

Statewide & Local Government Revenue Options

Feedback and Review

Road User Fee Task Force

August 5, 2024

Statewide Revenue Options Workshop - Results

- *Road usage charging – 11 votes
- Indexing taxes and fees to inflation – 8 votes
- Supplemental registration fees for efficient vehicles – 7 votes
- *Mileage-based fee for medium-duty vehicles – 5 votes
- Retail delivery fees – 0 votes
- A tax on electricity used for charging EVs at public charging stations – 0 votes

Indexing Taxes and Fees to Inflation

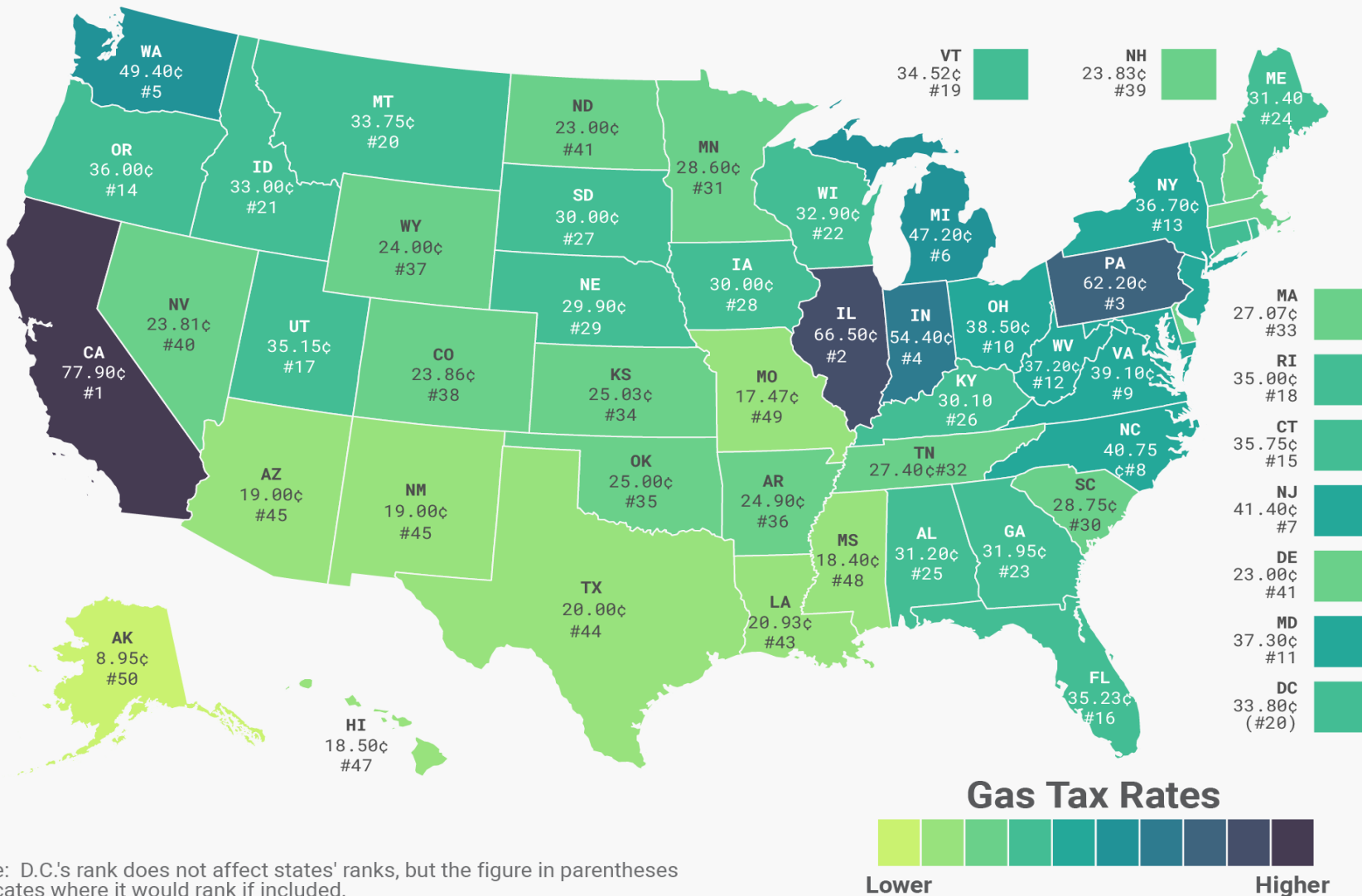
- Since 2017, the National Highway Construction Cost Index has increased by over 80%
- Twenty-four states and Washington, D.C., have variable rate fuel taxes adjusted by inflation or another index
- Oregon's fuel tax is fixed and requires legislative action to adjust
- 25% average fuel efficiency increase in Oregon between 2009 and 2023

