

VEHICLE MILEAGE (VM) FEE

Description

A vehicle mileage (VM) fee charges drivers based on the number of miles each vehicle travels. This fee per mile charge directly relates to road usage as opposed to the fuel tax, which is based on fuel efficiency and vehicle miles traveled.

How Will This Help?

- **Fee is proportional to usage.** A mileage fee is a true usage-based fee in that the user is only charged for his or her usage of the roadway. The amount of fuel taxes paid by a driver is dependent on the fuel efficiency of their vehicle and vehicle miles traveled.
- **Protects transportation revenues from technology improvements.** Fuel efficiency is likely to continue improving, meaning that drivers in the future will pay less and less in fuel taxes for travel. VM fees are based on actual travel, meaning that revenues will rise and fall based on whether people are travelling, not whether they are consuming fuel.
- **Provides for more efficient distribution of funding.** Fuel taxes are actually collected from wholesale fuel distributors who then include those taxes in the price drivers pay for fuel at the pump. A VM fee system could allow for a more efficient distribution of transportation funding, as governmental entities will be able to more accurately identify where travel is occurring and revenues are being generated.



What's the Downside?

- **General opposition to fee increases.** The Legislature and the public have recently been opposed to tax or fee increases.
- **May raise privacy issues.** An issue with privacy may arise with some implementation strategies.
- **Expensive to administer.** VM fees would require a more costly and complex system of collection than fuel taxes.
- **Difficult to enforce.** Drivers cannot drive without fueling their cars and paying fuel taxes. Depending on how they are assessed, VM fees could be harder to collect.

Estimated Funding Yield

0.1 cent/mile: \$1.0 billion for transportation from 2014 to 2017.

0.5 cent/mile: \$5.2 billion for transportation from 2014 to 2017.

Implementation Issues

- Implementation costs can vary greatly depending on the type of collection system adopted.
- Legislative action is required to implement this funding change.
- Voters/users would need to be educated regarding the costs and benefits.
- Inoperability of technologies with other states should be considered.

Around the Nation

Oregon is looking to impose VM fees on electric vehicles that do not pay fuel taxes.

Nevada will be pilot testing VM metering technologies capable of reading vehicle odometers at fuel pumps.

Minnesota is conducting a study to explore revenue strategies that could eventually replace the gas tax with a fuel-neutral mileage charge.