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LEGISLATIVE MEMO

HB 2026: to impose a mileage tax on drivers to pay for roads, transit, and other transportation

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Key Facts

1. **House Bill 2026 would establish a Road Usage Charge (RUC) program that gradually imposes a 2.5-cent per-mile charge on drivers, beginning with mandatory participation from those who own electric vehicles, and then expanding on a voluntary basis to those who own hybrids and all other vehicles.**

2. **The revenue collected from a RUC would be deposited into a new dedicated RUC account, restricted for "transportation purposes" which may include highways, transit and other non-highway programs. This diverges from the Washington State Transportation Commission's reasonable recommendation to constitutionally protect RUC revenue for highway purposes.**

3. **Diluting the RUC to pay for things like transit, which already receives substantial funding despite low ridership, is wasteful and unnecessary.**

4. **HB 2026 caps the amount of RUC owed by EV owners. In practice, this means EV owners would not pay a true Road Usage Charge – since capping the RUC would disconnect their tax from actual miles driven.**

5. **This cap would be especially problematic in the context of equity. Most electric vehicles in the state are registered in Western Washington in wealthy zip codes.**

6. **This bill is not a good approach to implementing RUC policy in Washington state and would create significant funding and equity problems.**

Introduction

The Washington State Transportation Commission (WSTC) has been leading the effort to study, test, and report to the legislature the feasibility of imposing a per-mile tax, formally known as a Road Usage Charge (RUC). If implemented, a RUC would require drivers to pay a tax for every mile they drive rather than paying a tax on every gallon of gas they purchase.

The year-long RUC Pilot Project was completed in 2018.[1] The pilot explored the feasibility of getting the public to accept paying a per-mile tax instead of a per-gallon gas tax. The tested rate was 2.4 cents per mile, based on an average fuel efficiency of 20 miles per gallon. The pilot was a simulation, so while participants received invoices, no transactions took place.

The WSTC produced a final report and its members voted for 16 policy recommendations which they sent to the legislature for consideration. One recommendation is that RUC revenue be protected under the state constitution's 18th Amendment, to restrict spending RUC revenue to highway purposes only. The Commission also recommends a "startup phase" that would include "a limited number of vehicles to facilitate further testing and system improvements." Specifically, the Commission advised that such a phase could include electric and hybrid vehicles, as well as state-owned vehicles.

SB 6586 was introduced in 2020 to implement the test plan, but the bill was not adopted. SB 5444 was introduced in 2021 in a second attempt at RUC implementation, with modified provisions. It, too, did not pass. Now, Representative Emily Wicks has introduced House Bill 2026.

1 I was one of 2,000 volunteer participants and submitted my mileage information through a GPS-enabled transponder installed in my car, as well as an odometer reading.

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While in theory there may be some benefits to a RUC, HB 2026 contains several flawed provisions that would make it counterproductive.

Current electric and hybrid vehicle fees

On average, Washington drivers pay $289 each year in state fuel tax.[2] Drivers who own electric vehicles (EVs) pay two annual car tab fees that total $150. This amount is considered a gas tax offset, rather than a registration fee. An additional $75 hybrid transportation electrification fee was added starting October 1, 2019, bringing the new total to $225. This is paid in addition to standard $30 vehicle registration and appropriate weight fees. The EV fees are broken down as follows:

- The $100 electric vehicle fee compensates for electric vehicles not paying a state fuel tax. This money is deposited into the state Motor Vehicle Fund in the transportation budget up to a maximum of $1 million annually. Beyond this amount the fees are split, with 70 percent of the money deposited into the Motor Vehicle Fund, 15 percent is deposited into the Transportation Improvement Account[3], and the final 15 percent deposited into the Rural Arterial Trust Account[4] (both of these accounts are in the Motor Vehicle Fund and support arterial street infrastructure). The Motor Vehicle Fund is protected under the state constitution's 18th Amendment which provides that funds can only be spent on highway purposes.

- The $50 electric vehicle fee requires that the first $1 million is diverted to the state Multimodal Transportation Account, a general transportation account that funds public transportation, biking and walking projects, rail, and other non-highway programs. The remaining money is deposited into the Motor Vehicle Fund.

