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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) The gasoline and diesel fuel taxes were intended to serve as user fees that required motor vehicles to contribute to the State’s Transportation Fund in an amount that is roughly equivalent to each vehicle’s usage of Vermont’s highways.

(2) Improvements in engine efficiency and the widespread adoption of hybrid, plug-in hybrid, and battery electric vehicles (BEVs) have caused many vehicles to no longer contribute to the Transportation Fund in an amount that reflects the vehicle’s usage of Vermont’s highways, making the current system of fuel taxes inequitable.

(3) A mileage-based user fee charges a per-mile fee for usage of the State’s highways and ensures that vehicles contribute to the Transportation Fund in an equitable manner.

(4) Vermont’s taxes on gasoline and on diesel fuel were last increased in 2014.

(5) Improving fuel efficiency and increasing hybrid, plug-in hybrid, and BEV adoption are leading to reduced fuel consumption.

1 (6) BEVs do not purchase any fuel, and the \$89.00 annual infrastructure
2 fee paid by BEVs registered in Vermont is less than the average amount of fuel
3 taxes collected for a light-duty vehicle with an internal combustion engine.

4 (7) Reduced fuel consumption and unchanged gasoline and diesel tax
5 rates have resulted in stagnant fuel tax revenues that have not kept pace with
6 inflation.

7 (8) In addition to Vermont’s stagnant fuel tax revenues, Vermont’s
8 demographic constraints have limited the growth in fee revenues to the
9 Transportation Fund.

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

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

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

17 (1) implement a mileage-based user fee for BEVs, which will replace
18 the existing infrastructure fee beginning on January 1, 2027, to ensure that
19 BEVs contribute to the Transportation Fund in an amount that reflects the
20 annual miles traveled by each vehicle;

1 (2) gradually expand the mileage-based user fee to other light-duty
2 vehicles so that by January 1, 2031, all light-duty vehicles contribute to the
3 Transportation Fund in an amount that reflects the annual miles traveled by
4 each vehicle; and

5 (3) develop and implement the mileage-based user fee in a manner that
6 supports Vermont’s climate goals and does not discourage ownership and use
7 of BEVs and highly fuel-efficient vehicles.

8 Sec. __. 23 V.S.A. chapter 43 is added to read:

9 CHAPTER 43. MILEAGE-BASED USER FEE

10 § 4301. PURPOSE

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

15 § 4302. DEFINITIONS

16 As used in this chapter:

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

20 (2) “Annual vehicle miles traveled” means the total number of miles that
21 a BEV is driven during a mileage reporting period.

1 (3) “BEV” means a battery electric vehicle pleasure car.

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

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

7 (6) “Mileage reporting period” means:

8 (A) the time period between 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 BEV that had been registered in Vermont in
13 a different state;

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

15 (C) the termination of a BEV’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 BEV may
20 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;

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,
6 provided that the Commissioner, in the Commissioner’s sole discretion, elects
7 to make a pay-as-you-go option available;

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

10 (D) a flat rate of \$225.00.

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

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

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

21 (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 or lessee’s BEV 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 BEV and mail to the owner or lessee a statement
8 of the amount of the mileage-based user fee assessed.

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

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 BEV, or registration renewal, an estimated
18 mileage-based user fee equal to the rate established pursuant to subsection (e)
19 of this section multiplied by the average annual vehicle miles traveled by
20 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.

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

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

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

5 (6) Flat rate option.

6 (A) An owner or lessee who elects the flat rate option shall pay the
7 fee set pursuant to subdivision (1)(D) of this subsection (a) not more than
8 45 days after the commencement of each mileage reporting period.

9 (B) An owner or lessee enrolled in the flat rate option shall not be
10 required to report vehicle mileage to the Commissioner pursuant to the
11 provisions of this chapter. Nothing in this subdivision (6)(B) shall be
12 construed to exempt an owner or lessee enrolled in the flat rate option from
13 any other requirements in State law related to vehicle inspections or odometer
14 disclosures.

15 (b) Newly registered vehicles. The owner or lessee of a newly registered
16 BEV shall pay the MBUF during the initial year of registration pursuant to
17 either the pay-as-you-go option set forth in subdivision (a)(3) of this section or
18 the estimated payment option set forth in subdivision (a)(4) of this section.

