

HF3430 - 2A - Electric and Plug-in Hybrid Vehicle Surcharge Mod.

Chief Author: **Larry Kraft**
 Committee: **Transportation Finance and Policy**
 Date Completed: **3/16/2026 3:19:03 PM**
 Lead Agency: **Public Safety Dept**
 Other Agencies:
 Revenue Dept Transportation Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology	X	
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Public Safety Dept	-	-	-	-	-	-
Restrict Misc Special Revenue	-	-	-	-	-	-
Transportation Dept						
Highway Users Tax Distribution	-	-	(5,875)	(3,428)	2,381	
State Total						
Restrict Misc Special Revenue	-	-	-	-	-	-
Highway Users Tax Distribution	-	-	(5,875)	(3,428)	2,381	
Total	-	-	(5,875)	(3,428)	2,381	
Biennial Total			(5,875)		(1,047)	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Public Safety Dept	-	-	-	-	-
Restrict Misc Special Revenue	-	-	-	-	-
Transportation Dept					
Highway Users Tax Distribution	-	-	-	-	-
Total	-	-	-	-	-

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Laura Cecko **Date:** 3/16/2026 3:19:03 PM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2	Biennium			Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Public Safety Dept	-	-	-	-	-
Restrict Misc Special Revenue	-	-	-	-	-
Transportation Dept					
Highway Users Tax Distribution	-	-	(5,875)	(3,428)	2,381
Total	-	-	(5,875)	(3,428)	2,381
Biennial Total			(5,875)		(1,047)
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Public Safety Dept	-	-	-	-	-
Restrict Misc Special Revenue					
Expenditures	-	-	159	-	-
Absorbed Costs	-	-	(159)	-	-
Transportation Dept					
Highway Users Tax Distribution	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-
2 - Revenues, Transfers In*					
Public Safety Dept	-	-	-	-	-
Restrict Misc Special Revenue	-	-	-	-	-
Transportation Dept					
Highway Users Tax Distribution	-	-	5,875	3,428	(2,381)
Total	-	-	5,875	3,428	(2,381)
Biennial Total			5,875		1,047

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 Agency: **Public Safety Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology	X	
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Restrict Misc Special Revenue	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Restrict Misc Special Revenue	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Laura Cecko **Date:** 3/12/2026 1:05:12 PM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029	
Restrict Misc Special Revenue	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Restrict Misc Special Revenue						
Expenditures	-	-	159	-	-	-
Absorbed Costs	-	-	(159)	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Restrict Misc Special Revenue	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill proposes changing the electric vehicle (EV) and plug-in hybrid electric vehicle (PHEV) surcharges modifications done during the 2025 1st Special Session in Chapter 8, article 2, sections 15-17. This would change the surcharge to a flat annual rate starting with registration periods beginning on or after January 1, 2027.

It also includes a proposal for a weight surcharge based on the unloaded weight of the passenger vehicle for vehicles weighing 5,000 pounds or more. If the vehicle weighs 5,000 to 5,999 pounds, an additional seven percent would be imposed and if the vehicle weighs 6,000 pounds or more, it would be ten percent. This percentage would be of the registration tax charged in 168.013, subd. 1a

Assumptions

If adopted, this bill would be effective the day following final enactment and would be applied with registration periods beginning on or after January 1, 2027. Due to the amount of time required by the vendor to make the system changes necessary to accommodate the changes outlined in this bill and its amendments these dates may not be feasible, or renewal notices may not be mailed out on time.

Currently, vehicle owners can renew their registration up to six months in advance of their expiration date. Because the bill would be effective immediately if passed, vehicle owners who renew early would still be responsible for the surcharges based on the new calculations. This will result in an undetermined amount of vehicle owners either needing a refund for overpayment of electric vehicle (EV) surcharges or be required to pay an additional amount for the vehicle weight surcharge to keep their registration valid, depending on how the changes impact their vehicle based on its model year, weight, and manufacturer's suggested retail price (MSRP) tied to the vehicle.

DVS will develop a process to identify these early renewals and proactively issue refunds or a financial deficiency depending on how the changes impact each vehicle.