- The $75 electric transportation fee is deposited into the Electric Vehicle Account,[5] and pays for electric and hybrid vehicle charging infrastructure. Starting July 1, 2025, these fees will be deposited into the Motor Vehicle Fund.

These fees can be increased if lawmakers feel EV owners should pay a higher gas tax offset beyond the $150.

Text of HB 2026

House Bill 2026 would establish a RUC program that gradually imposes a 2.5-cent per-mile charge on drivers, beginning with *mandatory* participation from those who own electric vehicles, and then expanding on a *voluntary* basis to those who own hybrids and all other vehicles.

Starting on July 1, 2025, any owner of a new electric vehicle must pay a RUC, and owners of older electric vehicles could volunteer to pay a RUC. Those who participate have other electric and hybrid fees waived. The bill caps the annual RUC amount to be paid by mandatory participants at $225, subject to adjustment by lawmakers. For voluntary participants, the amount is capped at $175.

Further, the program requires at least 500 electric, hybrid and internal combustion state-owned passenger or light-duty vehicles to participate.

Starting on July 1, 2026, owners of hybrid vehicles could choose to pay a RUC, with all electric and hybrid fees waived. The cap for voluntary participants would be $175 or $25, depending on the fees that would otherwise be due for the vehicle at the time of registration.

On July 1, 2027, the program would expand to include owners of all passenger cars, light trucks, and SUVs, who could volunteer to pay a RUC. These vehicles are not subject to electric or hybrid fees, but they do pay a

2 "WA RUC FAQs," Washington State Road Usage Charge, 2019, at https://waroadusagecharge.org/faqs/#custom-collapse-0-4.

3 Revised Code of Washington 47.26.084, Transportation Improvement Account – Intent of programs – Local agency certification of funds, Washington State Legislature, 2011, at https://app.leg.wa.gov/RCW/default.aspx?cite=47.26.084.

4 Revised Code of Washington 36.79.020, Rural Arterial Trust Account, Washington State Legislature, 1997, at https://app.leg. wa.gov/RCW/default.aspx?cite=36.79.020.

5 Revised Code of Washington 82.44.200, Electric Vehicle Charging Infrastructure Account, Washington State Legislature, 2015, at https://app.leg.wa.gov/RCW/default.aspx?cite=82.44.200.

gas tax, so the bill provides that those drivers who participate would receive a credit for the amount of gas tax they pay based on motor vehicle fuel usage. Unlike with owners of EVs or hybrids, this bill does not cap the amount drivers of all other vehicles would owe in RUC.

Other provisions of HB 2026 include a required annual review of the RUC program by the Department of Licensing, as well as evaluation from the Joint Transportation Committee. The state Transportation Commission would be tasked with assessing ways to implement a RUC for low-income vehicle owners.

The revenue collected from a RUC would be deposited into a new dedicated RUC account, restricted for "transportation purposes" which may include highways, transit and other non-highway programs.

With regard to privacy, the bill provides that information collected would be limited to what is needed to calculate, report and collect the mileage tax, unless the driver provides consent.

Bill analysis

Capped RUC presents an equity problem

Under this bill, drivers would pay the greater of gas taxes or the RUC. So, this bill is unlikely to change anything for owners of vehicles with below-average fuel efficiency. They would pay enormous amounts of fuel tax beyond what they would owe in RUC.

It would also change nothing for owners of electric vehicles, who would be rewarded and would not pay a true RUC beyond what they already pay in flat annual EV fees.

The bill would collect more from owners of internal combustion vehicles with above-average fuel efficiency, as expected, and would punish them in comparison to EV owners.

