



March 25, 2024

The Honorable Marc Korman
Chair, House Environment and Transportation Committee
Annapolis, Maryland 21401

**SB 1065: Motor Vehicles – Registration – Annual Surcharge
Position: Favorable**

Chair Korman:

The Alliance for Automotive Innovation¹ (Auto Innovators) appreciates the opportunity to provide the following comments on SB 1065 as your committee considers the State’s road funding needs and the appropriate taxation of electric vehicles (EVs).

Maryland EVs sales comprised 11% percent of new vehicles sales through the first three quarters of 2023². This includes battery electric, plug-in electric, and fuel cell models. Automakers are investing heavily in EV manufacturing and battery production in the United States. Globally, automakers have committed to investing \$1.2 TRILLION dollars³ on electrification through 2030.

There will be 150 models⁴ of electric vehicles for sale in the U.S. market by 2026, up from roughly 111 models today. Our members recognize the pressure this transition – along with the continued rise in MPG ratings of traditional gas/diesel powered vehicles and the increased costs of highway construction generally – places upon state road infrastructure budgets that have historically been funded through state and federal gas tax revenues.

To address this concern, policymakers across the country have been forced to consider avenues outside of a gas tax to recoup revenues that otherwise would have been collected. The three potential revenue streams most commonly identified are: a flat annual registration fee on electric vehicles (EV); a tax based on the number of vehicle miles traveled (VMT) by an EV; or a tax based on the number of kilowatts of electricity (kWh) used to charge an EV.

While automakers were once among the loudest to protest additional registration fees placed upon EV owners, we have now come to believe that such fees are the most responsible path for states to follow. Much attention has been given to pilot programs to study ways to implement both VMT and kWh taxes. From a state’s perspective, however, increased registration fees on EVs could be

¹ From the manufacturers producing most vehicles sold in the U.S. to autonomous vehicle innovators to equipment suppliers, battery producers and semiconductor makers – Alliance for Automotive Innovation represents the full auto industry, a sector supporting 10 million American jobs and five percent of the economy. Active in Washington, D.C. and all 50 states, the association is committed to a cleaner, safer and smarter personal transportation future.

www.autosinnovate.org.

² <https://www.autosinnovate.org/posts/papers-reports/get-connected-q3-2023>

³ <https://www.autosinnovate.org/posts/communications/The%20Future%20Is%20Electric%20Infographic>

⁴ <https://www.autonews.com/white-paper/here-are-nearly-150-evs-plug-hybrids-headed-us-dealerships-through-2026>

accomplished with little added administrative costs. It would also represent the fastest way to begin collecting revenue, and likely prove to be the most stable source of revenue year-to-year. That is not to say there are not policy considerations around an EV fee that deserve heed – including: challenges for consumers facing a new fee that must be paid all at once, as opposed to modest payments throughout the year like the gas tax; and the limitations to collect road usage revenue from out-of-state drivers who are utilizing the State’s roadways – but these can be mitigated through thoughtful policy development. Despite these drawbacks, EV fees will prove to be the most appropriate resolution to the funding problems faced by the State, given the challenges with implementing both VMT and kWh taxes.

While we do not suggest EV owners should get a free ride, we are very sensitive to a public perception that EV owners are being punished with new taxes and fees that drivers of traditional vehicles do not pay, and the possibility that such perception could holdback sales of this growing technology.

We think SB 1065 strikes the right balance by assessing a fee on electric vehicle owners and not hybrid owners, who already pay the gas tax, and request a favorable report.

Thank you for your consideration of our position. For more information, please contact our local representative, Bill Kress, at (410) 375-8548.

Sincerely,

A handwritten signature in black ink that reads "Josh Fisher". The signature is written in a cursive, slightly slanted style.

Josh Fisher
Senior Director
Alliance for Automotive Innovation.