

Senate Bill 9  
Fee for Miles Driven in PA

**Article 1**

<https://taxfoundation.org/pa-gas-tax-gov-wolf-gas-tax-phase-out/>

## **Will Pennsylvania Be the First State to Motor Past the Gas Tax?**

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After Congress passed the [American Rescue Plan Act](#) last week, infrastructure spending—and its funding—is taking center stage. For example, the federal excise tax rate on motor fuels has not been changed since 1993, and the tax has not raised sufficient revenue to cover expenditures since 2008. Several states also are in this position and are looking for ways to address the issue.

In Pennsylvania, Gov. Tom Wolf (D) has proposed [phasing out the gas tax](#) as the main funding mechanism for the state's highway fund, and he has established a commission to recommend options for replacing it with alternative revenue sources. In a [statement](#), the governor called the current motor fuel tax burdensome, outdated, and unreliable.

It is no small budget hole the governor wants to close. Pennsylvania's infrastructure budget is \$6.9 billion, but, according to [Pennsylvania's Department of Transportation](#), the state's necessary expenses are projected to be more than twice that figure: \$15 billion. In 2018 (latest available U.S. Census data), the state had highway expenses totaling \$10.8 billion and revenue (including federal transfers) of \$7.7 billion.

If Pennsylvania moves ahead with the governor's plan, it will become the first state to phase out motor fuel taxes as the main funding mechanism for infrastructure costs. Motor fuel taxes function as a user fee system by relying on motor fuel consumption as a proxy for road use. These taxes, which have a century-long history in this country, have worked very well but are challenged by technological developments. Vehicles drive more miles on a gallon of gas and there is growth in sales of electric vehicles, which do not consume gasoline or diesel.

The options for replacing motor fuel taxes are limited.

- Some states have implemented fees on fuel-efficient cars and electric vehicles to supplement motor fuel tax revenue, but this only captures in-state vehicles, and fees would have to be quite high to be an alternative to motor fuel taxes.
- Another option would be more tolling, which has its place, but an expansion of the toll system to cover most roads seems untenable.
- The best option is likely a tax on [vehicle miles traveled \(VMT\)](#). These taxes have the benefit of taxing road use directly rather than using a proxy. VMT also captures road use independent of a vehicle's fuel economy, which is appropriate if the tax is imposed to recover costs associated with wear-and-tear and congestion.

VMT taxes are not without complications, though. In order to recover cost from out-of-state drivers, a state version of such a tax would likely require drivers to continue to pay the state gas tax at the pump. State residents would then get the tax refunded; this solution is used in states with VMT tax pilot programs. This issue could be solved if a federal system were implemented, and states piggyback it. Furthermore, there is the issue of privacy—especially if GPS is used to track vehicles. Handing over data about your vehicle’s location at all times is understandably unpopular, especially when that information is supplied to a government entity which may have less reason to resist a subpoena than, for instance, a private company, like a cell phone provider.

If a solution to the privacy concerns can be identified, a VMT tax could be implemented by either levying a flat fee per mile traveled or by developing an advanced tracking system with different rates for different locations. A flat fee per mile based on vehicle weight and measured by the odometer would be the simplest version of a VMT tax to administer and avoids most privacy issues. Odometer readings could be done at yearly inspections or by installing an on-board-unit (OBU) that electronically transmits VMT to a central computer.

A simple fee per VMT would not be equal across all vehicle types, as it should be differentiated based on weight and number of axles. Road damage increases with weight of a vehicle but decreases based on the number of axles. Basing the rate on weight per axle encourages commercial trucking to limit weight per axle.

The problem with a simple solution is that a simple rate per VMT severely limits the ability of the tax to properly target the tax beyond simple VMT and weight per axle. For instance, the current issue of the fuel tax taxing non-public roads use (e.g., fuel used on private roads or for farming equipment) would persist. It also makes it difficult to secure proper apportionment between states.

