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THE MAINE SENATE
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**Joint Standing Committee on Transportation on
LD 1194, An Act to Phase Out Vehicle Excise Taxes and Implement a Fee
for Infrastructure Funding Based on a Vehicle's Annual Mileage
April 11, 2025**

Senator Nangle, Representative Crafts, and honorable members of the Joint Standing Committee on Transportation. I am Brad Farrin speaking on behalf of my caucus colleague, Joe Martin. He is sponsoring LD 1194, "An Act to Phase Out Vehicle Excise Taxes and Implement a Fee for Infrastructure Funding Based on a Vehicle's Annual Mileage."

Today, I'm here to present a forward-looking and equitable piece of legislation that will modernize how we fund our transportation infrastructure while providing relief to vehicle owners across the state. This bill, beginning in fiscal year 2025, will reform the outdated excise tax model and introduce a fair, usage-based infrastructure fee that better reflects individual vehicle use and its impact on our roads.

Let me walk you through the key components of this bill.

First, the bill eliminates the excise tax on new vehicles starting July 1, 2025. This is a significant step for consumers, offering immediate financial relief to those purchasing new vehicles. It encourages vehicle upgrades and supports cleaner and more efficient transportation options.

Second, we are not eliminating all motor vehicle excise taxes overnight. Rather, the bill proposes a five-year phase-out, reducing the tax by 20% annually beginning in fiscal year 2025. This gradual reduction ensures a smoother transition for municipalities and allows time to shift to a more sustainable funding model.

Third, and most importantly, beginning July 1, 2027, the bill introduces a **usage-based infrastructure fee**. Instead of taxing vehicle ownership in a one-size-fits-all manner, this fee is based on how much and what type of vehicle a person drives. It reflects a simple but powerful principle: those who use the roads more should contribute more to maintaining them.

This new fee structure is not only more equitable but also more accurate. Annual mileage and vehicle type data will be maintained by the Department of Transportation. To gather this data effectively, the bill requires owners and certified inspection mechanics to report mileage during annual inspections. Additionally, the department will establish a digital reporting system to make this process seamless and ensure accuracy.

Fourth, the bill creates the **Maine Transportation Fund**, a dedicated pool of resources to maintain and repair roads, bridges, and other transportation infrastructure. These funds can also be distributed to municipalities and the Highway Fund, preserving local infrastructure investment during and after the excise tax phase-out.

To ensure transparency and effectiveness, the bill includes strong oversight and reporting mechanisms:

- The **State Auditor** will submit a **biennial audit report** to the transportation committee. This report will evaluate the financial and operational impact of the usage-based fee and compare municipal revenues generated from this new system to those previously collected from excise taxes.
- Separately, the **Department of Transportation** will submit an **annual report** detailing the implementation, compliance, and equity of the usage-based fee, as well as the costs associated with the transition.
- By **January 1, 2026**, the department is required to present a comprehensive **implementation plan** to the transportation committee. This ensures that the rollout is well-structured, transparent, and accountable.
- Finally, by **January 1, 2035**, the department must submit a thorough report assessing the long-term outcomes of the usage-based fee, including compliance, effectiveness, and overall fairness.

In summary, this bill represents a modern, user-based approach to funding our transportation infrastructure. It eases the tax burden on vehicle owners, ensures fairness based on actual road usage, and maintains strong accountability and transparency. Most importantly, it secures the long-term health of Maine's roads and bridges while adapting to the future of transportation.

I urge the committee to consider the long-term benefits of this bill and to support a unanimous "ought to pass" vote. Thank you, and I welcome any questions that I can answer, or we can wait and ask the sponsor at the work session.