

April 8, 2025

	<b>Yes</b>	<b>No</b>
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of S.F. 2688 (Johnson Stewart)

	<b>Fund Impact</b>			
	<b>F.Y. 2026</b>	<b>F.Y. 2027</b>	<b>F.Y. 2028</b>	<b>F.Y. 2029</b>
	(000's)			
All-Electric Vehicle Surcharge Increase	\$7,200	\$11,900	\$17,100	\$24,800
Plug-In Hybrid Vehicle Surcharge	\$2,600	\$4,100	\$5,800	\$8,300
All-Electric Motorcycle Surcharge	Negl.	Negl.	Negl.	Negl.
Plug-In Hybrid Motorcycle Surcharge	<u>Negl.</u>	<u>Negl.</u>	<u>Negl.</u>	<u>Negl.</u>
Highway User Tax Distribution Fund - Total	\$9,800	\$16,000	\$22,900	\$33,100

Effective August 1, 2025.

**EXPLANATION OF THE BILL**

**Current Law:** A surcharge of \$75 is currently imposed on all-electric vehicles in addition to the motor vehicle registration tax. Revenue generated from the surcharge is deposited into the Highway User Tax Distribution Fund (HUTDF). The registration tax on motorcycles is \$10.

**Proposed Law:** The bill would increase the surcharge on all-electric vehicles to \$200 and annually adjust the surcharge based on the annual adjustment of the gasoline excise tax. By each October 1, the surcharge is adjusted by the percentage increase, if any, in the gasoline excise tax rate in effect at the time of calculation compared to the rate to be imposed on the following January 1, rounded to the nearest whole dollar.

The bill would also impose a surcharge of \$100 on plug-in hybrid vehicles, in addition to the motor vehicle registration tax. Revenue generated from the surcharge is deposited into the HUTDF. By each October 1, the surcharge is adjusted by the percentage increase, if any, in the gasoline excise tax rate in effect at the time of calculation compared to the rate to be imposed on the following January 1, rounded to the nearest whole dollar.

The bill would also impose a surcharge of \$40 on all-electric motorcycles, in addition to the motorcycle registration tax. Revenue generated from the surcharge is deposited into the HUTDF. By each October 1, the surcharge is adjusted by the percentage increase, if any, in the gasoline excise tax rate in effect at the time of calculation compared to the rate to be imposed on the following January 1, rounded to the nearest whole dollar.

The bill would also impose a surcharge of \$20 on plug-in hybrid motorcycles, in addition to the motorcycle registration tax. Revenue generated from the surcharge is deposited into the HUTDF. By each October 1, the surcharge is adjusted by the percentage increase, if any, in the gasoline excise tax rate in effect at the time of calculation compared to the rate to be imposed on the following January 1, rounded to the nearest whole dollar.

## REVENUE ANALYSIS DETAIL

- The electric vehicle surcharge forecast from February 2025 was used.
- Data from the EValuateMN electric vehicle dashboard was used.
- The number of all-electric motorcycles and plug-in hybrid motorcycles in Minnesota is assumed to be negligible during the forecast window.
- The fiscal year 2026 estimates are adjusted for eleven months of impact.

Minnesota Department of Revenue  
Tax Research Division  
[https://www.revenue.state.mn.us/  
revenue-analyses](https://www.revenue.state.mn.us/revenue-analyses)

sf2688 Surcharge on all Electric Vehicles\_1 / awh