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Mileage-Based User Fee: Senate Working Draft for Discussion

\* \* \* Mileage-Based User Fee \* \* \*

Sec. \_\_. FINDINGS AND INTENT

(a) Findings. The General Assembly finds that:

(1) Vermont adopted its first tax on gasoline in 1923.

(2) In 1923, the most common motor vehicle in the Unites States was the Ford Model T, whose annual production peaked at more than 2,000,000 new vehicles that year.

(3) Because of the limited variety of mass-produced vehicles available when it was adopted, the gasoline tax, and the later-adopted diesel fuel tax, served as use fees that required drivers of light-duty motor vehicles to contribute to the State’s Transportation Fund in an amount that reflected the amount of miles that each vehicle was driven on Vermont’s surface transportation system.

(4) Since 1923, the variety of mass-produced light-duty motor vehicles available to consumers has expanded greatly, resulting in a wide variety of internal combustion engine types and designs with significant differences in vehicle fuel efficiency.

1           (5) Improvements in fuel efficiency among light-duty motor vehicles  
2           and the increasing adoption of hybrid, plug-in hybrid, and BEV vehicles is  
3           leading to reduced fuel consumption among newer vehicles.

4           (6) BEVs do not require gasoline and diesel fuel, and the \$89.00 annual  
5           infrastructure fee paid by owners and lessees of BEVs registered in Vermont is  
6           less than the average amount of fuel taxes collected in relation to a light-duty  
7           motor vehicle with an internal combustion engine.

8           (7) As a result of differences in fuel consumption between different  
9           types and ages of light-duty motor vehicles, the current system for funding  
10           Vermont’s surface transportation system has become inequitable when  
11           considering the miles traveled by each vehicle.

12           (8) In contrast to the current system, a mileage-based user fee imposes a  
13           per-mile fee for usage of the State’s highways and ensures that owners and  
14           lessees of motor vehicles contribute to the Transportation Fund in an equitable  
15           manner.

16           (9) Vermont’s taxes on gasoline and on diesel fuel were last increased in  
17           2014, and the federal taxes on gasoline and on diesel fuel were last increased in  
18           1993.

19           (10) Reduced fuel consumption and unchanged gasoline and diesel tax  
20           rates have resulted in stagnant fuel tax revenues that have not kept pace with  
21           inflation or the needs of Vermont’s transportation system.

1           (11) In addition to Vermont’s stagnant fuel tax revenues, Vermont’s  
2           demographic constraints and changes in vehicle ownership and usage have  
3           limited the growth of fee revenues to the Transportation Fund.

4           (12) The July 2025 consensus revenue forecast estimates a 1.33 percent  
5           compound annual growth rate in Transportation Fund revenues between 2026  
6           and 2030.

7           (13) In comparison, highway construction costs, as measured by the  
8           National Highway Construction Cost Index, have increased by 62 percent,  
9           nationally, since 2020.

10           (b) Intent. It is the intent of the General Assembly to:

11           (1) implement a mileage-based user fee for BEVs, which will replace  
12           the existing infrastructure fee beginning on January 1, 2027, to ensure that  
13           owners and lessees of BEVs contribute to the Transportation Fund in an  
14           amount that reflects the annual miles traveled by each vehicle;

15           (2) ensure that owners and lessees of all light-duty motor vehicles  
16           contribute to the Transportation Fund in an amount that reflects the annual  
17           miles traveled by each vehicle by expanding the mileage-based user fee to  
18           highly fuel-efficient light-duty motor vehicles, such as plug-in hybrids,  
19           hybrids, and vehicles with efficient internal combustion engines on or before  
20           January 1, 2029, and to all light-duty motor vehicles on or before January 1,  
21           2031; and

1           (3) develop and implement the mileage-based user fee in a manner that  
2 does not discourage ownership and use of BEVs and highly fuel-efficient  
3 vehicles, consistent with the intent of the Global Warming Solutions Act and  
4 the State’s Climate Action Plan.

