

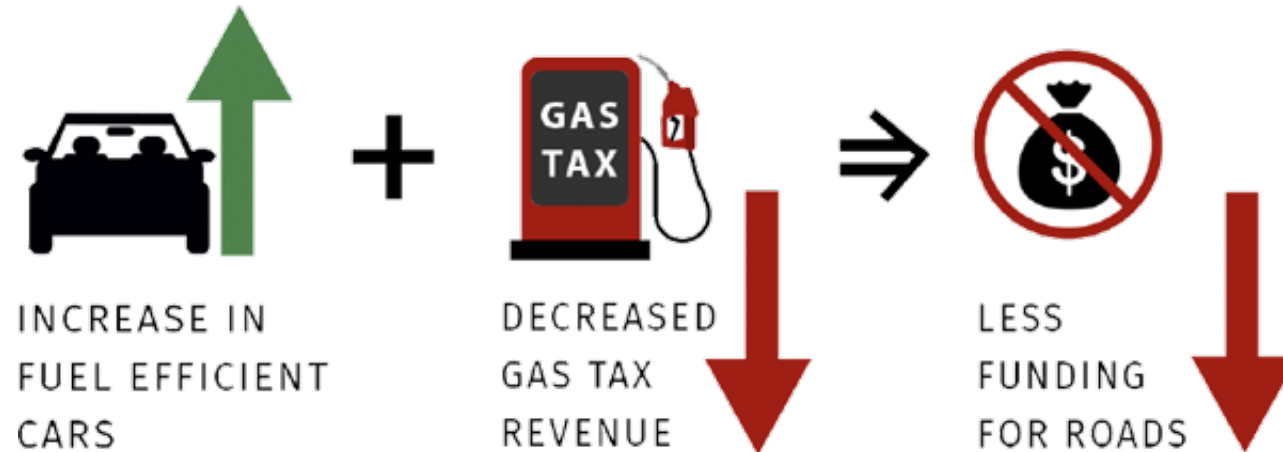
Mileage-based User Fee Update

HOUSE TRANSPORTATION COMMITTEE, MAY 15, 2026

PATRICK Ó. MURPHY, STATE POLICY DIRECTOR, VERMONT AGENCY OF TRANSPORTATION

Defining the Problem with Fuel Taxes

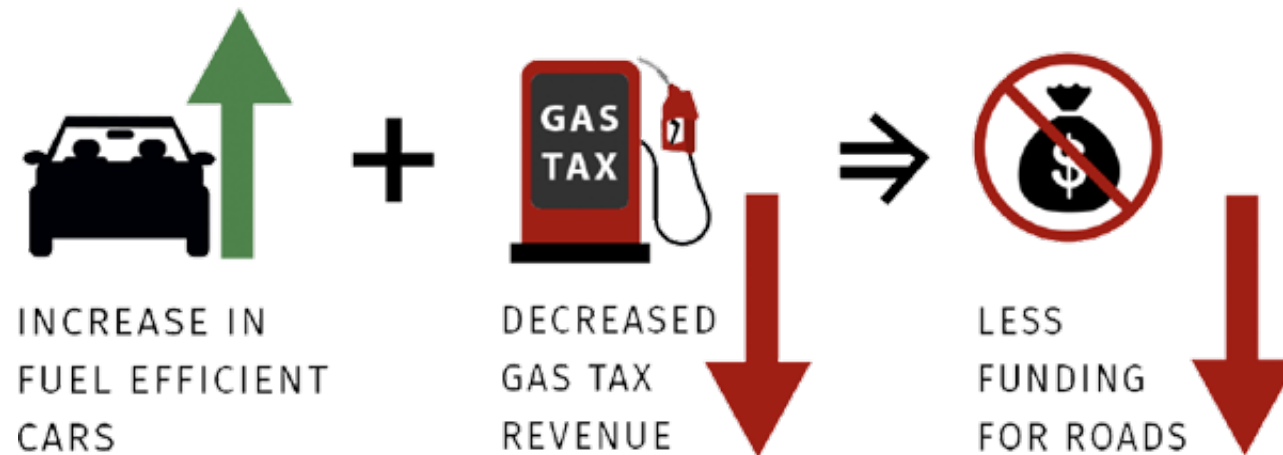
The gas tax was originally intended as a *road usage charge* when all vehicles consumed gas at roughly the same rate, but over time has become a less apt proxy for use of the roads.



- **Electrification**: EVs don't consume gas, and will grow to a substantial percentage of the fleet
- **Fuel Efficiency**: Plug-in hybrid EVs have increased range without gas, hybrid and even gas-powered vehicles have increased fuel economy, consuming and paying substantially less
- **Inflation**: Absent automatic or proactive adjustments, purchasing power represents biggest losses

Addressing Problems with Fuel Taxes

The gas tax was originally intended as a *road usage charge* when all vehicles consumed gas at roughly the same rate, but over time has become a less apt proxy for use of the roads.



