

TESTIMONY OF
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DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES

Before the Joint Standing Committee on Transportation
Hearing Date: *May 14, 2025, Wednesday at 1:00 P.M.*

LD 1875 – “*An Act to Create Equity in Maine’s Highway Funding by Imposing a Road Use Fee for Electric Vehicles*”

Senator Nangle, Representative Crafts, and members of the Transportation Committee – good afternoon, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Neither For Nor Against LD 1875, “*An Act to Create Equity in Maine’s Highway Funding by Imposing a Road Use Fee for Electric Vehicles.*”

This road use fee would be imposed on battery electric vehicles (EVs) and plug-in hybrid EVs based on the number of miles the vehicle is driven in a year. While mileage fees and taxes are under review in many states, the proposed fee is, in essence, a vehicle registration fee, and therefore should be enacted under Title 29-A and administered by the municipalities and the Secretary of State, not Maine Revenue Services. Furthermore, a change of this magnitude should be made after extensive study, making this bill a good candidate for a carryover to the next Legislative Session.

This bill would allocate revenue collected from the road use fee towards temporarily suspending the gas tax for a number of days equivalent to the ratio of fee revenue to total gas tax revenue. According to recent reports of relevant information, as of 2024, nearly 17,500 EVs were registered in Maine (roughly half

battery, half hybrid),¹ while Maine EVs travel an estimated 12,000 miles per year on average.² Assuming 8,750 hybrids and 8,750 battery EVs travel 12,000 miles per year, the proposed fee would raise \$1,575,000.

In 2024, gasoline tax gross revenues totaled approximately \$201 million, while net revenue (deducting refunds, shrinkage, and transfers to off highway programs) was \$195 million. Based on the net revenue estimate, the fee would raise enough revenue to suspend the gasoline tax each year for 3 days. Alternatively, if the transfers to the TransCap Fund are included, then net revenue would only be \$175 million, although this revenue figure would similarly result in an annual 3-day suspension of the gas tax.

It is unclear whether the proposed temporary suspension is intended to benefit consumers at the pump, or distributors of the fuel. If the gasoline tax is suspended for 3 days (for example, May 6th-8th, 2027) many gasoline distributors will likely shift the timing of their sales and distributions to occur on those 3 days. It should be noted that gasoline retailers are not obligated to reduce the sale price to consumers when the gasoline tax is suspended.

As written, the bill would require MRS to develop a form for taxpayers to complete at town offices or BMV branches at the time of vehicle registration. Nearly all municipalities in Maine, however, participate in the Rapid Renewal online program, allowing taxpayers to renew their vehicle registration without having to go to the town office. Should this proposal move forward, the forms required for the fee should also be incorporated into the Rapid Renewal online program.

¹ The Maine Monitor, *Mainers weigh in on the state's electric vehicle targets*, <https://themainemonitor.org/ev-target-thoughts> (Nov. 29, 2024).

² Governor's Office of Policy Innovation and the Future, State of Maine Clean Transportation Roadmap (2021).

If the bill is not amended to require that an agency other than MRS administers the road use fee, MRS would need to develop the fee as a new tax type within STARS (State Tax Administration & Revenue System), and would also require new positions to administer the fee.

The Administration looks forward to working with the Committee on the bill.