Indexing Taxes and Fees to Inflation

- If 1993 Oregon fuel tax rate were indexed to CPI, 2023 rate would have been 53 rather than 38 cents per gallon
- If HB 2017 had indexed Oregon's 2016 fuel tax rate to the FHWA National Highway Construction Cost Index, the current rate would be 54 cents per gallon – not including the phased-in 10 cent increase included in that funding package
- If entirety of SHF were indexed to inflation, it would add about \$60m in revenue on an annual basis

How High are Gas Taxes in Your State?

U.S. State Gas Tax Rates, Cents Per Gallon, July 1, 2023



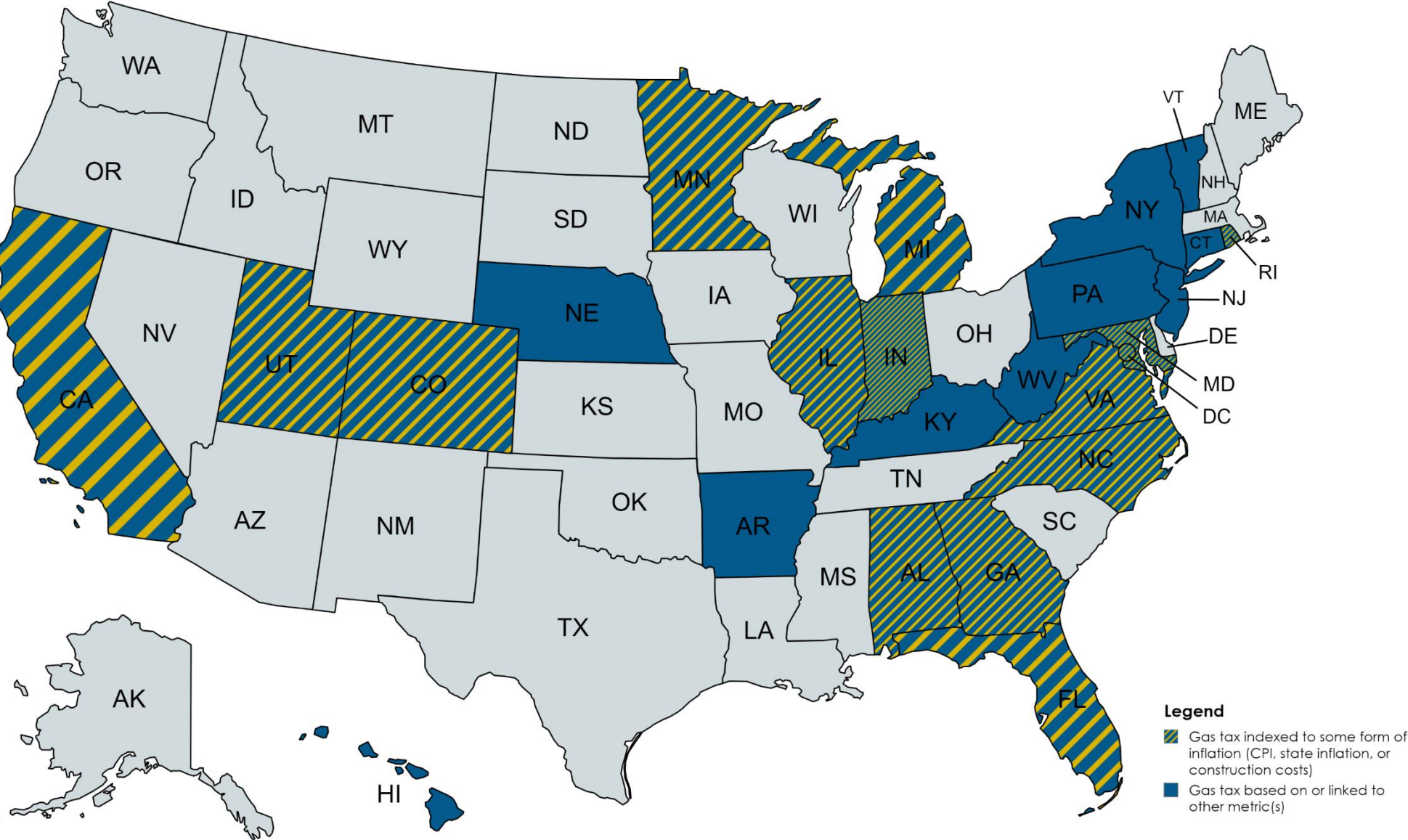
Source: Tax Foundation

Note: Oregon's fuel tax at that time was 38¢ per gallon, but image is included to provide general sense of Oregon relative to other states

Note: D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.
Source: State Statutes, American Petroleum Institute, Author Calculations

Variable Rate Gas Taxes

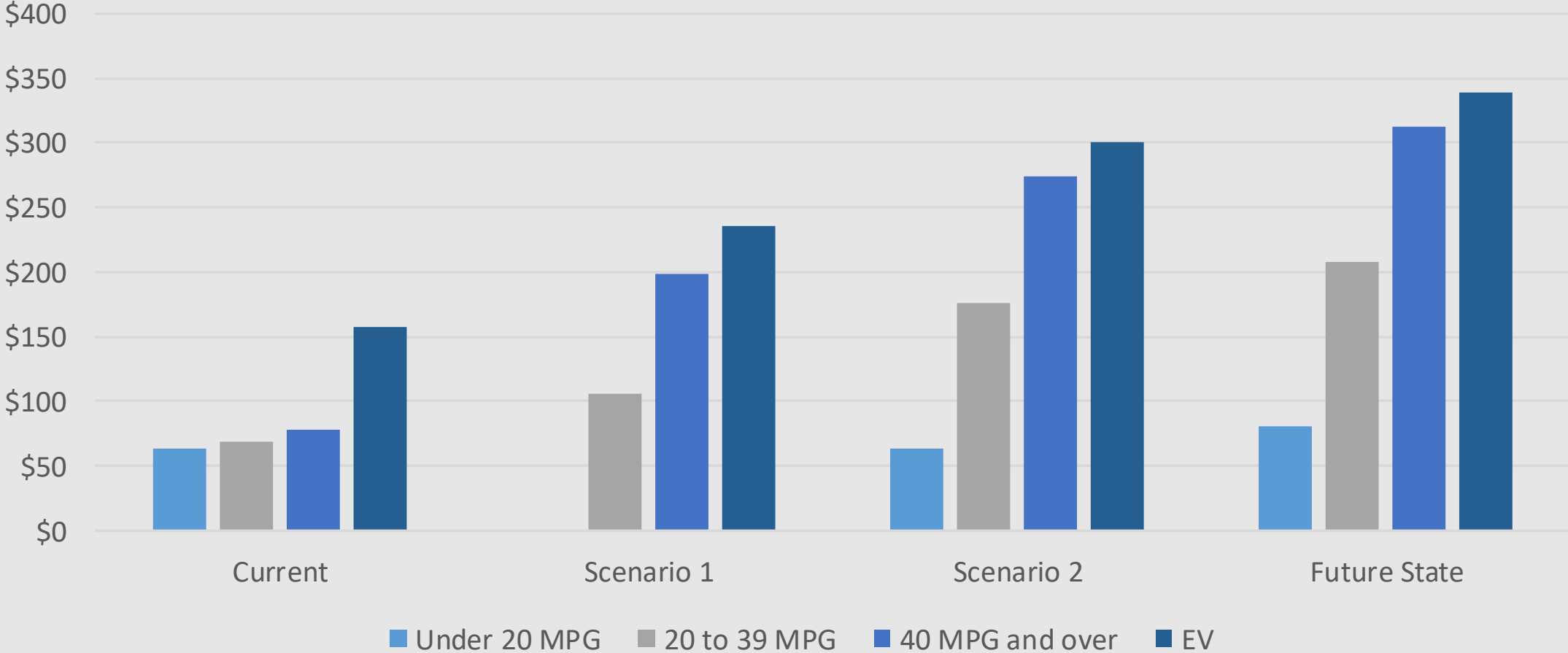
Source: *Variable Rate Gas Taxes*, NATIONAL CONFERENCE OF STATE LEGISLATURES (Feb. 9, 2024), www.ncsl.org/transportation/variable-rate-gas-taxes.