5           Sec. \_\_. 23 V.S.A. chapter 43 is added to read:

6                           CHAPTER 43. MILEAGE-BASED USER FEE

7           § 4301. PURPOSE

8           The purpose of this chapter is to impose a mileage-based user fee for battery  
9 electric vehicle pleasure cars to ensure that battery electric vehicles contribute  
10 to the Transportation Fund in an amount that reflects the annual miles traveled  
11 by each vehicle.

12           § 4302. DEFINITIONS

13           As used in this chapter:

14           (1) “Account manager” means a person that the Agency of  
15 Transportation or Department of Motor Vehicles contracts with to administer  
16 and manage the mileage-based user fee.

17           (2) “Annual vehicle miles traveled” means the total number of miles that  
18 a covered vehicle is driven during a mileage reporting period.

19           (3) “Covered vehicle” means a battery electric vehicle pleasure car.

1           (4) “Mileage-based user fee” or “MBUF” means the fee charged for the  
2           annual vehicle miles traveled by a covered vehicle pursuant to section 4303 of  
3           this chapter.

4           (5) “Mileage-based user fee rate” means the per-mile usage fee charged  
5           to the owner or lessee of a covered vehicle pursuant to section 4303 of this  
6           chapter.

7           (6) “Mileage reporting period” means:

8                   (A) the time period between required annual inspections; or

9                   (B) the time period between the most recent annual inspection and a  
10           terminating event.

11           (7) “Terminating event” means any of the following:

12                   (A) the registration of a covered vehicle that had been registered in  
13           Vermont in a different state;

14                   (B) a change in ownership or lesseeship of a covered vehicle; or

15                   (C) the termination of a covered vehicle’s registration.

16           § 4303. MILEAGE-BASED USER FEE; ASSESSMENT; CALCULATION;  
17           PAYMENT; EXEMPTIONS

18           (a) Assessment and payment of mileage-based user fee (MBUF).

19                   (1) Options for payment of MBUF. The owner or lessee of a covered  
20           vehicle may elect to pay the MBUF according to one of the following options:

1           (A) annual payment of the MBUF as a lump sum following the  
2           conclusion of each mileage reporting period as set forth in subdivision (2) of  
3           this subsection (a);

4           (B) pay-as-you-go installment payments of the MBUF during a  
5           mileage reporting period as set forth in subdivision (3) of this subsection (a),  
6           provided that the Commissioner, in the Commissioner’s sole discretion, elects  
7           to make a pay-as-you-go option available; or

8           (C) estimated payments of the MBUF in annual, quarterly, or  
9           monthly installments as set forth in subdivision (4) of this subsection (a).

10           (2) Annual mileage-based user fee payment option.

11           (A) For an owner or lessee who opts to pay the MBUF as a lump sum  
12           at the end of each mileage reporting period, the Commissioner shall, within 14  
13           days after the conclusion of the covered vehicle’s mileage reporting period,  
14           calculate the amount of the MBUF pursuant to subsection (d) of this section  
15           and mail an assessment of the amount to the owner or lessee.

16           (B) Not more than 45 days after a mileage-based user fee assessment  
17           is mailed pursuant to subdivision (A) of this subdivision (a)(2), the owner or  
18           lessee of the covered vehicle shall remit the full amount of the mileage-based  
19           user fee to the Commissioner.

20           (3) Pay-as-you-go option.

1           (A) Owners and lessees who opt into the pay-as-you-go mileage-  
2           based user fee option shall report the mileage shown on the odometer of the  
3           owner’s or lessee’s covered vehicle at times and in a manner required by the  
4           Commissioner.

5           (B) As soon as practicable after receiving each report, the  
6           Commissioner shall calculate pursuant to subsection (d) of this section the  
7           applicable MBUF due for the covered vehicle and mail to the owner or lessee a  
8           statement of the amount of the mileage-based user fee assessed.

9           (C) The owner or lessee of the covered vehicle shall remit the full  
10          amount due to the Commissioner within not more than 30 days after the  
11          assessment is mailed.