We analyzed data for a Prius (43 mpg), Ford Taurus (27 mpg), Tesla, and a theoretical low fuel efficiency vehicle (15 mpg). Assuming that each vehicle drives 10,000 miles in one year, the tax would be:

Vehicle	2019 Prius C	2018 Ford Taurus	2022 Tesla	Low-MPG Car
MPG (Hwy)	43	27	0	15
Total Miles Driven	10,000	10,000	10,000	10,000
Total Gallons	233	370	0	667
State Gas Tax Rate	0.494	0.494	0.494	0.494
Road Usage Charge Rate	0.025	0.025	0.025	0.025
Gas Tax Paid (Gallons x 0.494)	$115	$183	$0	$329
RUC Owed (Miles x 0.025)	$250	$250	$250	$250
Balance After Gas Tax Credit	$135	$67	$250	-$79
Total Paid	**$250**	**$250**	**$225***	**$329***

Specific location data could not be reported to the Department of Licensing or any other state entity unless the driver consents. The bill would also allow driving data to be retained and used for public purposes, as long as personally identifying information is removed. The information could also be disclosed in aggregate form.

The Prius driver would pay $115 a year in gas tax, and $135 in RUC (after being credited back for gas tax paid), for a total of $250.

The Taurus driver would pay $183 in gas tax, and $67 in RUC (after being credited), which is a total of $250. Under the proposed legislation, owners of fuel-efficient vehicles would end up paying the total of the RUC charge of 2.5 cents per mile, an increase compared to what they would owe if they just paid gas taxes.

By way of contrast, the owners of a low-mpg car that gets 15mpg would pay $329 in gas tax. If the driver is credited that amount against the RUC he would owe ($250), then the state would owe the driver $79. It is unlikely the state would pay lower-mpg car owners money. The state is more likely to simply wipe out the drivers' RUC balance, leaving the driver having paid the $329 in gas tax.

So, all three combustion engine drivers would end up paying either a RUC or gas tax, whichever is greater. The Prius and Taurus have above-average highway fuel efficiency, and though the RUC ensures their owners would pay a more "fair share" for their use of roads, it would also punish them compared to EV owners. Nothing would change for the owner of a vehicle that gets only 15mpg.

The Tesla driver, who paid zero in gas tax, and would normally owe $250 in RUC, would end up owing a reduced $225 under HB 2026, which includes a cap on RUC owed for new EV owners equal to $225 under the mandatory program. If the driver owns an older EV and volunteers to participate in the RUC, their annual amount would be capped at $175 In practice, this means EV owners would not pay a true Road Usage Charge – since capping the RUC would disconnect their tax from actual miles driven. Whether an EV owner drives 10,000 miles or 100,000 miles a year, under HB 2026, they would only pay a maximum of $225 in RUC – which is no different than what this driver already pays each year in EV fees.

This cap would be especially problematic in the context of equity. Most electric vehicles in the state are registered in Western Washington in wealthy zip codes. Even the Nissan Leaf, which accounted for 75 percent of all electric vehicle sales in Washington state in 2015, is primarily a car for the rich, with 40 percent of Leafs owned by residents of the wealthiest 10 percent of zip codes.[6] That ownership pattern hasn't changed significantly in recent years.

Even with federal tax breaks, EVs are more expensive than gas-powered alternatives. Yet owners of these vehicles would receive the benefit of a capped RUC, while voluntary participants in the RUC program who do not own an EV would not.

A constitutionally unprotected RUC is not a gas tax replacement

Rather than constitutionally protecting RUC revenue under the 18th amendment for highway purposes only, this bill would deposit RUC money into a new account for spending on transportation purposes generally. "Transportation purposes" include not just roads, but transit, rail, bike paths, walking paths and anything else that falls under the current transportation budget.

If lawmakers intend a RUC to replace the gas tax – which is what the public has been told is needed – then the RUC should replicate the features of a gas tax. One of those key features is how RUC revenue is spent. The state gas tax is protected for highway purposes only under the state constitution's 18th amendment. A RUC that is spent on any transportation program is not a gas tax replacement, but a new, general mileage tax that would be vulnerable to political and ideological whims. Constitutional protection of RUC revenue would ensure the per-mile rate is tied to actual road use, maintaining its status as a legitimate user fee as the gas tax currently is.

