



Charging the Charge: Per-kWh Fees for EV charging A Primer For State Officials

What are Per-kWh Fees?



HOW MUCH
YOU CHARGE



LEADS TO



HOW MUCH
YOU PAY

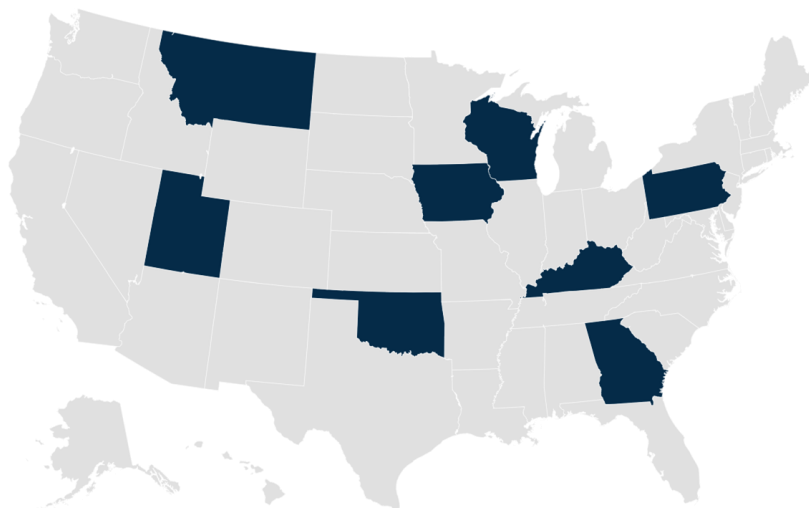
The greatest share of funding used to maintain America's roads comes from a tax paid on fuel at the pump. But with vehicles going further on less fuel, the gas tax failing to keep pace with inflation, and rising highway expenditures, a road funding "gap" now exists for many states.

To address this challenge, some states are trying new funding mechanisms. One of these is a tax on the energy used to charge EVs. It is a similar concept to the gas tax, targeting an EV's "fuel" (i.e. electricity). However, there are key considerations that states should weigh before implementing such a tax.

Eight states have Per-kWh Fees

- **1997:** Pennsylvania*
1.8 cents per kWh
- **2019:** Iowa
2.6 cents per kWh
- **2021:** Oklahoma
3 cents per kWh
- **2022:** Kentucky
3 cents per kWh
- **2023:** Utah
12.5% of charging cost
- **2023:** Georgia
2.8 cents per kWh
- **2023:** Montana
3 cents per kWh
- **2024:** Wisconsin
3 cents per kWh

Note: All states' fees are currently limited to non-residential or publicly-accessible charging only; Pennsylvania initially enacted an alternative fuels tax in 1997 that did not exclude residential charging; the tax was amended in 2024 to exclude that charging.



Key Questions for Policymakers

Should the tax cover **at-home charging?**



80% of EV charging currently occurs at home, but that energy use is **difficult to measure**, and the collection process is **difficult to enforce**

How to mitigate **equity** concerns?



Lower income drivers without at-home charging access **will pay more** than those with private chargers

How should the **rate** be set?



Some states tie the rate to gasoline prices or an equivalent amount of energy in a gallon of diesel

Does the fee interact with **other EV policy?**



Other **EV fees** may compound this tax and **EV goals** may be affected

Recommendations for States Interested in Implementing a Per-kwh EV Charging Tax:

1

Where and how the state collects revenue makes a huge difference

Unlike the gas tax, which states collect from a small number of fuel distributors, per-kWh taxes would be paid by a much larger group of taxpayers. This could mean a higher risk of noncompliance and less ability to enforce the tax. State offices should consider who will have to pay, how often, and by what method.

2

Communication is key for a functioning fee

The gas tax is usually a hidden fee built into fuel prices, meaning most drivers do not notice that filling up at the pump comes with a tax. Announcing a new policy may be unpopular and viewed as an unfair tax. A robust education campaign explaining that non-EV drivers already pay a tax at the pump, and that the funding is needed for safe roads, may help the situation.

3

Not all chargers can accurately report energy use


At-home chargers, some older public charger models, and chargers that allow charging for free, are not able to differentiate how much energy is dispensed in a single charging session, which makes it impossible to calculate a fee for EV drivers accurately. States should consider disqualifying such chargers to avoid issues (this was the approach in Montana).

4


Per-kWh taxes alone cannot close the road funding gap

Road funds have struggled due to better fuel economy and the federal gas tax not keeping up with inflation. Even if every vehicle in America was an EV, a per-kWh tax would not be able to close the road funding gap due to the prevalence of at-home charging. Most states implementing these fees agree that they should be one part of the road funding solution.


Other Available Road Funding Policies




Mileage-Based User Fees are a fair way to ensure drivers pay for the amount they use the roads, but barriers to implementation exist (see tetcoalitionmbuf.org for more information)




Tolls are a very common and effective means of collecting revenue, but can lead to changes in driver behavior to avoid tolls



Weight-based fees can target medium- and heavy-duty vehicles with high road use for commercial activities, but do not collect from all vehicles on the road



Efficient vehicle registration fees help to offset the reduction of gas tax revenue, but as a flat fee do not connect road usage to payment



General revenues from other tax sources can be a flexible way to shore up a road fund, but are unrelated to road use

The Bottom Line

No road funding policies can close the road funding gap alone, and all have pros and cons. States should consider creating a suite of equitable and implementable road funding solutions

For further information and sources, see the Charging the Charge memo prepared for TETC by Atlas Public Policy here: https://tetcoalition.org/wp-content/uploads/2024/10/Charging-the-Charge-Primer-on-Per-kWh-Tax-Policy_FINAL.pdf