12          (D) At the end of each mileage reporting period, the amount paid by  
13          the owner or lessee shall be reconciled against the actual mileage driven as set  
14          forth in subdivision (5) of this subsection (a).

15          (4) Estimated payment option.

16          (A) An owner or lessee who elects to make estimated payments shall  
17          be assessed upon registration of the covered vehicle, or registration renewal, an  
18          estimated mileage-based user fee equal to the rate established pursuant to  
19          subsection (e) of this section multiplied by the average annual vehicle miles  
20          traveled by pleasure cars registered in Vermont.

21          (B) The owner or lessee shall either:

1                    (i) pay the estimated MBUF as a lump sum not more than 45 days  
2                    after the date of registration or registration renewal; or

3                    (ii) enter into an agreement with the Commissioner to pay the  
4                    estimated amount in monthly or quarterly installments.

5                    (C) At the end of each mileage reporting period, the amount paid by  
6                    the owner or lessee shall be reconciled against the actual mileage driven as set  
7                    forth in subdivision (5) of this subsection (a).

8                    (5) Reconciliation of mileage for pay-as-you-go and estimated payment  
9                    options.

10                   (A) At the conclusion of each mileage reporting period for a covered  
11                   vehicle whose owner or lessee has elected either the pay-as-you-go or the  
12                   estimated payment option, the Commissioner shall determine if the amount of  
13                   the MBUF for the actual miles traveled by the covered vehicle during the  
14                   mileage reporting period is greater than or less than the amount of the  
15                   payments made by the owner or lessee during that period.

16                   (B) If the actual MBUF is less than the amount paid, the owner or  
17                   lessee of the covered vehicle shall receive a credit equal to the difference  
18                   between the amount paid and the actual amount, which shall be applied to  
19                   reduce the amount of future fees due from the owner or lessee for the covered  
20                   vehicle pursuant to this subsection (a).

1           (C) If the actual MBUF is more than the amount paid, the owner or  
2           lessee of the covered vehicle shall be assessed an amount equal to the  
3           difference between the actual MBUF and the amount paid, which shall be  
4           added to the next amount due from the owner or lessee pursuant to this  
5           subsection (a).

6           (b) Newly registered vehicles. The owner or lessee of a newly registered  
7           covered vehicle shall pay the MBUF during the initial year of registration  
8           pursuant to:

9           (1) the pay-as-you-go option set forth in subdivision (a)(3) of this  
10           section; or

11           (2) the estimated payment option set forth in subdivision (a)(4) of this  
12           section.

13           (c) Election of different payment option. An owner or lessee of a covered  
14           vehicle may select a different option for payment of the MBUF pursuant to  
15           subsection (a) of this section by providing notice to the Commissioner in the  
16           time and manner prescribed by the Commissioner.

17           (d) Calculation of the mileage-based user fee. The Commissioner shall  
18           calculate the mileage-based user fee of each covered vehicle by multiplying the  
19           miles traveled by the covered vehicle during the applicable period by the rate  
20           established pursuant to subsection (e) of this section. The number of miles  
21           traveled shall be equal to:

1           (1) for a mileage reporting period, the difference between the mileage  
2           shown on the covered vehicle's odometer at the end of the mileage reporting  
3           period and the mileage shown on the covered vehicle's odometer at the  
4           beginning of the mileage reporting period; and

5           (2) for a report filed by an owner or lessee as part of the pay-as-you-go  
6           mileage-based user fee program pursuant to subdivision (a)(3) of this section,  
7           the difference between the mileage reported by the owner or lessee and the  
8           most recent prior mileage reported for the covered vehicle.

9           (e) Mileage-based user fee rate. The mileage-based user fee rate shall be  
10           \$0.014 per mile traveled by a covered vehicle during its mileage reporting  
11           period.

12           (f) Exemptions. The mileage-based user fee assessed pursuant to this  
13           section shall not apply to:

14           (1) covered vehicles owned or operated by the government of the United  
15           States;

16           (2) covered vehicles owned or operated by the State of Vermont; or

17           (3) covered vehicles that are used for short-term rentals.

