



ROAD USAGE CHARGE MODEL LANGUAGE

JULY 2022

EXECUTIVE SUMMARY

As the number of alternative-fuel cars continues to grow, states are considering ways to expand transportation funding mechanisms to ensure drivers of fuel-efficient vehicles contribute to road construction and maintenance.

A Road Usage Charge (RUC) system – also referred to as Vehicles Mile Traveled (VMT) – is one such mechanism states have been considering as a long-term replacement for motor fuel taxes. An RUC seeks to charge drivers for their use of roadways based on how many miles they travel.

Currently, three states—Oregon, Utah, and Virginia—have fully functioning RUC programs. Several other states are running pilot programs or studies to examine the topicⁱ.

This Transportation Investment Advocacy Center™ (TIAC) report outlines model language legislation that creates a state-run, voluntary RUC program under which drivers elect to pay the mileage-based fee instead of annual fees or the state motor fuels tax. It presents information that transportation advocates can share with state lawmakers who are considering whether to pass RUC legislation.

Some parts of the model legislation language are highlighted and underlined. They are variables—effective dates, usage charge rates, and penalties for non-compliance—that can be filled-in with state-specific information.

Following the model language, a Q&A section provides more insights on the implementation of an RUC program, methods of collecting the fee, how a state will track miles-driven, and where revenue would be used.

An addendum provides information on the three states with permanent RUC programs.

Established in 2014 by the American Road & Transportation Builders Association (ARTBA), the TIAC is a first-of-its kind, dynamic education program and internet-based information resource designed to help private citizens, legislators, organizations, and businesses successfully grow transportation investment at the state and local levels through the legislative and ballot initiative processes.

ⁱ “Road Usage Charges & Cordon Pricing Approaches”, Transportation Investment Advocacy Center.
<https://transportationinvestment.org/research/funding-techniques/vmt-cordon-pricing-approaches/>

ELECTRIC VEHICLE EXCISE TAX MODEL LANGUAGE

SECTION 1 – DEFINITIONS

For the purposes of this act:

1. “*Owner or lessee*” is defined as the owner or lessee of a fuel-efficient vehicle as listed on all state vehicle registration information.
2. “*State highway*” is defined as every public road, street, bridge, way, or thoroughfare in the state as intended for use by the general public for vehicle travel.
3. “*Motor vehicle*” is defined as a self-propelled land vehicle used for non-commercial travel.
4. “*Electric vehicle*” is defined as a vehicle that runs either partially or fully on electric power. This includes:
 - a. “*Battery electric vehicle*”—a vehicle that operates on an electric motor from electric power stored in a battery, as opposed to an internal combustion engine.
 - b. “*Plug-in hybrid electric vehicle*”—a vehicle that can operate from battery-stored electric power, as well as on motor fuel through an internal combustion engine.
5. “*Fuel-efficient vehicle*” is defined as a motor vehicle with a combined fuel economy of **XX** mpg or greater.

SECTION 2 – ROAD USAGE CHARGE PROGRAM

1. **For states with electric vehicle, alternative fuel, and fuel-efficient fees:** On and after **MM, DD, YYYY**, there is hereby established a Road Usage Charge Program **[or insert alternative name]**. The program shall be voluntary and will allow an owner or lessee of an electric, alternative fuel, or fuel-efficient vehicle to pay a mileage-based fee in lieu of the annual fee per **[insert fee statute]**.
 - a. Payment of the per-mile usage charge during a 12-month period shall not exceed the annual use fee.
2. **For states without electric vehicle or fuel-efficient vehicle fees:** On and after **MM, DD, YYYY**, there is hereby established a Road Usage Charge Program **[or insert alternative name]**. The program shall be voluntary and will allow an owner or lessee of a motor vehicle to pay a mileage-based fee in lieu of the excise tax on motor fuel **[insert motor fuel tax statute]**.
 - a. Payment of the per-mile usage charge during a 12-month period shall not exceed the average amount of fuel-tax paid by the owner or lessee of a motor vehicle.
3. The Road Usage Charge Program will take effect **[insert date]**.
4. The per-mile usage charge is **XX** cents per mile.
 - a. The charge will be based on all miles driven on a state highway.

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SECTION 3 – ADMINISTRATION AND COLLECTION

1. Any owner or lessee wishing to participate in the program must apply through the Department of Motor Vehicles, in conjunction with the Department of Transportation, at the time of their annual vehicle registration renewal, after the effective date listed in sections (1) and (2).
 - a. The Department of Transportation will provide all necessary application forms to the owner or lessee wishing to participate in the program
2. The Department of Transportation shall establish the procedures by which the per-mile charge outlined in sections (1) and (2) is collected and reported.
 - a. The department shall provide the owner with multiple options for collecting and reporting the per-mile charge.
 - b. The department shall establish a rule detailing reporting and payment standards for an owner or lessee subject to the per-mile charge.