1. **Electrification:** 1st Phase of Mileage-based User Fee by January 1, 2027 with federal support
2. **Fuel Efficiency:** 2nd Phase to expand to hybrids and explore inclusion of fuel-efficient vehicles (25 mpg or above) by 2029
3. **Inflation:** Investigate further how to fairly apply an inflation adjustment to prevent significant revenue losses over time. AOT to provide analysis in reports to legislature.

Addressing Electrification

Basic Points of Vermont's Program for Users:

- BEV Drivers pay \$89 road usage charge until sufficient mileage data is available
- Last EV infrastructure fee(s) or road usage charge(s) credited to first mileage fee
- Balances reconciled at registration renewal
- Mileage fee effectively capped at \$178 or (12,700 miles)
- Users can pay upfront, at registration renewal, or elect a payment frequency that works for them
- Compliance efforts to focus on education



H.944: Major Changes in Senate Version

- Payment options: Flat fee option added to effectively cap mileage fee at \$178 annually; restores options to pre-pay in monthly or quarterly installments, or on a pay-go basis
- Penalties: Section on interest penalties removed
- Default flat fee : Fee (in the event of no odometer reading data) lowered from 98th percentile of miles to \$178 for first two years. Allows 90-day grace period to obtain an inspection and a possible credit to the next reporting period for any overpayment at prior renewal
- Rentals: Eliminates BEV rental vehicle Road Usage Charge (1% surcharge on rental purchase and use)
- Initial Transition: Clarifies initial transition language for BEVs
- Reports: Adds reporting requirements regarding outreach and education, longer-term transition strategy
- Program Expansion: Expands “covered vehicles” definition and thus mileage fee to all hybrid vehicles by 2029, with system of fuel tax credits to be automatically credited against mileage-based user fee, and default flat fee increasing to \$375

H.944: Reporting Back on Outstanding Issues

- Requires submission and discussion of Public Outreach, Education and Communications Strategy by September 15, 2026
- Requires an initial MBUF transition plan by January 15, 2027 including:
 - Additional mileage reporting options to distinguish between in- and out-of-state miles
 - System of fuel tax credits according to relative MPG ratings to ensure that no vehicles registered in Vermont and enrolled in program are paying more than the effective per mile rate (1.4 cents proposed), while still capturing out-of-state revenue
 - Proposed schedule for vehicles classes and fuel-types (i.e. 2029, 2031)
 - Evaluation of medium- and heavy-duty electric vehicles and weight-based factor
 - Recommendations for setting a flat fee cap and default flat fee in the absence of data
 - Recommendations for a capped inflation adjustment factor once all vehicles are enrolled
- Requires ongoing reporting on program results
- Requires submission of draft FHWA Final Report by July 15, 2028

H.944: Open Issues for Consideration

- Flat fee option has not been repealed for 2029, when vehicles paying some gas tax (hybrids) are included in program, potentially creating unintended consequences –repeal or narrow applicability?
- If language to cover hybrids in 2029 does advance, there is currently no language repealing the infrastructure fee for plug-in hybrids. Repeal? Or wait for Agency recommendation on how transition to hybrids might work?
- Logistics for payment of mileage fee at subsequent registration renewal if the reporting period closes within 60 days of renewal (to account for timing of renewal notices, automated banking logic, and ability to appeal per the legislation)
- Minor clarifications around program elements to focus on compliance with existing inspection process (e.g. no credits for prior flat fees paid if owner does not obtain required inspection)

Strategic Innovation for Revenue Collection (SIRC)

Authorized by 2021 Investment Infrastructure and Jobs Act (IIJA):

To test the design, acceptance, equity, and implementation of user-based alternative revenue mechanisms, including among—

- (i) differing income groups; and
- (ii) rural and urban drivers, as applicable.

FEDERAL SHARE.—The Federal share of the cost of a pilot project carried out under this section may not exceed **80 percent** of the total cost of a project carried out by an eligible entity that has not otherwise received a grant



Strategic Innovation for Revenue Collection (SIRC)

<u>Task 1</u> : Project Management	\$375,000
<u>Task 2</u> : System Implementation	\$2,250,000
<u>Task 3</u> : Public Outreach and Education	\$862,500
<u>Task 4</u> : Policy Analysis and Transition Strategy	\$262,500

Total	\$3,750,000	(80% federally-funded)
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Major Grant Deliverables:

- Implementation of MBUF for electric vehicles – January 2027
- Final Report with transition strategy by Fall 2028

Contact

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