18           (g) Fee in addition to other fees and taxes. A mileage-based user fee  
19           assessed pursuant to this section shall be in addition to any other fees and taxes  
20           imposed by this title.

1        (h) Review of amount assessed. A person may, within 45 days after an  
2        assessment is mailed pursuant to subsection (a) of this section, appeal the  
3        amount of the assessment to the Commissioner. The Commissioner shall  
4        establish procedures for filing and hearing appeals pursuant to this subsection  
5        that are consistent with the provisions of sections 105–107 of this title. The  
6        procedures shall include a process by which an appellant can resolve the  
7        dispute prior to the issuance of a final administrative decision on the appeal.

8        (i) Refunds. Notwithstanding subdivision (a)(5)(B) of this section, upon  
9        occurrence of a terminating event, the Commissioner shall issue a refund to the  
10       owner or lessee of a covered vehicle for any amounts paid by the owner or  
11       lessee that are in excess of the amount due pursuant to this chapter.

12       § 4304. REPORTS

13       (a) Upon completion of an inspection of a covered vehicle pursuant to  
14       section 1222 of this title, an inspection mechanic shall report the mileage  
15       shown on the covered vehicle's odometer to the Department in the manner  
16       required by the Commissioner.

17       (b) Upon the occurrence of a terminating event, the owner or lessee of a  
18       covered vehicle shall report the mileage shown on the covered vehicle's  
19       odometer at the time of the terminating event to the Department in the time and  
20       manner required by the Commissioner.

21       § 4305. FAILURE TO PAY FEE WHEN DUE; INTEREST

1       (a) Any person who fails to pay the full amount of the mileage-based user  
2       fee when due shall owe, in addition to the unpaid amount of the mileage-based  
3       user fee, interest calculated at one and one-half percent per month on the  
4       amount of the mileage-based user fee that remains unpaid. The maximum  
5       amount of interest that may accrue pursuant to this subsection shall not exceed  
6       18 percent of the amount of the unpaid fee.

7       (b)(1) An individual may request at any time that the Commissioner waive  
8       some or all of the amount of the overdue fee or interest due, or both, pursuant  
9       to subsection (a) of this section.

10       (2) The Commissioner may, upon receiving a request pursuant to  
11       subdivision (1) of this subsection or on the Commissioner’s own motion,  
12       wave some or all of the amount of the overdue fee and interest required  
13       pursuant to subsection (a) of this section if the Commissioner determines that  
14       good cause existed for the delay in payment or that requiring payment would  
15       constitute an economic hardship.

16       § 4306. FAILURE TO FILE REPORT **OR OBTAIN INSPECTION:**

17               PENALTY RATE

18       (a) The Commissioner shall assess the owner or lessee of a covered vehicle  
19       a mileage-based user fee based on the 98<sup>th</sup> percentile of the mileage traveled by  
20       all covered vehicles during the mileage reporting periods ending in the prior  
21       calendar year if the Commissioner is unable to determine the annual vehicle

1 miles traveled for the owner’s or lessee’s covered vehicle because the owner or  
2 lessee:

3 (1) failed to file a report required by section 4304 of this chapter within  
4 a reasonable period of time after the report is due;

5 (2) failed to have the covered vehicle inspected as required pursuant to  
6 section 1222 of this title within a reasonable period of time after the inspection  
7 is due at either the commencement or conclusion of a mileage reporting period;  
8 or

9 (3) failed to have the covered vehicle inspected at any time during or  
10 within a reasonable time after the conclusion of a mileage reporting period.

11 (b) The penalty required pursuant to subsection (a) of this section shall be  
12 assessed when the owner or lessee of the covered vehicle next renews the  
13 vehicle’s registration following the mileage reporting period.

