

HF9059 - 0 - EV & Plug-In Hybrid Vehicle Registration Tax

Chief Author: **Erin Koegel**
 Committee: **Transportation Finance and Policy**
 Date Completed: **5/14/2025 1:46:10 PM**
 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	-	-	-	-	-
Transportation Dept					
Highway Users Tax Distribution	-	(2,155)	(3,232)	(3,232)	(3,232)
State Total					
Restrict Misc Special Revenue	-	-	-	-	-
Highway Users Tax Distribution	-	(2,155)	(3,232)	(3,232)	(3,232)
Total	-	(2,155)	(3,232)	(3,232)	(3,232)
Biennial Total			(5,387)		(6,464)

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

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:** 5/14/2025 1:46:10 PM
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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		-	-	-	-	-
Transportation Dept						
Highway Users Tax Distribution		-	(2,155)	(3,232)	(3,232)	(3,232)
Total		-	(2,155)	(3,232)	(3,232)	(3,232)
Biennial Total				(5,387)		(6,464)
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Public Safety Dept		-	-	-	-	-
Restrict Misc Special Revenue						
Expenditures		-	52	-	-	-
Absorbed Costs		-	(52)	-	-	-
Transportation Dept						
Highway Users Tax Distribution		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Public Safety Dept		-	-	-	-	-
Restrict Misc Special Revenue		-	-	-	-	-
Transportation Dept						
Highway Users Tax Distribution		-	2,155	3,232	3,232	3,232
Total		-	2,155	3,232	3,232	3,232
Biennial Total				5,387		6,464

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 Agency: **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	
	FY2025	FY2026	FY2027	FY2028	FY2029
Dollars in Thousands					
Restrict Misc Special Revenue	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

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

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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		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Restrict Misc Special Revenue		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Restrict Misc Special Revenue						
Expenditures		-	52	-	-	-
Absorbed Costs		-	(52)	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Restrict Misc Special Revenue						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

This bill proposes increase the registration tax for electric vehicles by 0.1% and plug-in hybrid vehicles by 0.05% beginning with registration periods starting on or after Nov. 1, 2025.

Assumptions

The formula for calculating registration tax due on electric vehicles (EVs) will increase by 0.1% and plug-in hybrid electric vehicles (PHEVs) will increase by 0.05% for registration periods beginning on or after Nov. 1, 2025.

For EVs initially registered in Minnesota prior to Nov. 16, 2020, the percentage of the manufacturer's suggested retail price (MSRP) will increase from 1.54% to 1.64%.

For EVs initially registered in Minnesota on or after Nov. 16, 2020, the percentage of the MSRP will increase from 1.575% to 1.675%.

For PHEVs initially registered in Minnesota prior to Nov. 16, 2020, the percentage of the MSRP will increase from 1.54% to 1.59%.

For PHEVs initially registered in Minnesota on or after Nov. 16, 2020, the percentage of the MSRP will increase from 1.575% to 1.625%.

The hold-harmless clause will remain in effect and no vehicle will be charged more registration than previously paid or due on the vehicle per Minn. Stat. 168.013, subdivision 1a, paragraph (h).

The below table outlines the estimated impact to the Highway Users Tax Distribution Fund (HUTD) fund based on FY 2024 registrations for EVs less than 11 model years old.

EVs Registered in FY 2024 under 11 model years old	37,210
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Amount of Registration collected for vehicles in FY 2024	\$32,318,045
Group A Current rate of 1.54%	
Percent of all EVs registered before end of 2020	19%
Amount of Registration collected	\$6,140,428.55
Anticipated revenue from rate increase	\$614,042.86
Group B current rate of 1.575%	
Percent of all EVs registered after 2020	81%
Amount of Registration collected	\$26,177,616.45
Anticipated revenue from rate increase	\$2,617,761.65
Total anticipated revenue	\$3,231,804.51

Registration tax paid on PHEVs for FY 2024 is not available in MNDrive's current data set.

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 setup. Because this fuel type code is not required, this also means that increased registration tax rate may not be assessed on all PHEVs. FAST 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.

System updates and programming to implement the new registration tax calculation will require 240 hours of work by Fast to configure the advance vehicle type code to user input fields on the vehicle detail screen in MNDrive, VTAP, EVTR, corrections, etc., update registration tax calculations for EVs and PHEVs, and configure related accounting fund types and fee-distribution rules. Assume hourly rate of \$218.40 for a total programming cost of \$52,416 (240 programming hours x \$218.40 per hour = \$52,416). DVS will absorb these costs as it is under the scope of an existing contract.

As the funds collected from registration tax are deposited into the highway user tax distribution fund and the costs related to system updates and programming will be absorbed, there would be no fiscal impact to DVS.

Expenditure and/or Revenue Formula

Absorbed cost: 40 programming hours x \$218.40 per hour = \$52,416

Revenue: \$3,231,804.51 x (8/12 for FY 2026) = \$2,154,536.34 (see Minnesota Department of Transportation section of this fiscal note)

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact:

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 Committee: **Transportation Finance and Policy**
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 Agency: **Transportation Dept**

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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Full Time Equivalent Positions (FTE)	Biennium			Biennium	
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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:** 5/14/2025 1:40:10 PM
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Total	-	-	-	-	-
Biennial Total			-		-
2 - Revenues, Transfers In*					
Highway Users Tax Distribution	-	2,155	3,232	3,232	3,232
Total	-	2,155	3,232	3,232	3,232
Biennial Total			5,387		6,464

Bill Description

This bill amends the registration surcharge on all-electric vehicles and plug-in hybrid electric vehicles as follows:

Raises the registration surcharge calculation percentages by .1% for all-electric vehicles; and

Raises the registration surcharge calculation percentages by .05% for plug-in hybrid electric vehicles.

The bill is effective the day following final enactment and applies to taxes payable for a registration period starting on or after November 1, 2025.

Assumptions

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

Minnesota Department of Public Safety prepared an estimate of impacts to the HUTD fund based on the increased surcharges. These estimates are reflected in the table below:

Impact	FY 2026	FY 2027	FY 2028	FY 2029
Highway User Tax Distribution Fund - Total	2,155	3,232	2,323	3,232

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.

Fund	FY 2026 (8 mos.)	FY 2027	FY 2028	FY 2029
<u>HUTD</u>	<u>2,155</u>	<u>3,232</u>	<u>3,232</u>	<u>3,232</u>
TH	1,269	1,904	1,904	1,904
CSAH	701	1,052	1,052	1,052
MSAS	184	276	276	276

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 Estimate

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