Supplemental Registration Fees for Efficient Vehicles

- 32 states impose supplemental reg. fees for battery EVs, and 19 impose a fee on plug-in hybrid EVs; Oregon included
- Fees range from a low of \$50 to high of \$250 per year
- Oregon imposes annual fees of \$115 for EVs and \$35 for other vehicles rated at 40+ MPG; also charges higher title fees for hybrids and EVs
- OTC's Section 75 Study found that high-efficiency vehicles are underpaying relative to low-efficiency vehicles

Section 75 Study - Annual Registration Fee Summary by Scenario



Achieving Parity – Scenario 2

Adjust Annual Registration Fees holding the Under 20 MPG registration fee constant at current rate

Vehicle Class		Annual User Fees	Scaled Equity Ratio	Registration Fees	Change from Current Fees
N/A	Under 20 MPG	476,073,558	0.9355	\$63	\$0
N/A	20 to 39 MPG	695,249,001	0.9353	\$176	\$108
N/A	40 MPG and over	42,688,291	0.9350	\$274	\$196
EV	N/A	13,710,764	0.9350	\$300	\$142
Basic Vehicle Subtotal		1,227,721,614			
All Vehicle Total		1,805,325,413			

Source: ECONorthwest

- Equity ratios increase yielding over \$200 million per year in additional revenue
- MPG classes over 20 and EV's see fee increases to maintain equity

OTC Recommendations to Legislature from Section 75 Study

- Increase vehicle registration fees to balance payments of vehicle classes
- Simplify the tiered fee structure by eliminating the tiered title fee
- Direct the Section 75 study be regularly updated or included in the HCAS
- Evaluate the conversion to a motive-power registration system
- Maintain a per-mile road usage charge for efficient vehicles as an opt-out option to higher registration fees
- Ensure the totality of vehicle taxes, fees and rebates incentivize the purchase of highly efficient vehicles

Retail Delivery Fees

- Increasing number of states exploring the concept of retail delivery fees
- Numerous policy options to consider, including transaction threshold, business characteristics, and type of item being purchased
- Distinct from sales tax, but states implementing retail delivery fees leverage existing tax systems

A Tax on Electricity Used for Charging EVs at Public Charging Stations

- Several states have passed laws to tax public charging, but methods/rates differ
 - per kWh; per gasoline gallon equivalent; retail sales tax
- Limited information on near-term revenue potential, but could be substantial in the future
- Important to consider who is responsible for paying the fee – EV owner, charging station owner/operator, or electric utility

Local Government Revenue Options

- Importance of State Highway Fund to city and county governments
- Desire among city and county governments for flexibility in how they raise revenue for transportation investments
 - Limiting / preventing future preemptions
- Exploration or consideration of removing population thresholds for local vehicle registration fees and/or popular votes for local fuel taxes?