System changes needed to accommodate the EV surcharge change in the bill proposal will require 160 hours

of MNDrive programming by the vendor. For FY 2027, the vendor's hourly rate is \$227.10 for a total programming cost of \$36,336(160hours x \$227.10 per hour = \$36,336). These costs will be absorbed by the current vendor contract with DVS.

System changes needed to accommodate the vehicle weight surcharge change in the bill proposal will require 540 hours of MNDrive programming by the vendor. For FY 2027, the vendor's hourly rate is \$227.10 for a total programming cost of \$122,634 (540hours x \$227.10 per hour = \$122,634). These costs will be absorbed by the current vendor contract with DVS.

Communication with vehicle owners is included in the vendor programming costs as the information will be conveyed through a note on their renewal notice.

Expenditure and/or Revenue Formula

FY2027

MNDrive programming for EV surcharge change = \$36,336 (absorbed)

MNDrive programming for vehicle weight surcharge = \$122,634 (absorbed)

Total programming = \$158,970 (absorbed)

Long-Term Fiscal Considerations

Local Fiscal Impact

There may be an impact on local units of government that utilize the highway user tax distribution (HUTD) fund that registration taxes partially fund.

References/Sources

Agency Contact: Pong Xiong

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HF3430 - 2A - Electric and Plug-in Hybrid Vehicle Surcharge Mod.

Chief Author: **Larry Kraft**
 Committee: **Transportation Finance and Policy**
 Date Completed: **3/16/2026 3:19:03 PM**
 Agency: **Revenue Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2025	FY2026	FY2027	FY2028	FY2029
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Joel Enders **Date:** 3/4/2026 11:41:23 AM
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State Cost (Savings) Calculation Details

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State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

HF 3430 with the A1 and A2 amendments modifies the motor vehicle registration tax surcharges for electric vehicles, plug-in hybrid electric vehicles, and certain passenger automobiles based on weight.

Sections 4 through 7 of the A2 amendment delete language throughout Minnesota Statutes 2025 Supplement, section 296A related to electricity as a vehicle fuel and charging stations as related to taxing electricity as a vehicle fuel.

Section 8 of the A2 amendment repeals definitions in Minnesota Statutes 2025 Supplement, section 296A.01 related to electricity as a vehicle fuel, including definitions for electric vehicle, electric vehicle supply equipment, electricity as vehicle fuel, public charging station, and public charging station operator. Section 8 also repeals Minnesota Statutes 2025 Supplement, section 296A.075 which establishes the electricity as vehicle fuel tax.

This bill is effective the day following final enactment and applies to taxes payable for registration periods starting on or after January 1, 2027.

Assumptions

Revenue assumes it will issue a GovDelivery to inform taxpayers on the repeal of the electricity as vehicle fuel tax. Revenue assumes no additional administrative impact as the tax is not set to be imposed until July 1, 2027. Revenue assumes no impact from sections 1-3 of the bill.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

Agency staff provided information for this fiscal note.

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 Committee: **Transportation Finance and Policy**
 Date Completed: **3/16/2026 3:19:03 PM**
 Agency: **Transportation Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology		X
Local Fiscal Impact		
		X

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Highway Users Tax Distribution	-	-	(5,875)	(3,428)	2,381	
Total	-	-	(5,875)	(3,428)	2,381	
Biennial Total			(5,875)		(1,047)	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Highway Users Tax Distribution	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Laura Cecko **Date:** 3/16/2026 3:17:56 PM
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State Cost (Savings) Calculation Details

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Highway Users Tax Distribution	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Highway Users Tax Distribution	-	-	5,875	3,428	(2,381)	
Total	-	-	5,875	3,428	(2,381)	
Biennial Total			5,875		1,047	

Bill Description

The bill redacts previous calculations for electric vehicle surcharges and imposes new ones, including a weight surcharge, effective for 2027 registrations. Surcharge revenue must be deposited into the highway user tax distribution fund.

Sec. 1 imposes a standard \$100 surcharge for fully electric vehicles.

Sec. 2 imposes a standard \$50 surcharge for plug-in hybrid electric vehicles.