These issues illustrate that VMT taxes may be more expensive to collect than the motor fuel tax, which is both simple and cheap to enforce. One option to increase authorities’ expertise with the system would be to implement VMT taxes on commercial freight vehicles. These vehicles cause most of the road damage, and privacy concerns are limited as the vehicles are often already tracked.

Increasing Pennsylvania’s transportation revenue from \$6.9 billion to \$15 billion would obviously require a significant tax increase, and the state’s current gas tax is already unusually high. Today, about 56 percent of the state’s transportation tax revenue is raised through motor fuel taxes. If we assume a similar split in the future, motor fuel taxes would need to more than double to raise 56 percent of \$15 billion (\$8.4 billion). A VMT tax would, if we assume a flat rate, need to be levied at 8 cents per mile to raise \$8.4 billion. This average fee would, as mentioned above, have to be adjusted based on weight per axle.

Gov. Wolf has tasked his commission with a difficult job, but he is right to consider the future of transportation funding. Motor fuel taxes risk becoming less and less efficient in raising sufficient revenue, and they may do so less equitably (new efficient and electric vehicles are expensive). Accordingly, VMT taxes are likely to play its part in the infrastructure taxes of the future.

## **Article 2**

<https://www.abc27.com/pennsylvania/a-mileage-based-fee-for-pennsylvania-drivers/>

# A mileage-based fee for Pennsylvania drivers?

by: Corey Morris

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(WJET/WFXP/YourErie.com) — For decades the pressure has been on to make vehicles more fuel efficient, and to eliminate emissions altogether worldwide.

As car manufactures and drivers have adapted to regulations that have seen a widespread increase in fuel efficiency, that has had a secondary consequence — transportation funding that has relied on gas taxes has dwindled in response.

While most vehicles are more fuel efficient, and all-electric vehicles have seen a rise in prevalence, they contribute less to infrastructure maintenance funds (supported in Pennsylvania mostly by gas tax revenue) while still using all of the same infrastructure.

Funding opportunity for EV infrastructure grants available on Feb. 24

This had led many states across the country, including Pennsylvania, to consider mileage-based fees on vehicles.

## How far along is that process in Pennsylvania? And what would it take for it to become a reality?

Currently, the commonwealth's gas tax accounts for some 74% of bridge and highway funding. The need to maintain infrastructure hasn't changed, yet vehicles have changed and continue to change. Vehicles have dramatically improved their mile-per-gallon rate (mpg), and the country is expecting to shift toward electric vehicles almost exclusively in a little more than a decade.

Looking over a 10-year period in a publication from the Bureau of Transportation Statistics, the average mpg has dramatically changed for vehicles. In 2007 passenger cars saw an average of 27.5 mpg by CARE standards (a method of calculating mpg that accounts for 55% of city driving and 45% of highway driving). In 2017, just 10 years later, passenger cars averaged 39 mpg. Light trucks went from 22.2 mpg to 29.4 mpg.

There's another developing trend that's likely to impact gas tax revenue. California plans to ban the sale of gas vehicles by 2035. Oregon, Washington and New York state are planning similar bans but will allow for plug-in hybrids. Meanwhile, the Postal Service announced its plan to purchase only all-electric vehicles beginning in 2026. And several automakers have pledged to either mostly or entirely move to all-electric offerings by 2035.

With Pennsylvania's highways and bridges mostly dependent on the sale of gasoline for revenue, these changes mean dwindling coffers. Less gas purchased equals less revenue. That has state agencies look for ways to move away from a gas tax.

## Alternatives

The Transportation Revenue Options Committee (TROC) was established in Pennsylvania to help find solutions for the dwindling infrastructure revenue. Several alternatives to the gas tax were discussed including a mileage-based tax, tolling, redirecting current funding, new or adjusted fees, and adjustments to current taxes.

“All of those items were discussed, but the ones that were discussed the most were the MBUF (mileage based tax), redirection of state police funding and the package fee,” said Pennsylvania Department of Transportation (PennDOT) Press Secretary Alexis Campbell.

