



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0055 - An act establishing a tax on electric vehicle charging stations (Loge, Denley M)

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$2,353,948	\$431,514	\$437,958
Federal Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$324,417	\$644,524	\$647,022
Federal Special Revenue	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: As written, HB 55 allows for a \$0.03 per kilowatt hour (kWh) tax on electric vehicle charging stations. The public charging station tax and required reports would be filed monthly with the Department of Transportation (MDT). The taxes collected must be deposited into the highway restricted account provided for in 15-70-126, MCA. MDT will promulgate rules to credit Montana residents for any tax collected, but not to exceed the total amount of registration fees for electric vehicles paid by a taxpayer during the year in which the taxpayer claims the credit. An IT solution would need to be implemented for registration, data entry, tax collection, and refunds of the charging station kWh tax.

FISCAL ANALYSIS

Assumptions:

MDT:

1. An IT solution will be required for the implementation, registration, data entry, tax collection, and refunds of the charging station kilowatt hour tax. Estimated costs for the IT solution purchase and implementation are \$2 million. The IT solution will need to interface with the Department of Justice's (DOJ) Motor Vehicle Division for vehicle registration data to provide a mechanism for refunds to Montana citizens.
2. Within MDT's Administration Division, it is assumed that 1.00 FTE accountant will be needed for data entry, review, and reporting of tax returns. It is assumed 1.00 FTE accounting technician will be needed for data entry, reporting, and review of refunds. FY 2025 personal services expenditures would be \$137,159, FY 2026 personal services expenditures would be \$139,216, and FY 2027 personal services expenditures would be \$141,305.
3. Within MDT's Information Services Division, it is assumed 1.00 FTE software developer will be needed to help develop and maintain the IT solution. FY 2025 personal services expenditures would be \$122,000, FY 2026 personal services expenditures would be \$123,830, and FY 2027 personal services expenditures would be \$125,687.
4. It is assumed that most charging station kWh tax collected from Montana residents will be refunded to prevent double taxation if an electric vehicle registration fee is charged, and that kWh tax collected will be almost entirely collected from non-resident charging.
5. Currently, the electric vehicle adoption rate in Montana is 0.18%. It is assumed the lack of charging station infrastructure affects electric vehicle tourism at the same rate. Assuming 30% of gasoline and diesel cashiered gallons are sold to non-residents, FY 2021 tourism gallons of gasoline and diesel would be 261,559,083.3 gallons. (553,619,015 FY 2021 Cashiered gasoline gallons + 318,517,285 FY 2021 Cashiered diesel gallons = 872,136,300 cashiered gallons.) (872,136,300 cashiered gallons * 30% tourism gallons = 261,640,890 tourism gallons.) (261,640,890 tourism gallons * 0.18% electric vehicle adoption rate = 470,953.6020 gallons to convert to kWh.) (470,953.6020 gallons * 33.694 kWh to gasoline gallon equivalent = 15,868,519.98 kWh charged at public charging stations by non-residents.) (15,868,519.98 kWh charged at public charging stations by non-residents * \$0.03 kWh tax = \$476,055.60 potential revenue.)
6. Based on the July 2025 effective date, it is assumed the kWh tax will be applied to half of the kWh charged in 2025 to Non-Residents. ($\$476,055.60 * 50\% = \$238,027.80$)
7. Assuming electric vehicle adoption rates remain at 0.18% until the charging infrastructure has been built, the total revenue projected to be collected is \$476,055.60 in FY 2026 and \$476,055.60 in FY 2027.

Department of Labor and Industry (DLI):

8. DLI will require 2.00 FTE building code inspectors. Costs for salaries and benefits for 2.00 FTE will be \$75,789 in FY 2025 (prorated at 50% for mid-year effective date of 01/01/2025) and \$153,852 for FY 2026 and \$156,159 in FY 2027.
9. In addition to salaries and benefits, there would be an increase in operating costs of \$7,200 in FY 2025 (prorated at 50% for mid-year effective date of 01/01/2025) and \$14,616 in FY 2026 and 14,835 in FY 2027 for the DLI cost allocation plan calculated at 9.50% of personal services.
10. One-time-only startup operating costs would be \$3,400 in FY 2025 that includes \$1,500 for a tablet and \$200 for a cellular phone for 2.00 FTE ($(\$1,500 + \$200) \times 2$).
11. Total rulemaking costs are \$5,940 but will be absorbed by the department under existing authority. This consists of Secretary of State costs of \$660 for an 8-page rule notice and a 3-page adoption notice (11 pages x \$60 per page) and department legal costs of \$5,280 to draft the rule notice, assist in responding to questions, and prepare an adoption notice (\$132 per hour x 40 hours).

12. There will be technical costs to set up a new record type for these new inspections and to set up collection of revenue through One Stop with the Department of Revenue. These costs will be absorbed by the Employment Standards Division under current authority.
13. Fees to cover overhead and the costs of inspections and compliance, as required by this legislation, will be set commensurate with costs.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE MDT	0.00	3.00	3.00	3.00
DLI	0.00	2.00	2.00	2.00
<u>Expenditures:</u>				
Personal Services	\$0	\$334,948	\$416,898	\$423,151
Operating Expenses	\$0	\$2,019,000	\$14,616	\$14,835
TOTAL Expenditures	\$0	\$2,353,948	\$431,514	\$437,987
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (MDT)		\$2,267,559	\$263,046	\$266,992
State Special Revenue (DLI)	\$0	\$86,389	\$168,468	\$170,966
TOTAL Funding of Exp.	\$0	\$2,353,948	\$431,514	\$437,958
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (MDT)	\$0	\$238,028	\$476,056	\$476,056
State Special Revenue (DLI)	\$0	\$86,389	\$168,468	\$170,966
TOTAL Revenues	\$0	\$324,417	\$644,524	\$647,022
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (MDT)	\$0	(\$2,029,531)	\$213,010	\$209,064
State Special Revenue (DLI)	\$0	\$0	\$0	\$0

Long-Term Impacts:

1. There will be cost impacts to existing charging station owners/operators to upgrade stations to provide metered data.

_____ ; Sponsor's Initials	_____ Date	_____  Budget Director's Initials	_____ 12-28-22 Date
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