14 § 4307. REGISTRATION; SUSPENSION OR REFUSAL

15 (a) Suspension of registration. The Commissioner may suspend or refuse  
16 to renew the registration of a covered vehicle if the Commissioner determines,  
17 following notice and an opportunity for a hearing as provided pursuant to  
18 subsection (b) of this section, that the owner or lessee of the covered vehicle:

19 (1) failed to file a report required pursuant to section 4304 of this  
20 chapter;

1           (2) filed a report containing an intentional misrepresentation,  
2           misstatement, or omission of material information required by this chapter; or  
3           (3) is delinquent at the time of renewal in the payment of any amount  
4           due pursuant to the provisions of this chapter.

5           (b) Notice and opportunity for hearing. The Commissioner shall provide  
6           the owner or lessee of a covered vehicle with not less than 15 days' notice of  
7           the intent to suspend or not to renew the registration of the covered vehicle  
8           pursuant to the provisions of this section. The owner or lessee shall be  
9           provided with the opportunity for a hearing and shall be permitted to be  
10           represented by counsel at the hearing.

11           § 4308. POWERS OF THE COMMISSIONER

12           (a) General authority. The Commissioner shall have the authority to  
13           administer and enforce the provisions of this chapter.

14           (b) Additional powers. In addition to any powers or authority specifically  
15           granted to the Commissioner pursuant to the provisions of this chapter, the  
16           Commissioner may do the following:

17           (1) adopt rules pursuant to 3 V.S.A. chapter 25 as the Commissioner  
18           determines necessary to administer and enforce the provisions of this chapter;

19           (2) prescribe forms appropriate to the purposes of this chapter; and

20           (3) contract with an account manager to administer and manage the  
21           mileage-based user fee.

1     § 4309. APPEALS; JUDICIAL REVIEW

2           (a) Administrative appeal. An aggrieved person may appeal any final  
3     decision, order, or finding of the Commissioner under this chapter within not  
4     more than 45 days after the decision is issued or the order or finding is made.  
5     The Commissioner shall establish procedures for filing and hearing appeals  
6     pursuant to this subsection that are consistent with the provisions of sections  
7     105–107 of this title.

8           (b) Appeal to Superior Court. Following a final decision on an appeal  
9     pursuant to subsection (a) of this section or subsection 4303(h) of this chapter,  
10    the appellant may appeal the decision pursuant to Rule 74 of the Vermont  
11    Rules of Civil Procedure. The appeal shall be to the Washington Superior  
12    Court or, in the discretion of the appellant, to the Superior Court in the county  
13    where the appellant resides or has a principal place of business.

14          (c) Exclusivity of remedies. The appeals provided by this section and  
15    subsection 4303(h) of this chapter shall be the exclusive remedies available to  
16    any person for review of an assessment, decision, or order or finding of the  
17    Commissioner under this chapter.

18    Sec. \_\_. 23 V.S.A. § 361 is amended to read:

19    § 361. PLEASURE CARS

20                                   \* \* \*

1 (c) In addition to the registration fee set forth in subsection (a) of this  
2 section, there shall be an annual ~~EV~~ infrastructure fee for a pleasure car that is  
3 a plug-in hybrid electric vehicle, as defined in subdivision ~~4(85)(B)~~ 4(85)(B)  
4 of this title, equal to one-half the amount of the annual fee collected in  
5 subsection (a) of this section, or a biennial ~~EV~~ infrastructure fee equal to the  
6 annual fee collected in subsection (a) of this section.

7 (d) The annual and biennial ~~EV~~ infrastructure fees collected in subsection  
8 (c) of this section shall be ~~allocated to~~ deposited in the Transportation Fund ~~for~~  
9 ~~programs administered by the Agency of Commerce and Community~~  
10 ~~Development to increase Vermonters' access to level 1 and 2 electric vehicle~~  
11 ~~supply equipment (EVSE) charging ports at workplaces or multiunit dwellings,~~  
12 ~~or both.~~

13 Sec. \_\_. MILEAGE-BASED USER FEE; INITIAL TRANSITION

14 (a) Covered vehicles that have a valid Vermont registration on December  
15 31, 2026, shall transition to the mileage-based user fee established pursuant to  
16 23 V.S.A. chapter 43 as follows:

17 (1) The initial mileage reporting period for each covered vehicle shall  
18 commence on its first annual inspection occurring on or after January 1, 2027.