Sec. 3 imposes a weight surcharge on passenger vehicles with a gross vehicle weight rating of 5,000 pounds or more. For vehicles weighing 5,000-5,999 pounds, this tax is seven percent of the tax imposed under section 168.013, subd. 1a. For vehicles weighing 6,000 pounds or more, the surcharge is ten percent of the tax.

Assumptions

The last seven years' average annual EV growth rate was 42 percent. EV's make up six to eight percent of new vehicle sales and represent roughly one percent of the current fleet. Therefore, MnDOT assumes that EV ownership will increase by 40 percent each fiscal year through FY29. As of January 1st, 2026, there are 61,738 EV's and 25,601 PHEV's in use in Minnesota, according to Atlas Public Policy's EVALuateMN dashboard. MnDOT assumes these vehicle counts to be the base vehicle counts for its forecasts below.

The most recent Motor Vehicle County Summary Report--which is from 2024--showed that the average registration tax per passenger vehicle was roughly \$183.42. MnDOT assumes that this average has grown five percent each year:

FY27	FY28	FY29
\$212.33	\$222.95	\$234.10

For vehicles weighing between 5,000 and 5,999 pounds, MnDOT estimated a breakdown of the percentage of passenger vehicles registered in 2025 falling into each weight class. MnDOT multiplied this percentage by the total number of passenger vehicles that the Department of Public Safety provided. DPS provided the number of passenger vehicles weighing 6,000 pounds or more.

Expenditure and/or Revenue Formula

EV/PHEV Surcharge

Below are the predicted registration counts:

Vehicle Type	FY26	FY27	FY28	FY29
EV	61,738	86,433	121,006	169,408
PHEV	25,601	35,841	50,177	70,248

The table below multiplies the registration counts by the new surcharges to reflect the total new revenue (\$000s):

Surcharge Type	*FY27	FY28	FY29
EV (\$100)	\$4,322	\$12,101	\$16,941
PHEV (\$50)	\$896	\$2,509	\$3,512
Total	\$5,218	\$14,609 (without rounding)	\$20,453

As it stands, the MnDOT February '26 forecasted surcharge revenue (\$000s) is:

FY27	FY28	FY29
\$16,976	\$26,387	\$36,900

Therefore, net surcharge revenue (\$000s) with this bill's adoption is:

FY27	FY28	FY29
(\$5,218 + (\$16,976/2) - \$16,976 =) (\$3,270)	(\$11,777)	(\$16,447)

Note that, because the bill takes effect in January 2027 six months into the fiscal year MnDOT predicts half its current forecasted value will be included in FY27 revenues.

Weight Surcharge

Below are the predicted passenger vehicle counts by affected weight class:

Weight Class (lbs.)	FY27	FY28	FY29
>= 6,000	384,864	384,864	384,864
5,000 5,999	680,755	680,755	680,755

To compute the heavy vehicle surcharge, the table below multiplies the average registration tax by the appropriate percentage by the number of heavy vehicles. For example, FY28 revenues for vehicles weighing 6,000 lbs. or more would be calculated as:

$\$222.95 \text{ average registration tax per vehicle} \times 10\% \times 384,864 \text{ vehicles} = \$8,580,543$

Dollar amounts are in thousands:

Weight Class (lbs.)	*FY27	FY28	FY29
>= 6,000 (10%)	\$4,086	\$8,581	\$9,010

5,000 5,999 (7%)	\$5,059	\$10,624	\$11,156
Total	\$9,145	\$19,205	\$20,166

Sec. 4 Amendment

This amendment eliminates the electricity as a fuel tax. The amendment repeals these forecasted revenues (in thousands of dollars):

FY28	FY29
\$4,000	\$6,100

Total

The net revenue (\$000s) of the bill combines the reduced EV surcharge revenue with the new weight surcharge:

Surcharge	FY27	FY28	FY29
EV/PHEV Net	(\$3,270)	(\$11,777)	(\$16,447)
Weight	\$9,145	\$19,205	\$20,166
Electricity as a Fuel Tax		(\$4,000)	(\$6,100)
Total	\$5,875	\$3,428	(\$2,381)

*FY27 values are halved to reflect the January effective date.

Long-Term Fiscal Considerations

Revenue impacts will continue.

Local Fiscal Impact

None

References/Sources

Department of Public Safety

MnDOT Office of Financial Management

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