19 (c) Election of different payment option. An owner or lessee of a BEV
20 may select a different option for payment of the MBUF pursuant to subsection

1 (a) of this section by providing notice to the Commissioner in the time and
2 manner prescribed by the Commissioner.

3 (d) Calculation of the mileage-based user fee. The Commissioner shall
4 calculate the mileage-based user fee of each BEV by multiplying the miles
5 traveled by the BEV during the applicable period by the rate established
6 pursuant to subsection (e) of this section. The number of miles traveled shall
7 be equal to:

8 (1) for a mileage reporting period, the difference between the mileage
9 shown on the BEV's odometer at the end of the mileage reporting period and
10 the mileage shown on the BEV's odometer at the beginning of the mileage
11 reporting period; and

12 (2) for a report filed by an owner or lessee as part of the pay-as-you-go
13 mileage-based user fee program pursuant to subdivision (a)(3) of this section,
14 the difference between the mileage reported by the owner or lessee and the
15 most recent prior mileage reported for the BEV.

16 (e) Mileage-based user fee rate. The mileage-based user fee rate shall be
17 \$0.014 per mile traveled by a BEV during its mileage reporting period.

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

- 20 (1) BEVs owned or operated by the government of the United States;
21 (2) BEVs owned or operated by the State of Vermont; or

1 (3) BEVs that are used for short-term rentals.

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

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

12 (i) Refunds. Notwithstanding subdivision (a)(5)(B) of this section, upon
13 occurrence of a terminating event, the Commissioner shall issue a refund to the
14 owner or lessee of a BEV for any amounts paid by the owner or lessee that are
15 in excess of the amount due pursuant to this chapter.

16 § 4304. REPORTS

17 (a) Upon completion of an inspection of a BEV pursuant to section 1222 of
18 this title, an inspection mechanic shall report the mileage shown on the BEV's
19 odometer to the Department in the manner required by the Commissioner.

20 (b) Upon the occurrence of a terminating event, the owner or lessee of a
21 BEV shall report the mileage shown on the BEV's odometer at the time of the

1 terminating event to the Department in the time and manner required by the
2 Commissioner.

3 § 4305. FAILURE TO PAY FEE WHEN DUE; INTEREST

4 (a) Any person who fails to pay the full amount of the mileage-based user
5 fee when due shall owe, in addition to the unpaid amount of the mileage-based
6 user fee, interest calculated at one and one-half percent per month on the
7 amount of the mileage-based user fee that remains unpaid. The maximum
8 amount of interest that may accrue pursuant to this subsection shall not exceed
9 18 percent of the amount of the unpaid fee.

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

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

19 § 4306. FAILURE TO FILE REPORT; PENALTY RATE

20 If the Commissioner is unable to determine the annual vehicle miles
21 traveled for a BEV because the owner or lessee failed to file a report required

1 by section 4304 of this chapter or failed to have the BEV inspected as required
2 pursuant to section 1222 of this title within a reasonable period of time after
3 the report or inspection is due, the Commissioner shall assess the owner or
4 lessee the flat rate established pursuant to subdivision 4303(a)(6) of this
5 chapter.

6 § 4307. REGISTRATION; SUSPENSION OR REFUSAL

7 (a) Suspension of registration. The Commissioner may suspend or refuse
8 to renew the registration of a BEV if the Commissioner determines, following
9 notice and an opportunity for a hearing as provided pursuant to subsection (b)
10 of this section, that the owner or lessee of the BEV:

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

13 (2) filed a report containing an intentional misrepresentation,
14 misstatement, or omission of material information required by this chapter; or

15 (3) is delinquent at the time of renewal in the payment of any amount
16 due pursuant to the provisions of this chapter.

17 (b) Notice and opportunity for hearing. The Commissioner shall provide
18 the owner or lessee of a BEV with not less than 15 days' notice of the intent to
19 suspend or not to renew the registration of the BEV pursuant to the provisions
20 of this section. The owner or lessee shall be provided with the opportunity for
21 a hearing and shall be permitted to be represented by counsel at the hearing.