19 (2) During calendar years 2027 and 2028, owners and lessees of covered  
20 vehicles shall pay an additional road usage charge of \$89.00 per year of  
21 registration when registering or renewing the registration of a covered vehicle.

1           (3) Road usage charges paid by a person pursuant to subdivision (2) of  
2           this subsection shall be applied as a credit to reduce the amount of the mileage-  
3           based user fee due pursuant to 23 V.S.A. chapter 43 following the conclusion  
4           of the covered vehicle’s first mileage reporting period. Any remaining  
5           amounts shall be carried forward and applied as a credit to reduce the amount  
6           of future mileage-based user fees due in relation to the covered vehicle.

7           (b) As used in this section, “covered vehicle” has the same meaning as in  
8           23 V.S.A. § 4302.

9           Sec. \_\_. OUTREACH AND EDUCATION; USER EXPERIENCE

10           (a) The Agency of Transportation shall develop and implement a public  
11           outreach, education, and communications strategy regarding the mileage-based  
12           user fee program established pursuant to 23 V.S.A. chapter 43 to build public  
13           awareness and understanding of the program and to solicit public feedback  
14           regarding the program. The strategy shall include the following:

15           (1) written materials, web-based materials, mailings, and local media  
16           outreach that describes the purpose of the mileage-based user fee, the  
17           transportation funding challenges that the mileage-based user fee is intended to  
18           help address, and how the mileage-based user fee will be implemented with  
19           respect to battery electric vehicles and, later, other light-duty vehicles;

20           (2) informational materials mailed directly to owners and lessees of  
21           battery electric vehicles that are currently registered in Vermont that:

- 1           (A) outline the goals and design of the mileage-based user fee;
- 2           (B) set forth the timeline for implementation of the mileage-based
- 3 user fee;
- 4           (C) provide information regarding compliance with the mileage-
- 5 based user fee, including the options that will be available to each owner and
- 6 lessee; and
- 7           (D) provide information on how to obtain additional information
- 8 regarding the mileage-based user fee, including how to obtain informational
- 9 resources provided by the Agency, the availability of user support resources,
- 10 and how to determine how the mileage-based user fee may apply to a user's
- 11 specific circumstances;
- 12           (3) prior to initial implementation of the mileage-based user fee in
- 13 January 2027, Agency engagement with owners and lessees of various types
- 14 of light-duty motor vehicles registered in Vermont to obtain feedback on the
- 15 design of the user experience for the mileage-based user fee, with particular
- 16 attention to universal accessibility and specific needs for translated materials
- 17 and services;
- 18           (4) survey and focus group work following implementation of the
- 19 mileage-based user fee with owners and lessees whose vehicles are subject to
- 20 the mileage-based user fee to aid in evaluating the implementation of the initial

1 phase of the mileage-based user fee and in developing recommended  
2 programmatic and statutory changes; and

3 (5) ongoing engagement and collaboration with relevant stakeholders,  
4 including the Vermont Vehicle and Automotive Distributors Association and  
5 Drive Electric Vermont, to obtain feedback on the mileage-based user fee  
6 program and to educate members of the public about the mileage-based user  
7 fee and program design.

8 (b) The Agency shall, on or before September 15, 2026, submit to the Joint  
9 Transportation Oversight Committee a report summarizing the public outreach,  
10 education, and communications strategy required pursuant to subsection (a) of  
11 this section.

12 Sec. \_\_. MILEAGE-BASED USER FEE TRANSITION PLAN;

13 REPORT

14 (a)(1) The Agency of Transportation and the Department of Motor  
15 Vehicles, in consultation with the Agency of Digital Services, shall develop a  
16 plan to expand the mileage-based user fee (MБУF) program to all light-duty  
17 motor vehicles to ensure that each vehicle contributes an amount that bears a  
18 direct relation to the estimated demands and impacts that the vehicle places  
19 upon public infrastructure, as determined on the basis of vehicle miles traveled.

