

**Testimony for the House Transportation Committee**  
**Bryan Barbin, Deputy Secretary for Taxation**  
**Department of Revenue**  
**Monday, May 1, 2023**

Chairman Neilson, Chairman Benninghoff, and members of the committee, thank you for the opportunity to provide testimony for today's public hearing on electric vehicle fees. The Department of Revenue (Department) recognizes this is a significant issue for the General Assembly to consider as discussions continue on how to best fund our Commonwealth's transportation and infrastructure network in the future. Our testimony will focus on the current taxing structure that exists in Pennsylvania.

**Overview**

The current version of Pennsylvania's Alternative Fuels Tax (AFT) has been in place within Title 75 (PA Vehicle Code) since 1997. The AFT applies to natural gas, propane, ethanol-dominant fuels (E85/FlexFuel), electricity, and/or any other alternative fuel placed into a vehicle for use on PA's public roads. Unlike the conventional motor fuels (gasoline, diesel, jet/aviation fuels), which are taxed at the wholesale/distributor level, the AFT is applied at the retail or use level. These products are not taxed when they are delivered to an end-user or retail service station, but as they leave the actual pump or charger and are placed into the propulsion tank (or battery) of the vehicle.

The Department currently collects approximately \$15 million in annual AFT revenue from 180 accounts, as compared to the approximately \$3.45 billion from the 620 Motor Fuel Tax (MFT) accounts.

**Tax Rates**

Each year, the MFT rates are set using specific millage rates and average wholesale price figures outlined in Title 75. The AFT rates are then calculated using the PA gasoline rate, but also factoring in the energy contained in each fuel type, using the United States Department of Energy's Alternative Fuels Data Center resources, which uses British Thermal Units (BTU), the universal industry standard for energy content. For example, a gallon of propane contains less energy than a gallon of gasoline, so the AFT rate for propane is less than the MFT rate for gasoline.

The units of measurement also fluctuate depending on the fuel type; gasoline, diesel, propane, and E85 are measured in gallons, but natural gas is measured using gasoline or diesel gallon equivalents (GGE or DGE) and electricity is measured per kilowatt hour (kWh); therefore, the tax rates reflect the energy, but also the unit of measurement.

<b>2023 Alternative Fuel Tax Rates<sup>1</sup></b>	
Gasoline <sup>2</sup>	\$0.611/gal
Propane	\$0.451/gal
Compressed Natural Gas (CNG)	\$0.611/GGE
Electricity	\$0.0183/kWh

## **Licensing**

Any entity that wishes to sell or use alternative fuels for vehicle use needs to apply for and be issued a PA Alternative Fuels Tax Permit. Filing activity determines the filing frequency and security.

## **Filing/Reporting**

Generally, the accounts are either high-volume business-related monthly filers or low-volume individual annual filers. Monthly filers submit their return and payment via myPATH by the 20<sup>th</sup> of the following month or, for annual filers, by January 20<sup>th</sup> of the following calendar year of activity.

## **AFT Electricity - Recordkeeping, Auditing, Compliance, Enforcement**

These efforts have been in development for natural gas, propane, and E85, and electricity. With the growing commitment of private sector and government resources to electric vehicles (EVs), we feel it is now necessary to begin bolstering our AFT Electricity program with enhanced licensing efforts, communication strategies, and outreach plans.

## **Transfer of Funding for Pennsylvania State Police**

The Department looks forward to the enactment of the Governor's proposed Public Safety and Protection Fund as a dedicated funding source for the Pennsylvania State Police (PSP). Reducing the dependence of the Motor License Fund as a source of funding for the PSP will help bolster long-term transportation funding for Pennsylvania's roads, bridges, and highways.

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### **<sup>1</sup> \*AFT Rate Calculation Notes:**

General AFT Rate Formula: (BTU value ÷ Gasoline BTU) x PA Gasoline MFT Rate = AFT Rate

Propane AFT Rate Example: (84,250 BTU per Gal. ÷ 114,500 BTU per Gal.) x \$0.611 PA Gas Rate = \$0.451/Gal.

Electricity AFT Rate Example: (3,414 BTU per kWh ÷ 114,500 BTU per Gallon) x \$0.611 PA Gas Rate = \$0.0183/kWh

There are DOR mathematical rounding rules that are also incorporated in calculating the MFT and AFT rates, which may appear to inflate the rate nominally.

<sup>2</sup> The tax rate for gasoline is included for comparison purposes only.

## **Transportation Funding for the Future**

The Department is dedicated to looking at the future of transportation funding from a holistic perspective. The conversation today starts a broader look at how to support the future of Pennsylvania's transportation systems in a fiscally sound manner. Long-term funding solutions are important to the growth of the Commonwealth. The Department looks forward to working with the committee, the Governor's Office, the Department of Transportation, and stakeholders on the development of ideas and solutions to these issues.

Thank you for this opportunity to provide testimony. We look forward to working with the committee and our fellow agencies to continue to move our Commonwealth forward.

### **Applicable Statutes:**

#### **§ 9002. Definitions.**

**"Alternative fuels."** Natural gas, compressed natural gas (CNG), liquified natural gas (LNG), liquid propane gas and liquified petroleum gas (LPG), alcohols, gasoline-alcohol mixtures containing at least 85% alcohol by volume, hydrogen, hythane, electricity and any other fuel used to propel motor vehicles on the public highways which is not taxable as fuels or liquid fuels under this chapter.

**"Alternative fuel dealer-user."** Any person who delivers or places alternative fuels into the fuel supply tank or other device of a vehicle for use on the public highways.