Testimony: Ohio Motor Fuels Taxation
Senate Transportation Commerce and Workforce Committee

Sam Spofforth, Executive Director
Clean Fuels Ohio

March 12, 2019

Good morning, Chairman McColley, Vice-Chair Uecker, and Ranking Member Antonio. I am Sam Spofforth, Executive Director of Clean Fuels Ohio (CFO). Thank you for the opportunity to speak with you today.

As a statewide organization, we work to increase Ohio's prosperity and health 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. These fuel and technology choices benefit Ohioans: They are good for our economy because they are produced in Ohio. They are also good for consumers and businesses, our air quality and health.

Funding to support our transportation infrastructure has reached a point of crisis. For several years, Clean Fuels Ohio (CFO) has encouraged new taxes on both plug-in EVs and CNG. It's important that all users of our roads pay their fair share.

We have observed confusion about both electric vehicles (EVs), plug-in hybrid vehicles (PHEVs, hybrid electric vehicles (HEVs) and compressed natural gas (CNG). Some of this confusion may have led the proposal in HB 62 to impose fees that would be unfair and highly damaging to fledging markets and Ohio's longer-term prosperity and health.

Determining fair share fees begins with recognizing that Ohio's current system of road taxes on motor fuels is a tax on consumption of energy in the form of liquid motor fuels. EVs consume electricity rather than gasoline. PHEVs consume electricity and gasoline. HEVs consume only gasoline but utilize technology to convert otherwise wasted gasoline energy into electricity to increase efficiency. In our current system, vehicles with greater fuel economy will pay less tax per mile driven. The USEPA provides estimated fuel economy ratings for all passenger vehicles. For gasoline and diesel vehicles, these are expressed in miles per gallon (MPG). For EVs and PHEVs these are expressed in miles per gallon – electricity equivalent (MPGe).

We agree with many observers who note that basing road revenues on the current energy consumption tax is unsustainable, since all vehicles, including even trucks, are becoming more energy efficient. If anything, efficiency gains seem to be encouraging more use of roads, not less. However, as long as we use an energy tax, rather than a true user fee, we are faced with this quandary.

We understand people may have different ideas about fairness. Some have suggested that fees on EVs and PHEVs should be based on the average miles per year driven by all vehicles divided by "average" fuel economy of all vehicles times the effective per gallon taxation rate. The problem is that this would set up a completely new basis for road taxation applied only to one type of vehicle. This would only be fair if all vehicles – from the largest and lowest MPG SUVs to the smallest and highest MPG passenger cars – were taxed at the same up-front amount annually.

Today, we have no available system for taxing EVs and PHEVs based on energy consumption. The only short-term option is a sticker fee. For such a fee to be the fairest, it should be based on how much energy EVs and PHEVs consume in the form of electricity – or MPGe. The five top-selling EVs are included in a footnote.[1] Second, it should be based on average miles traveled by household or personal vehicles, not including large trucks and other commercial vehicles.[2] Third, it should be based on the same per gallon taxes paid by others.[3] Forth, it should factor in kWh taxes already included in electric utility bills.[4] The revenue from kWh taxes should be transferred to the road fund.

Laying out numbers in this formula yields the following:

11,074 miles divided by 109 MPGe[5] times $0.46/gallon = $47/year[6]
Subtract $15/year for the kWh tax[7] = $32/year

CFO recognizes that, while this method fairly correlates to the current energy consumption basis of the current gas tax, it generates very little revenue. Thus, a compromise would be to identify an appropriate and fair MPG number from a comparable gasoline vehicle that is subjected to paying only to gasoline taxes. We suggest a reasonable comparable is a Toyota Prius. It is highly efficient (though not the most efficient) consumer vehicle. Because it uses only gasoline, not electricity, the Prius is subject to only taxes on gasoline.

Substituting the MPG of the Prius in place of MPGe in the formula yields the following:

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[1] Tesla Model 3: 123 MPGe, Chevy Bolt: 119 MPG3, Tesla Model X: 87 MPGe, Tesla Model S: 103 MPGe, Nissan Leaf: 112 MPGe

[2] We reference the U.S. Department of Transportation Federal Highway Administration (FHWA) National Household Travel Survey (NHTS) (https://nhts.ornl.gov/). Using the query function for Ohio households for 2017 yielded average per vehicle miles traveled for that year for household vehicles of 11,074. We understand that the number used by ODOT is 13,500 miles, but this may include per vehicle mileage for large trucks and other commercial vehicles. We believe it is inappropriate to include these commercial vehicle types to generate taxes to be paid by household passenger vehicles.

[3] We use the DeWine Administration's proposed $0.46/mile tax.

[4] Based on the per kWh tax, average EVs pay about $15 per year in this tax.

[5] Averaging MPGe ratings for top five selling EVs.

[6] Rounded up

[7] Constitutionally, this revenue should be transferred to the road fund, since it is used for transportation energy.

11,074 miles divided by 46 MPG times $0.46/gallon = $111/year[8] minus $15/year for kWh tax = $96/year in a new fee[9]

Clean Fuels Ohio recommends this as a fair up-front fee on full battery EVs. We recommend that PHEVs pay a fee of half this amount, since they already pay some gasoline taxes. We recommend that HEVs, like other vehicles that use only gasoline, pay no fee.

We support fair new taxes on EVs and PHEVs. We also understand that others may define fairness differently. Clean Fuels Ohio believes fair taxation must be based on Ohio's current system of energy consumption taxes. Otherwise, the result effectively creates a new basis of taxation that levies punitive fees on EVs.

Given the unsustainability of our current gas tax system, it is time to explore new options that are sustainable and based on actual use of and relative damage to roadways by all vehicles, rather than use of certain types of energy that is likely to further decline in the future. In all likelihood, such systems would result in higher but fair taxes on EVs, but these taxes could be pay-as-you-go, thus less burdensome.

Finally, I wanted to briefly comment on the proposed taxation of CNG. Again, CFO supports CNG vehicles paying their fair share of taxes. However, our position continues to be that any new taxes should be phased in over time. Many companies have acquired CNG vehicles based on carefully calculated fuel costs relative to diesel fuel. New taxes on CNG, imposed all at once, would cause CNG costs to be much higher relative to diesel. A phase in period of ten or even five years would allow businesses time to adjust.

Thanks again for the opportunity to testify. I look forward to questions and discussion.

[8] Rounded up

[9] $111 total per vehicle revenue once kWh tax revenues are transferred to the road fund