

January 26, 2023

The Honorable Shannon Francis, Chairperson
House Committee on Transportation
300 SW 10th Avenue, Room 582-N
Topeka, Kansas 66612

Dear Representative Francis:

SUBJECT: Fiscal Note for HB 2004 by Representative Rhiley, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2004 is respectfully submitted to your committee.

HB 2004 would establish the EV Energy Equity Road Repair Tax Act, which would impose a road repair tax equal to \$0.03 per kilowatt-hour of electricity provided to an electric vehicle at a public charging station. The road repair tax would be imposed regardless of whether the public charging station charges for the electricity or provides the electricity for free. The owner of the public charging station would remit the tax to the Director of Taxation to be credited to the State Highway Fund. The public charging station owner would also be entitled to charge and collect an amount equal to the road repair tax as part of the selling price. The Secretary of Revenue would be required to adopt rules and regulations establishing the criteria and procedures for the licensing of public charging stations of the energy provided. The bill would make it unlawful for the owner of a public charging station to:

1. Fail, neglect, or refuse to render the road repair tax to the Director of Taxation at the Department of Revenue, within the time required by the Director, and under rules and regulations adopted by the Director;
2. Fail, neglect, or refuse to pay the Director any tax, interest, or penalties for which the person would be liable;
3. Fail, neglect, or refuse to keep and maintain for three years, or fail to make fully and free accessible during business hours to the Department of Revenue all books, papers, and records required by the Act to be kept, maintained, and made accessible;

4. Assisting or allowing a person to violate any provision of the Act; or
5. Falsify, forge, or willfully conceal from the Department of Revenue any books, papers, and records required by this Act.

A violation of the bill's provision involving failure, neglect, or refusal to render the road repair tax to the Director would be an unclassified misdemeanor and any person convicted would be punished by a fine of \$25 per kilowatt-hour of energy that the tax is found to not have been remitted to the Department of Revenue, imprisonment in the county jail for not less than 30 days or more than one year, or by both fine and imprisonment. Any other violation could also result in a fine of \$5,000 up to \$50,000, or imprisonment in the county jail for not less than 30 days or more than one year, or by both fine and imprisonment.

The Department of Revenue estimates that HB 2004 would increase State Highway Fund revenues by \$148,008 in FY 2024, \$179,158 in FY 2025, and \$210,308 in FY 2026. To formulate the estimates of the road repair tax, the Department notes beginning in calendar year 2023, the state had 10,572 electric vehicles. The Department also notes using data from the National Household Travel Survey, economist Lucas Davis of the University of California, Berkley, specified that electric vehicles are driven less frequently than gasoline vehicles at an average of around 7,000 miles annually. Further, the Department indicates according to the Kelly Blue Book, that as a rule of thumb, it is three to four miles per kilowatt-hour. The Department estimates assume that all of the vehicles travel an average of 7,000 miles each year, use public charging stations for 20.0 percent of their charging, and use one kilowatt-hour for every three miles and would be taxed at a rate of \$0.03 for each kilowatt-hour.

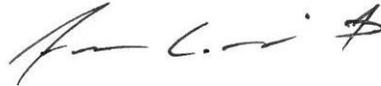
The Department of Revenue indicates that it would require a total \$640,595 from the State General Fund in FY 2024 to implement the bill and to modify the automated tax system. The bill would require the Department to hire an additional 2.00 new FTE positions to answer questions from taxpayers. The Department estimates that ongoing expenses for salaries and wages for both positions and overhead expenses would total \$167,175 from the State General Fund in FY 2024. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required.

The Kansas Department of Transportation (KDOT) indicates that the bill would increase State Highway Fund revenues, as noted above. KDOT notes that if the bill is enacted there would be no fiscal effect to its operating expenditures or staffing. Any fiscal effect associated with HB 2004 is not reflected in *The FY 2024 Governor's Budget Report*.

The Kansas Association of Counties states enactment of the bill could increase revenues for local roads provided that the income is apportioned consistent with the current gasoline tax. The Association further states that if the revenue is not apportioned consistent with the current gasoline tax, as more vehicles become electric, local road revenues would continue to decrease.

The League of Kansas Municipalities states the bill's enactment would have a fiscal effect on cities because funds would be directly allocated to the State Highway Fund.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt". The signature is fluid and cursive, with a distinct flourish at the end.

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Brendan Yorkey, Department of Transportation
Wendi Stark, League of Kansas Municipalities
Jay Hall, Kansas Association of Counties