



**Section 2: Amends KRS 138.660 Effective Date: July 1, 2021**

Creates a surtax to be paid by heavy equipment motor carriers of \$0.043 cents per gallon on gasoline and \$0.072 cents per gallon on special fuels. This is the base rate and it will be adjusted annually as provided in Section 3.

**Section 3: New Section to KRS Chapter 138 Effective Date: July 1, 2021**

Requires the motor fuels excise tax and the surtax to be adjusted annually based on the change in the National Highway Construction Cost Index 2.0 (NHCCI 2.0). It limits the annual change in the excise or surplus tax to maximum increase of 10 percent or reduction of 2 percent with the provision the rates can never fall below the initial base rates.

**Section 4: New Section to KRS Chapter 186 Effective Date: January 1, 2022**

Imposes a base highway user fee for nonhybrid electric motor vehicles and plug-in electric hybrid motor vehicles to be collected by county clerks upon registration and at annual renewal. The base floor for the user fee shall be:

- \$150 on nonhybrid electric motor vehicles with a declared gross vehicle weight (GVW) of 10,000 pounds or less;
- \$300 on nonhybrid electric motor vehicles with a declared GVW greater than 10,000 pounds;
- \$75 on plug-in hybrid electric motor vehicles with a declared GVW of 10,000 pounds or less; or
- \$150 on plug-in hybrid electric motor vehicles with a declared GVW greater than 10,000 pounds.

The Department of Revenue shall adjust the fees of this section, on the same schedule and in the same manner as the adjustments to the motor fuels tax under Section 3 except that adjustments shall be rounded to nearest dollar and the adjustment of fees shall not result in a decrease below the initial base fees of this section.

All of user fees collected by the clerk will be sent to the road fund.

**Sections 5-14** are amended to conform.

**Section 15** Repeals KRS sections

- 138.228 -- Calculation of average wholesale price gasoline;
- 138.4602 -- Determination of motor vehicle retail price for sales on or after September 1, 2009, and before July 1, 2014; and
- 175.505 -- Debt payment acceleration fund—Revenue Source—Use to accelerate payment of turnpike authority debt.

**Section 16** makes Sections 1 to 3 effective July 1, 2021.

**Section 17** makes Sections 4 and 6 effective January 1, 2022.

**The fiscal impact of this legislation is indeterminable. The highway user fee for electric vehicle motor vehicles is a new fee and should have a positive impact on the**

**Commonwealth's road fund. The effects of the motor fuels tax is less apparent as the calculation for excise tax is being changed from a percentage of the average wholesale price to a cent per gallon calculation and should reflect an increase in revenues. Additionally, this legislation reduces the surtax on heavy equipment motor carriers leading to lower surtax receipts.**

Beginning January 1, 2022, the electric and hybrid electric motor vehicle highway user fees will generate approximately \$335,000 by the end of FY 2022. As the motor fuels tax becomes effective July 1, 2021, the estimated impact of motor fuels excise tax for the entirety of FY 22 is approximately \$14,660,000. The FY 22 road fund will be impacted by approximately \$15,000,000.

Under current law, the road fund is split between state and local governments. Forty-eight and two tenths percent (48.2%) of the road fund are allocated to state and local governments combined. In the county, secondary and rural roads receive 22.2 percent and 18.3 percent goes to county roads and bridges (KRS 177.320). Urban roads and streets receive 7.7 percent (KRS 177.365). Revenue added to the road fund should have an undeterminable positive fiscal impact on local government.

**Part III: Differences to Local Government Mandate Statement from Prior Versions**

Part II, above, pertains to the bill as drafted.

**Data Source(s):** LRC Staff, Kentucky Transportation Cabinet Data Mart

**Preparer:** Mark Offerman **Reviewer:** KHC **Date:** 3/1/21