



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0055 - An act establishing a tax on electric vehicle charging stations (Loge, Denley M)

Status: As Amended in Senate Finance Committee

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$331,988	\$140,845	\$142,958	\$142,958
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$245,077	\$245,077	\$490,155	\$490,155
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: As amended, HB 55, allows for a \$0.03 per kilowatt hour (kWh) tax on electric vehicle charging stations. The public utilities will file quarterly public charging station tax and required reports. The taxes collected must be deposited into the highway restricted account provided for in 15-70-126, MCA.

FISCAL ANALYSIS

Assumptions:

1. An IT system will be required for the implementation, registration, data entry, and tax collection of charging stations kilowatt hour tax.
2. Within the Department of Transportation's (MDT) Information Services Division, it is assumed 2.00 FTE for two developers (job code C1D023) will be needed to develop the IT solution in FY 2024. Starting in FY 2025, only 0.5 FTE will be needed to maintain the new IT solution.
3. FY 2024 personal services expenditures would be \$244,000. FY 2025, FY 2026, and FY 2027 personal services expenditures would be \$61,000.

4. Operating expenditures for the 2.00 new FTE would be \$5,600 in FY 2024 ((\$1,600 for the new employee office package + \$1,200 for computer equipment) x 2.00 FTE = \$5,600).
5. Within MDT's Administration Division, it is assumed that 1.00 FTE accountant will be needed for data entry, review, and reporting of tax returns.
6. Total FY 2024 personnel expenditures would be \$79,845. FY 2025, FY 2026, and FY 2027 personal services expenditures would be \$79,845.
7. Operating expenditures for the 1.00 new FTE would be \$2,800 in FY 2024 (\$1,600 for the new employee office package + \$1,200 for computer equipment = \$2,800).
8. An additional 1.5% for inflation is added to personal services in FY 2026 and FY 2027.
9. It is assumed that there would be an 80.0% residential charge rate for vehicles and a 20.0% public charge rate for vehicles for Montana residents.
10. The \$0.0275 per kWh tax will be remitted to MDT.
11. It is assumed there would be 12,000 miles driven annually by battery electric vehicles, with plug-in hybrid vehicles driving 55% of those miles using electric power. It is assumed an electric vehicle will use 1.0 kWh per 3.0 miles driven.
 - i. Battery Electric vehicles (12,000 miles / 3.0 miles per kWh = 4,000 kWh per year)
(4,000 kWh per year x 20% public charging = 800 kWh public charging per year)
(800 kWh x \$0.0275 kWh tax = \$22.00 Montana resident tax paid.)
(\$22.00 x 1,893 registered battery electric vehicles = \$41,646 tax remitted by Montana battery electric vehicle owners.)
 - ii. Plug-in hybrid vehicles (12,000 miles x 55% = 6,600 electric power miles.)
(6,600 electric power miles / 3.0 miles per kWh = 2,200 kWh per year)
(2,200 kWh per year x 20% public charging = 440 kWh public charging per year)
(440 kWh x \$0.0275 kWh tax = \$12.10 Montana resident tax remitted for plug-in hybrid registration.)
(\$12.10 x 1,002 registered plug-in hybrid vehicles = \$12,124.20 tax remitted by Montana plug-in hybrid owners.)
12. Currently, the electric vehicle adoption rate in Montana is 0.18%. It is assumed that lack of charging station infrastructure affects electric vehicle tourism at the same rate. Assuming 30% of gasoline and diesel cashiered gallons are sold to non-resident tourism, FY 2021 tourism gallons of gasoline and diesel would be 261,559,083.3 gallons. (553,619,015 FY 2021 cashiered gasoline gallons + 318,517,285 FY 2021 cashiered diesel gallons = 872,136,300 cashiered gallons.) (872,136,300 cashiered gallons x 30% tourism gallons = 261,640,890 tourism gallons.) (261,640,890 tourism gallons x 0.18% electric vehicle adoption rate = 470,953.6 gallons to convert to kWh.) (470,953.6 gallons x 33.6944444444444 kWh to gasoline gallon equivalent = 15,868,519.98 kWh charged at public charging stations by non-residents.) (15,868,519.98 kWh charged at public charging stations by non-residents x 0.0275 kWh tax remitted = \$436,384.30 potential yearly revenue.)
13. Based on the July 1, 2025, effective date, it is assumed that none of the public legacy charging stations will be remitting tax until July 1, 2025 (FY 2026).
14. Assuming electric vehicle adoption rates remain at 0.18% until charging infrastructure has been built, the total revenue projected to be collected is \$490,154.50 in FY 2026 and FY 2027. (\$436,384.30 non-resident tax remitted + \$41,646 Montana resident EV charging tax remitted + \$12,124.20 Montana resident hybrid charging tax remitted = \$490,154.50)
15. As amended, revenue will be collected on charging stations that are newly installed starting in FY 2024. It is assumed approximately half of all charging stations in FY 2026 and FY 2027 will be newly installed in FY 2024. As a result, potential revenue will be \$245,077 in FY 2024 and FY 2025 (\$436,384.30 potential yearly revenue / 2 = \$245,077).
16. The highway restricted account will receive the total revenue collected in each fiscal year.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	3.00	1.50	1.50	1.50
<u>Expenditures:</u>				
Personal Services	\$323,588	\$140,845	\$142,958	\$142,958
Operating Expenses	\$8,400	\$0	\$0	\$0
TOTAL Expenditures	\$331,988	\$140,845	\$142,958	\$142,958

<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$331,988	\$140,845	\$142,958	\$142,958
TOTAL Funding of Exp.	\$331,988	\$140,845	\$142,958	\$142,958

<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$245,077	\$245,007	\$490,155	\$490,155
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
TOTAL Revenues	\$245,077	\$245,007	\$490,155	\$490,155

<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	(\$86,911)	\$104,162	\$347,197	\$347,197

Long-Term Impacts:

- The recently signed HB 60 establishes annual registration fees for electric vehicles starting in FY 2024. HB 55, as amended, reduces the electric vehicle registration fees by 30% effective July 1, 1028. This reduced registration fee will result in reduced annual revenues to the state starting in FY 2029.

Technical Notes:

- As amended, HB 55's new Section 3 implements IT upgrades to public legacy charging stations but does not require the same IT capabilities of charging stations installed after July 1, 2025. With each charging station required to be separately metered, the need to measure the amount of electricity being delivered to the motor vehicle is not needed.

 _____ Sponsor's Initials	 _____ Date	 _____ Budget Director's Initials	 _____ Date
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