(15,903)
Total		-	(5,412)	(12,203)	(14,101)	(15,903)
Biennial Total				(17,615)		(30,004)

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
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:** 4/21/2025 8:41:00 AM
Phone: 651-284-6543 **Email:** laura.cecko@lbo.mn.gov

State Cost (Savings) Calculation Details

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State Cost (Savings) = 1-2		Biennium			Biennium
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Highway Users Tax Distribution	-	(5,412)	(12,203)	(14,101)	(15,903)
Total	-	(5,412)	(12,203)	(14,101)	(15,903)
Biennial Total			(17,615)		(30,004)
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Highway Users Tax Distribution	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-
2 - Revenues, Transfers In*					
Highway Users Tax Distribution	-	5,412	12,203	14,101	15,903
Total	-	5,412	12,203	14,101	15,903
Biennial Total			17,615		30,004

Bill Description

This bill amends the registration surcharge on all-electric vehicles and imposes a new registration surcharge on plug-in hybrid electric vehicles, electric motorcycles, and plug-in hybrid electric motorcycles, as follows:

Raises the registration surcharge imposed on all-electric vehicles from \$75 to \$200;

Imposes a new \$100 registration surcharge for plug-in hybrid electric vehicles;

Imposes a new \$40 registration surcharge for all-electric motorcycles; and

Imposes a new \$20 registration surcharge for plug-in hybrid electric motorcycles.

The revenue collected is deposited into the highway user tax distribution (HUTD) fund.

The bill also initiates additional transfers from the General Fund to the HUTD. These transfer amounts are relative to number of surcharges collected for each vehicle type. The bill provides a method to increase or decrease the distribution amount based on adjustments to the gasoline tax rate.

The bill is effective August 1, 2025.

Assumptions

The revenue from all-electric vehicles, plug-in hybrid electric vehicles, electric motorcycles, and plug-in hybrid electric motorcycles is deposited to the HUTD fund.

According to DPS, in FY 2024 there were approximately 45,000 all-electric vehicles registered in Minnesota. DVS estimates 69,000 EVs will be registered in FY 2026. DVS estimates an additional 10,000 EVs will be registered each fiscal year going forward.

According to DPS, there were approximately 18,000 plug-in hybrid-electric vehicles (PHEV) registered in in FY 2024. DVS did not provide an estimate of new registrations.

According to DPS, There were no all-electric or partial electric motorcycles registered in FY 2024. MnDOT carries the DPS assumption that there will be no all-electric or partial electric motorcycles registered in the future.

MnDOT assumes the Department of Public Safety's (DPS) estimate of revenue generated and will submit revenue consistent with their estimate. The additional revenue generated from the change in surcharge amount is listed in the table below, in 000's:

	FY 2026 (6 mos.)	FY 2027	FY 2028	FY 2029
Current Surcharge	2,587	5,925	6,675	7,425
New Surcharge (EV + PHEV)	7,800	17,600	19,600	21,600
Additional Revenue	5,213	11,675	12,925	14,175

MnDOT estimates the following changes to the gasoline excise tax based on the February 2025 forecast.

Forecast	FY 2026	FY 2027	FY 2028	FY 2029
Gas Tax	32.6	32.8	33.7	34.3
% change	2.52%	0.61%	2.74%	1.78%

MnDOT assumes this change will be applied to the surcharge. The corresponding increase to the secondary transfer from the general fund to the HUTD is as follows:

	FY 2026 (6 mos.)	FY 2027	FY 2028	FY 2029
# of EVs	69,000	79,000	89,000	99,000
Surcharge	205	206	212	216
Revenue	7,072	16,274	18,868	21,384
# of PHEVs	18,000	18,000	18,000	18,000
Surcharge	103	103	106	108
Revenue	927	1,854	1,908	1,944
New-surcharge Revenue	<u>8,000</u>	<u>18,128</u>	<u>20,776</u>	<u>23,328</u>
Current-Surcharge Revenue	<u>2,587</u>	<u>5,925</u>	<u>6,675</u>	<u>7,425</u>
Additional Revenue	<u>5,412</u>	<u>12,203</u>	<u>14,101</u>	<u>15,903</u>

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%

Expenditure and/or Revenue Formula

The summary of revenue impacts by fund, in thousands, is reflected in the table below based on DPS revenue estimates. The HUTD revenues are shown as an increased deposit in the fiscal note system, and then as increased transfers to the TH, CSAH, and MSAS Funds to reflect how these revenues actually flow between funds. Because the funds in CSAH and MSAS are statutorily appropriated, any changes in revenues also correspondingly change expenditures.

The estimates deposited to the fund may be adjusted to equal to the gasoline tax indexing based on the the Minnesota Highway Construction Cost Index. The adjustment to the gasoline tax would not exceed 3% under statute.

Fund	FY 2026 (6 mos.)	FY 2027	FY 2028	FY 2029
HUTD	5,412	12,203	14,101	15,903
TH	3,188	7,188	8,305	9,367
CSAH	1,762	3,972	4,590	5,176
MSAS	463	1,043	1,206	1,360

Long-Term Fiscal Considerations

Changes in revenue would continue in future years.

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 Finance

Minnesota Department of Public Safety

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