## **Pennsylvania Senate committee passes bill to cut state gas tax**

Redirection of state police funding would see Pennsylvania eliminating transfers from the Motor License Fund to the Pennsylvania State Police. That would then require PSP funding to come from the commonwealth's General Fund.

“The proposition is that policing, whether state or local, is a general function of government and that the Motor License Fund's revenue sources are more aligned with transportation system use,” a July 2021 TROC report said. “The PA State Police obviously carry out an essential responsibility and one that is stretched by having to police some communities that do not have municipal police forces. That challenge also necessitates a broader approach to police funding outside of the Motor License Fund. The feasibility of this proposed redirection is high and is deemed to be fair.”

Pennsylvania has been part of a coalition studying alternatives to the gas tax. Pennsylvania is one of 17 states that make up The Eastern Transportation Coalition. Pennsylvania was part of a coalition study on a potential Mileage-Based User Fee (MBUF) from October 2020 through January 2021. An MBUF system would assess how many miles a vehicle drives and then charge a fee for those miles. A total of 70 Pennsylvania passenger vehicles and 20 Pennsylvania commercial trucks participated in the most recent study. An earlier pilot was held July 2019 to October 2019 seeing 428 passenger drivers and 55 commercial trucks in Pennsylvania. From May 2018 to July 2018, 35 passenger vehicles participated in the first pilot.

### **The July 2021 TROC report endorsed an MBUF for Pennsylvania.**

“Considering MBUF strategically, TROC proposes a long-term Commonwealth commitment to positioning and preparing for MBUF by vigorously encouraging supportive federal action, raising public awareness and support, and beginning to lay the groundwork for the technological and other implementation components,” the report said. “Such commitment is essential, but it does not address Pennsylvania's immediate funding problem. Therefore, it is vital to identify and implement multiple near- and medium-term funding sources...”

In total, more than 500 Pennsylvanians participated in pilot studies. Further, more than 1,000 Pennsylvanians have participated in public opinion surveys.

When asked about any public feedback about a potential MBUF in Pennsylvania, PennDOT's Campbell said, “We have been sharing information about the need to modernize transportation funding, and on MBUF, for several years. We will continue to keep the public informed as discussions progress.”

One of the avenues PennDOT uses to disseminate information is through social media. Several posts have been made on the PennDOT Facebook page lately about the potential for an MBUF in the commonwealth. One such Facebook post was made on Jan. 13 and within 2 hours, the post had 76 comments. The bulk of those comments were negative about either a potential MBUF or PennDOT itself. Readers voiced concerns about how out-of-state miles will be tracked and taxed, about their fears that the gas tax will not actually go away if MBUF is implemented, a loss of out-of-state drivers paying taxes for road maintenance, and perceived mismanagement of current PennDOT funding.

### **Future**

According to PennDOT's website, an MBUF would have multiple options for mileage reporting. That would include technology that records and reports mileage, manually recording mileage and reporting it through a smartphone, a mail-in form, or through an online submission, or having mileage recorded during an annual inspection.

\$7,500 tax credit for EVs start in 2023: How will it work?

The same website says rural drivers may save money compared to the gas tax. That, however, assumes rural drivers are driving less fuel efficient vehicles than their urban counterparts. That said, a 2020 analysis by the Eastern Transportation Coalition said rural Pennsylvania drivers would see a savings of about \$34 per year through an MBUF compared to the gas tax.

Currently, there is no solid plan to collect payments from out-of-state drivers, according to the PennDOT FAQ, and the FAQ does not address Pennsylvania drivers who travel out-of-state and how those miles would be taxed.

When requested, PennDOT offered no timeline for potential MBUF implementation. PennDOT can not implement an MBUF nor eliminate the gas tax on its own. The Pennsylvania Legislature would need to authorize PennDOT to implement an MBUF.

PennDOT Pathway program is researching potential revenue alternatives. PennDOT Pathway can be contacted through its website.