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 VM fee is a true usage-based fee in that the user is only charged for his or her usage of the roadway. The fuel tax is not a true user fee because drivers will pay differing amounts based on the fuel efficiency of their vehicles. More fuel efficient vehicles pay less in fuel taxes for every mile travelled than less fuel efficient vehicles. VM fees would ensure that all vehicles pay the same amount for equal use of the roadway.

Fuel tax revenues are eroded by increased fuel efficiency. Fuel tax revenues will likely decrease over time. Car ownership is more widespread than it has ever been, and the expected growth in future population means there will be more people in more vehicles traveling on the roadways. However, today's more fuel efficient cars and trucks pay lower fuel taxes per mile than when the tax rates were last set 20 years ago. As vehicles become more fuel efficient, and alternative fuel vehicles become more common, the number of gallons needed to go the same distance will decrease. While there are benefits to this, such as a smaller carbon footprint and the ability to travel farther per gallon, the resulting decrease in fuel consumption means less gas and diesel tax revenue will be raised to tackle the rising transportation needs. Increasing the current revenue stream with new funds that are based on actual travel and not fuel consumption will help mitigate the effects of increasing fuel efficiency on fuel tax revenue.

Provides road use information for more efficient funding decisions. Fuel taxes are paid by wholesale fuel distributors when they remove gasoline and diesel from the production chain, such as at a refinery. Drivers in turn reimburse distributors when they purchase their fuel, as the cost of the tax paid by the distributor is included in the price paid at the pump. While this collection method is relatively inexpensive and easy to administer, it does not give the federal and state government detailed information on how drivers are using the roadway system. A VM fees would be collected from each individual vehicle, not just fuel distributors, meaning that governmental entities would be able to more accurately determine where revenue is being generated and travel is occurring. This information could be combined with existing funding allocation methods to more efficiently distribute transportation funds.

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.

- **Likely to be expensive to administer.** Fuel taxes are relatively cheap and easy to collect, while VM fees would need the support of new administrative entities.
- **More difficult to enforce.** It is difficult to drive without purchasing fuel and paying fuel taxes, but the collection of VM fees is likely to be much more difficult.

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.
- There are many road users who would resist the implementation of a VM fee system if it would require the use of technology in their vehicle.
- Interoperability with other states.

Around the Nation

Oregon is following up on its 2007 mileage fee pilot program by working to implement a VM fee system that would be applied to electric vehicles.

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

The I-95 Corridor Coalition recently released a report examining the administrative and institutional issues surrounding multistate VM charges and is expected to initiate a pilot study in the near future.

Massachusetts is funding a pilot project to study the opportunities and potential tax efficiencies of implementing a VM fee. (HB 2660)

Minnesota set aside $5 million to explore revenue strategies that could eventually replace the gas tax with a fuel-neutral mileage charge. This pilot study uses smart phones for metering road usage and is currently underway.