SOUTH DAKOTA FARM BUREAU

BACKGROUNDER

TAXING ELECTRIC VEHICLES

ISSUE: There have been ongoing discussions at the state and national level about how to fund ongoing highway maintenance needs given the increase in electric and hybrid vehicles on the road.

OVERVIEW: One of the main funding sources for highway maintenance in South Dakota is a tax on gasoline purchases. Excise taxes on vehicle purchases, vehicle registration fees, and wheel taxes also contribute to highway maintenance funding. The increase in purchases of electric and hybrid vehicles, which use less to no gasoline, has increased interested in looking at different ways to fund highway maintenance.

The 2020 Legislature considered a bill to add an additional fee for electric and hybrid vehicles to be spent on highway maintenance. SB 85 called for an additional fee of $100 for electric vehicles and $50 for hybrid vehicles. This fee would be paid annually when the vehicle was registered with the state. There were several practical and philosophical concerns raised during testimony on this bill and it was tabled.

AFBF POLICY: AFBF policy reads: “We support revenue collection efforts on those users who do not currently contribute to the Federal Highway Trust Fund due to increased mileage standards, electric vehicles or alternative fuels”.

DISCUSSION: As the legislature considered this bill, several questions were raised about how to equitably account for electric and hybrid vehicles when considering funding for highway maintenance. It was also testified to that of the 961,000 vehicles registered in South Dakota in 2018, about 250 could be classified as electric. There was some discussion about how to distinguish between electric vehicles for general road use (i.e. Teslas) vs. for limited road use (i.e. golf carts). Some of the questions considered by the legislature included:

1. How does one define electric and hybrid vehicles so that it's clear for the general public and the Department of Revenue what fees should be assessed on a particular vehicle?
2. In general, electric vehicles are lighter than traditional vehicles and therefore contribute less to highway wear and tear. How does one equitably calculate an electric or hybrid vehicles contribution to highway wear and tear?
3. An assertion was made in testimony that because electric vehicles are more expensive, they contribute additional excise tax. Does the additional excise tax paid by electric vehicles make up for the loss in gas tax?