20 (2) The plan shall provide that:

1           (A) plug-in hybrid electric, hybrid electric, and highly fuel-efficient  
2           light-duty motor vehicles shall begin participating in the MBUF on or before  
3           January 1, 2029; and

4           (B) all light-duty motor vehicles shall begin participating in the  
5           MBUF on or before January 1, 2031.

6           (3) The plan shall provide methods for ensuring that contributions to the  
7           Transportation Fund are proportionate to the amount of miles traveled in  
8           Vermont by each vehicle, including:

9           (A) additional payment and mileage tracking options for vehicle  
10           owners or lessees to select from, including methods for differentiating between  
11           miles traveled in Vermont and miles traveled outside Vermont; and

12           (B) a system of fuel tax credits for vehicles that use gasoline or diesel  
13           fuel based on the vehicle's fuel economy as estimated by the U.S.  
14           Environmental Protection Agency to ensure that all covered vehicles contribute  
15           to Vermont's transportation system in an equitable manner.

16           (b) In developing the plan, the Agency and the Department shall:

17           (1) analyze the amounts paid by vehicles of different engine-fuel types  
18           and classifications with respect to the diesel fuel tax pursuant to 23 V.S.A.  
19           chapter 27, the gasoline tax pursuant to 23 V.S.A. chapter 28, and the  
20           infrastructure fee imposed pursuant to 23 V.S.A. § 361(c), as applicable;

1           (2) develop a proposed schedule for the inclusion of plug-in hybrid  
2           electric, hybrid electric, and highly fuel-efficient light-duty vehicles in the  
3           MBUF program on or before January 1, 2029;

4           (3) identify any other light-duty vehicles that currently contribute less to  
5           the Transportation Fund than they would under the mileage-based user fee for  
6           inclusion in the MBUF program on or before January 1, 2029;

7           (4) consider possible methods to account for and differentiate between  
8           in-state and out-of-state vehicle miles traveled by vehicles registered in  
9           Vermont and vehicles registered in another state;

10           (5) examine the potential for integrating alternative mileage reporting  
11           methods into the mileage-based user fee program and related costs;

12           (6) evaluate the potential to include medium- and heavy-duty electric  
13           vehicles in the mileage-based user fee program and potential rate designs based  
14           on vehicle weights; and

15           (7) examine the relationship between expansion of the mileage-based  
16           user fee program and fuel tax rates, Transportation Fund revenue  
17           sustainability, and Vermont’s carbon reduction targets.

18           (c) The Agency and Department shall also track the implementation costs,  
19           operating expenses, and revenues generated by the mileage-based user fee for  
20           State fiscal years 2027 through 2031. The Agency and Department shall  
21           submit an annual report of these amounts to the House Committees on

1 Transportation and on Ways and Means and the Senate Committees on  
2 Transportation and on Finance on or before each December 31 beginning on  
3 December 31, 2027, and continuing until December 31, 2031.

4 (d)(1) On or before January 31, 2027, the Agency of Transportation and the  
5 Department of Motor Vehicles shall submit to the House Committees on  
6 Transportation and on Ways and Means and the Senate Committees on  
7 Transportation and on Finance an initial plan and recommendation for  
8 legislative action to:

9 (A) incorporate plug-in hybrid electric, hybrid electric, and highly  
10 fuel-efficient light-duty vehicles into the MBUF;

11 (B) provide at least two additional options for determining the  
12 amount of the MBUF, including the option of utilizing vehicle systems or an  
13 aftermarket device to track vehicle miles traveled and the option to pay an  
14 annual flat fee in lieu of tracking vehicle miles traveled; and

15 (C) provide at least one option to enable vehicle owners and lessees  
16 to track and differentiate between miles traveled in Vermont and miles traveled  
17 outside Vermont, with the MBUF only applying to miles traveled in Vermont.

18 (2) On or before January 1, 2028, the Agency shall submit a draft copy  
19 of the plan required pursuant to the terms of the Agency's federal Strategic  
20 Innovation for Revenue Collection grant.