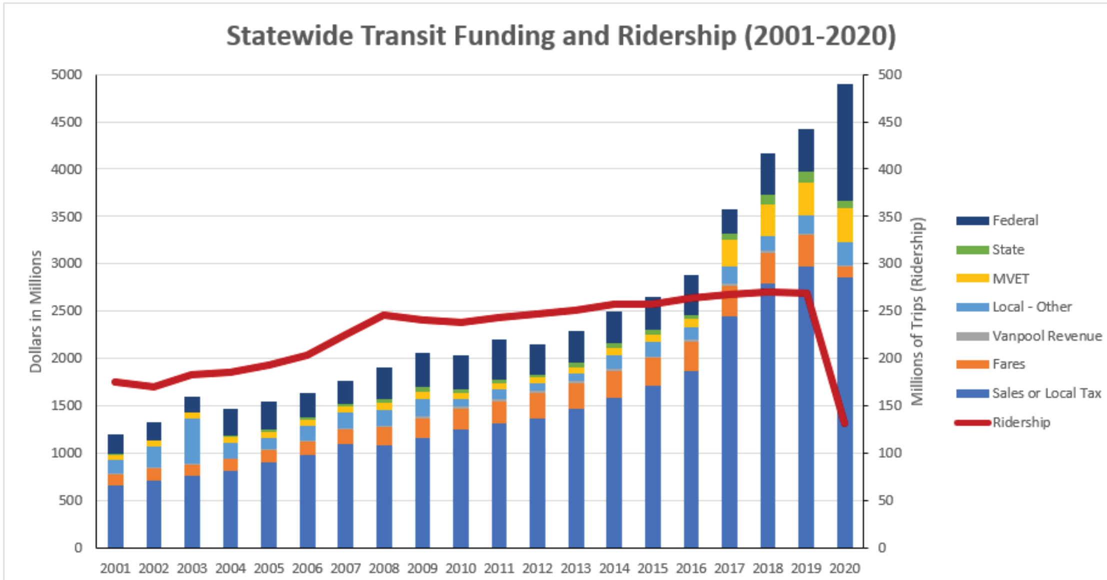
Transit does not need RUC money or additional state funding

Diluting the RUC to pay for things like transit, which already receives substantial funding despite low ridership, is wasteful and unnecessary. In 2010, statewide public transit agencies collected about $1.25 billion in sales and local taxes.[7] By 2019, public transit agencies collected about $3 billion in sales and local taxes, a 140 percent increase over 10 years. This doesn't include the many cash infusions transit agencies have received from the federal government.

6 "Nearly half of electric car breaks go to the state's wealthiest 10 percent," by Todd Myers, Legislative Memo, Washington Policy Center, January 21, 2015, at https://www.washingtonpolicy.org/publications/detail/nearly-half-of-electric-car-tax-breaks-go-to-states-wealthiest-10-percent.

7 2010 Summary of Public Transportation, Washington State Department of Transportation, accessed October 25, 2021 at https://www.digitalarchives.wa.gov/do/348ED7A13AEC1AD8F3779B81CF4B623F.pdf.

Compare this amount to state transportation funding. In the 2021-23 biennium, the state will collect about $3.3 billion per year from drivers who pay for roads and subsidize other transportation modes.



Bar Graph produced by House Transportation Committee Staff, Ridership data by Washington Policy Center - Data Source: WSDOT Summary of Public Transportation Reports (2001-2020) and National Transit Database TS2.2 Service Data and Operating Expenses Time Series by System

If the RUC is implemented, it should support Washington's roads and bridges, which are in dire need of maintenance and safety improvements that everyone would benefit from, including drivers, freight, transit, and emergency responders.

Conclusion

HB 2026 is an unusual, inequitable bill that would reward wealthy EV owners by not charging them a real RUC, while punishing owners of fuel-efficient vehicles by charging them a very high RUC. It would also completely diverge from the Washington State Transportation Commission's reasonable recommendation to constitutionally protect RUC revenue for highway purposes, instead allowing for diversion to other non-highway programs that are already well funded. As it stands, this bill is not a good approach to implementing RUC policy in Washington state and would create significant funding and equity problems.

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