SECTION 4 – REVENUE DISTRIBUTION

1. The per-mile usage charge shall be administered and collected by the Department of Revenue.
 - a. The imposed fee outlined in sections (1) and (2) of this bill will be paid to the State Comptroller within the Department of Revenue.
 - b. The Department of Revenue shall then transfer the remitted per-mile charge directly to the insert name of state transportation fund, to be used solely for transportation purposes.
2. The owner or lessee is solely responsible for payment of the imposed charge outlined in section (2) of this bill.

SECTION 5 – EXEMPTIONS AND REFUND (OPTIONAL)

1. The per-mile charge established in section (1) shall not apply to:
 - a. Vehicles with a gross weight over XX lbs.
 - b. Public transportation vehicles, such as school buses, metro buses, ambulances, and garbage trucks.
2. The Department of Transportation shall provide a refund to an owner or lessee who had overpaid the per-mile charges established in sections (1) and (2).
3. The Department of Transportation shall establish a process to refund to an owner or lessee who pays the motor fuel tax.
 - a. The owner or lessee shall keep and collect all necessary receipts and submit to the Department of Transportation annually at the time of vehicle registration renewal.

SECTION 5 – PENALTIES

1. The Department of Transportation shall establish a process to refund to an owner or lessee who pays the motor fuel tax.
 - a. The owner or lessee shall keep and collect all necessary receipts and submit to the Department of Transportation annually at the time of vehicle registration renewal.

Appendix A: Questions and Answers

Q: Where would revenues from the per-mile usage charge be distributed?

A: Most state RUC programs dedicate revenues to their state transportation fund, or equivalent. Some states also split money between the state Department of Transportation (DOT), counties, and cities. For example, Oregon statute requires that certain revenues be allocated to counties and cities. The 2013 legislation that created Oregon's RUC program calls for revenues to be deposited into the state highway fund, then allocated for distribution – 50 percent to the DOT, 30 percent to counties, and 20 percent to cities. Utah established a Special Revenue Fund for their RUC program. The fund still rests within the state's highway fund and can only be used to cover transportation and administrative costs. The model language above simply directs that all revenues be deposited into a state transportation fund to be used for transportation purposes only.

Q: Why have separate option for electric/fuel-efficient vehicles, and traditional motor vehicles?

A: State RUC programs vary in terms of the types of vehicles from which they capture revenue. Virginia's newly established RUC program is set-up as an alternative to its Highway Use Fee, which is an annual fee imposed on alternative-fuel and electric vehicles, as well as fuel-efficient vehicles (defined as having a fuel economy of 25 mpg or greater). Utah imposes its RUC fee on electric and hybrid (plug-in and gasoline) vehicles only, whereby participants pay the mileage fee in lieu of the annual registration fee on alternative fuel vehicles. Meanwhile, Oregon's OReGo program is available to any passenger vehiclesⁱⁱ wishing to pay an RUC fee. Participants then receive fuel tax credits for the fuel taxes they pay. The model language includes all of these different scenarios.

Q: What methods can states use to track miles driven and collect payments?

A: States use many ways to track miles and collect payments. Oregon's OReGo includes multiple options for participants to choose from. Participants can select from three different tracking options that allow them to pay as they go, or by making quarterly payments. These options, which use plug-in devices that you connect to your car and synchronize with an online app, have different reporting and compatibility features including: the use of GPS, credits for out-of-state miles, EV compatibility, etc. The Utah and Virginia RUC programs also use plug-in devices with online applications to track driver miles. However, Utah and Virginia do not offer the same flexibility in tracking and payment options. Both states require the use of a pre-paid wallet, which requires an initial charge of \$15. Money is then deducted from the wallet as you drive, and the balance is automatically reloaded once it dips below a set amount. The model language leaves specific methods for tracking and payment open-ended, to be determined and set-up by the state as they see fit.

ⁱⁱ Qualifying vehicles for OReGo program must have a gross vehicle weight rating of 10,000 lbs. or less. The program is also capped at 5,000 vehicles, 3,500 of which must have a combined fuel economy of 17 mpg or greater.

Appendix B: State Road Usage Charge Programs

| State | Excise Tax Description | Status |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| Oregon | Oregon's OReGO allows participants to pay a per-mile fee in lieu of the state motor fuels tax. Most passenger vehicles are eligible to apply (see footnote on page 5). The program is capped at 5,000 cars and the current fee is set at 1.8 cents per mile. Participants receive a credit for fuel tax paid. | 2013 (enacted legislation) 2015 (program start) |
| Utah | Utah's RUC program charges 1.52 cents per mile and establishes a 'Road Usage Charge Program Special Revenue Fund'. Electric and Hybrid vehicles are eligible to apply. The amount is capped at the state's flat registration fee. | 2020 (program start) 2021 (special fund legislation) |
| Virginia | Virginia's 'Mileage Choice Program' is alternative to its 'Highway Use Fee', which charges fuel-efficient and electric vehicles a fixed annual rate. Participants forgo payment of the use-fee when they opt-in to the Mileage Choice program, but their per-mile rate is capped at what they would have paid for the Highway Use Fee. The per-mile rate is determined by calculating what the Highway Use would have been, by the average number of miles driven per year by a Virginian (11,600). | 2020 (enacted legislation) 2022 (program start) |