

Testimony: Ohio Motor Fuels Taxation

House Finance Committee

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I serve as the Executive Director for Clean Fuels Ohio. As a statewide organization, we work to increase Ohio's prosperity and sustainability by growing the use of cleaner, advanced fuels for transportation. These include propane autogas, natural gas, electricity, biofuels and hydrogen. We encourage fleets and consumers to consider all-of-the-above as options, making choices best suited to their needs and goals. This testimony regarding proposed new taxes on electric vehicles (EVs) and compressed natural gas (CNG) is updated based on legislation introduced in the Ohio House of Representatives on Tuesday, March 5.

For several years, Clean Fuels Ohio (CFO) has been consistent in our support for new taxes on both plug-in EVs and CNG. We support owners of these vehicles paying their fair share to support Ohio's transportation infrastructure.

However, we strongly oppose the proposed new \$200 tax on EVs because it is unfair and seems to be based on exaggerated numbers designed to generate a level of taxation that greatly exceeds what can be justified. It also would significantly damage a market that will benefit Ohio's economy and consumers if allowed to develop. The proposed tax on CNG would seem to establish immediate full taxation rather than allowing the market to adjust to new taxes by ramping them up over time.

We will address each of these taxes in turn. Please refer to testimony provided earlier for more information.

New Electric Vehicle (EV) Sticker Fee:

Taxes on full battery EVs should be based on a calculation of average miles driven, divided by fuel economy of EVs, multiplied by gallon equivalent taxation, then finally subtracting taxes EVs already paid as part of electric utility bills. Taxes on plug-in hybrid electric vehicles (PHEVs) should be half of full EVs since they also pay taxes on gasoline consumed. Hybrid electric vehicles (HEVs) operate solely on gasoline and should not be taxed. Finally, we note that any sticker fee is regressive by nature since it is imposed up-front rather than the pay-as-you-go system of taxing fuel consumption. We believe that the final fee calculation should include a slight discount to partially compensate for the regressive nature of an up-front fee. Finally, some special interests have suggested that EVs are heavier and do more damage to roads. In fact, EVs are not significantly heavier than most vehicles and lighter than most SUVs, pickups and minivans. Also, studies have confirmed that even heavy SUVs don't do significant additional damage that would justify additional punitive fees.

Miles per Gallon: Since the current system of taxes is based on energy consumption, taxes on EVs should tie to their comparable energy consumption. The least efficient full battery EVs get 90-100 MPGe (energy equivalent to gasoline) and the average fuel economy is around 120 MPGe. We cut this fuel economy by at least half down to 46 miles MPG for the formula.

Mileage: According to Federal Highway Administration data, Ohio motorists drove an average of 9,320 miles per year in 2014. Nationally, EV owners drove an average of 9,000 to 10,000 miles. We assume 10,000 miles per year.

Tax Level: We use the Administration's original proposal of a new gasoline tax of \$0.46/gallon.

Kilowatt Hour (Sales) Tax: The average EV pays \$15 per year in kWh taxes. This is paid by the EV owner when charging at home or another entity when charging away from home. Ohio does not levy sales taxes on motor fuel and the Ohio Constitution requires funds raised by taxes on motor fuels to be exclusively dedicated to the roads. Thus, these revenues probably should be transferred to the road fund. In any case, EVs should not be taxed twice for the same energy consumed.

Discount for Regressive Nature: We recommend an additional discount of 15% to partially mitigate the regressive up-front fee.

Using these numbers in the formula yields the following math: 10,000 miles / 46 MPG X \$0.46/gallon - \$15 (kWh tax) – 15% regressive discount = \$72.25/year fee.

We consider a fee rounded to \$75/year and subsequently indexed to inflation to be fair, reasonable and not overly damaging to the market. By contrast, the proposed \$200 fee is unfair, not justified based on facts, nor correlated to Ohio's current gas tax system, and would do tremendous harm to the market, based on research conducted in other states. Finally, a this punitive level of taxation still would not generate meaningful revenue for Ohio's roads.

We look forward to working with the Ohio General Assembly to devise a reasonable and fair method of taxation. We also look forward to engaging in efforts over the long-term to devise a sustainable method of taxation based on actual use and wear on roads.

New Compressed Natural Gas (CNG) Taxes:

CFO's position over several years has supported taxation based on gasoline or diesel gallon equivalent energy (DGE) on CNG. However, these taxes should be phased in over time – our suggestion has been ten years – to avoid an unexpected shock to the market. Businesses that use CNG vehicles need to be able to plan for new taxes. It is not clear at this point whether the House proposal would provide a phase in period to full taxation.