1           (3) On or before September 15, 2028, the Agency of Transportation and  
2           the Department of Motor Vehicles shall submit to the House Committees on  
3           Transportation and on Ways and Means and the Senate Committees on  
4           Transportation and on Finance:

5                   (A) a final plan and proposal for legislative action necessary to  
6           expand the MBUF program to all light-duty motor vehicles on or before  
7           January 1, 2031;

8                   (B) a report of all findings made pursuant to subsection (b) of this  
9           section; and

10                   (C) any additional recommendations for legislative action.

11           (e) As used in this section:

12                   (1) “Highly fuel-efficient vehicle” means a motor vehicle with an  
13           estimated fuel economy of at least 25 miles per gallon according to the U.S.  
14           Environmental Protection Agency, a plug in electric vehicle as defined  
15           pursuant to , or a hybrid electric vehicle.

16                   (2) “Light-duty motor vehicle” means any motor vehicle with a gross  
17           vehicle weight rating of not more than 10,000 pounds.

18                   \* \* \* Expansion of MBUF to Highly Fuel-Efficient Vehicles \* \* \*

19           Sec. \_\_. 23 V.S.A. § 4302 is amended to read:

20           § 4302. DEFINITIONS

21           As used in this chapter:

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\* \* \*

(3) “**Covered vehicle**” means a ~~battery electric vehicle~~ pleasure car with an estimated fuel economy of at least 25 miles per gallon according to the U.S. Environmental Protection Agency, a PEV, or a hybrid electric vehicle.

(4) “Hybrid electric vehicle” means a pleasure car that can be powered by an electric motor drawing current from a rechargeable energy storage system but also has an onboard combustion engine.

(5) “Mileage-based user fee” or “MБУF” means the fee charged for the annual vehicle miles traveled by a **covered vehicle** pursuant to section 4303 of this chapter.

~~(5)~~(6) “Mileage-based user fee rate” means the per-mile usage fee charged to the owner or lessee of a **covered vehicle** pursuant to section 4303 of this chapter.

~~(6)~~(7) “Mileage reporting period” means:

\* \* \*

(8) “PEV” means a plug-in electric vehicle pleasure car.

~~(7)~~(9) “Terminating event” means any of the following:

\* \* \*

\* \* \* Expansion of MБУF to All Light-Duty Motor Vehicles \* \* \*

Sec. \_\_. 23 V.S.A. § 4302 is amended to read:

§ 4302. DEFINITIONS

1 As used in this chapter:

2 \* \* \*

3 (3) “**Covered vehicle**” means a **covered vehicle** with an estimated fuel  
4 economy of at least 25 miles per gallon according to the U.S. Environmental  
5 Protection Agency, a PEV, or a hybrid electric vehicle motor vehicle with a  
6 gross vehicle weight rating of not more than 10,000 pounds.

7 (4) ~~“Hybrid electric vehicle” means a pleasure car that can be powered~~  
8 ~~by an electric motor drawing current from a rechargeable energy storage~~  
9 ~~system but also has an onboard combustion engine. [Deleted.]~~

10 \* \* \*

11 (8) ~~“PEV” means a plug-in electric vehicle pleasure car. [Deleted.]~~

12 \* \* \*

13 Sec. \_\_. 23 V.S.A. § 4303(e) is amended to read:

14 (e) Mileage-based user fee rate.

15 (1) The mileage-based user fee rate shall be \$0.014 per mile traveled by  
16 a **covered vehicle** during its mileage reporting period.

17 (2) Beginning on January 1, 2032, and on each succeeding January 1,  
18 the mileage-based user fee rate shall be increased by the percentage change in  
19 the National Highway Construction Cost Index, or successor index, for the  
20 year ending on September 30 of the preceding calendar year [or by \_\_ percent,  
21 whichever is less]. If the percentage change in the National Highway

- 1 Construction Cost Index, or successor index, is zero or negative, the rate per
- 2 mile shall remain the same as in the preceding year.