1 § 4308. POWERS OF THE COMMISSIONER

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

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

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

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

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

12 § 4309. APPEALS; JUDICIAL REVIEW

13 (a) Administrative appeal. An aggrieved person may appeal any final
14 decision, order, or finding of the Commissioner under this chapter within not
15 more than 45 days after the decision is issued or the order or finding is made.

16 The Commissioner shall establish procedures for filing and hearing appeals
17 pursuant to this subsection that are consistent with the provisions of sections
18 105–107 of this title.

19 (b) Appeal to Superior Court. Following a final decision on an appeal
20 pursuant to subsection (a) of this section or subsection 4303(h) of this chapter,
21 the appellant may appeal the decision pursuant to Rule 74 of the Vermont

1 Rules of Civil Procedure. The appeal shall be to the Washington Superior
2 Court or, in the discretion of the appellant, to the Superior Court in the county
3 where the appellant resides or has a principal place of business.

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

8 Sec. __. 23 V.S.A. § 361 is amended to read:

9 § 361. PLEASURE CARS

10 * * *

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

17 (d) The annual and biennial ~~EV~~ infrastructure fees collected in subsection
18 (c) of this section shall be ~~allocated to~~ deposited in the Transportation Fund ~~for~~
19 ~~programs administered by the Agency of Commerce and Community~~
20 ~~Development to increase Vermonters' access to level 1 and 2 electric vehicle~~

1 ~~supply equipment (EVSE) charging ports at workplaces or multiunit dwellings,~~
2 ~~or both.~~

3 Sec. __. MILEAGE-BASED USER FEE; INITIAL TRANSITION

4 BEV pleasure cars that are registered in Vermont on December 31, 2026,
5 shall transition to the mileage-based user fee established pursuant to 23 V.S.A.
6 chapter 43 as follows:

7 (1) The initial mileage reporting period for each BEV shall commence
8 on its first annual inspection occurring on or after January 1, 2027.

9 (2) If the initial mileage reporting period for a BEV begins before the
10 BEV is required to renew its registration, the BEV shall receive a credit equal
11 to \$89.00 towards the amount of the mileage-based user fee due pursuant to
12 23 V.S.A. § 4303 for the initial mileage reporting period.

13 Sec. __. MILEAGE-BASED USER FEE TRANSITION PLAN;

14 REPORT

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

21 (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) tiered MBUF rates for vehicles that use gasoline or diesel fuel
13 based on the vehicle's fuel economy as estimated by the U.S. Environmental
14 Protection Agency.

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

16 (1) analyze the amounts paid by vehicles of different engine-fuel types
17 and classifications with respect to the diesel fuel tax pursuant to 23 V.S.A.
18 chapter 27, the gasoline tax pursuant to 23 V.S.A. chapter 28, and the
19 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)(1) On or before January 31, 2027, the Agency of Transportation and the
19 Department of Motor Vehicles shall submit to House Committees on
20 Transportation and on Ways and Means and the Senate Committees on

1 Transportation and on Finance an initial plan and recommendation for
2 legislative action to:

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

5 (B) provide at least two additional options for determining the
6 amount of the MBUF, including the option of utilizing vehicle systems or an
7 aftermarket device to track vehicle miles traveled and the option to elect to pay
8 a flat fee in lieu of tracking vehicle miles traveled; and

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

12 (2) On or before January 1, 2028, the Agency shall submit a copy of the
13 plan required pursuant to the terms of the Agency’s federal Strategic
14 Innovation for Revenue Collection grant.

15 (3) On or before October 15, 2028, the Agency of Transportation and
16 the Department of Motor Vehicles shall submit to the House Committees on
17 Transportation and on Ways and Means and the Senate Committees on
18 Transportation and on Finance:

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

1 TRANSITION

2 (a) Beginning on January 1, 2031, the mileage-based user fee shall apply to
3 all light-duty motor vehicles, as that term is defined in 23 V.S.A. § 4302.

4 (b) When preparing the Vermont Statutes Annotated for publication, the
5 Office of Legislative Counsel shall, effective January 1, 2031, replace the
6 words “highly fuel-efficient vehicle” with the words “light-duty motor vehicle”
7 throughout 23 V.S.A. chapter 43.