



ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fourth Legislature
Second Regular Session

House: TRANS DPA 6-0-0-3

HB 2899: fuel; electric cars; hybrids; taxes
Sponsor: Representative Campbell, LD 1
Caucus & COW

Overview

Adds taxes on motor vehicle fuel, use fuel, natural gas, propane and electric and hybrid vehicles.

History

Pursuant to [A.R.S. § 28-5606](#), a tax of 18 cents per gallon is imposed on motor vehicle fuel possessed, used or consumed in Arizona. Additionally, a tax is imposed on use fuel to partially compensate Arizona for the use of its highways, except that there is no use fuel tax on alternative fuels. For use fuel that is used in the propulsion of a light class motor vehicle on a highway in Arizona, the tax imposed is 18 cents per gallon. For use fuel that is used in the propulsion of a use class motor vehicle on a highway in Arizona, the tax imposed is 26 cents per gallon. Through December 31, 2024, a nine cent per gallon tax is imposed on use fuel used in the propulsion of a motor vehicle transporting forest products in compliance with statutory requirements on a highway in Arizona.

[A.R.S. § 28-6501](#) requires monies collected from the motor vehicle and use fuel tax be deposited in the Highway User Revenues Fund (HURF). After initial distributions, the Arizona Department of Transportation (ADOT) is required to allocate, and the State Treasurer is required to distribute monies in HURF as follows: 1) 50.5% to the State Highway Fund; 2) 19% to counties; 3) 27.5% to incorporated cities and towns; and 4) 3% to incorporated cities with a population of 300,000 or more persons ([A.R.S. § 28-6538](#)).

Provisions

Flat Rate on Electric and Hybrid Vehicles

1. Imposes an annual tax on electric vehicles that access a street or highway at a flat rate as follows:
 - a) For FY 2021, \$111;
 - b) For FY 2022, \$139;
 - c) For FY 2023, \$166; and
 - d) For FY 2024 and each FY thereafter, \$166 per year as adjusted based on the GDP implicit price deflator of the prior year. (Sec. 3)
2. Imposes an annual tax on hybrid vehicles at a flat rate as follows:
 - a) For FY 2021, \$45;
 - b) For FY 2022, \$56;
 - c) For FY 2023, \$67; and
 - d) For FY 2024 and each FY thereafter, \$67 per year as adjusted based on the GDP implicit price deflator of the prior year. (Sec. 3)
3. Requires ADOT to study the feasibility of converting from a flat tax rate for electric vehicles to a kilowatt per mile, or egallon, tax rate equivalent. (Sec. 6)

Prop 105 (45 votes) Prop 108 (40 votes) Emergency (40 votes) Fiscal Note

Initials JT

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4. Requires ADOT, by December 31, 2025, to submit a report on converting the electric vehicle tax rate to the Governor, President of the Senate (President), Speaker of the House of Representatives (Speaker) and Secretary of State (SOS). (Sec. 6)
5. Requires ADOT to consult representatives of the electric car industry, a statewide trucking association, an international registration plan, an international fuel tax agreement and other relevant stakeholders in developing the report. (Sec. 6)
6. Requires the report to:
 - a) Outline the effectiveness of the flat tax on electric and hybrid vehicles; and
 - b) Include any proposed legislation that may be required to implement the recommendations of ADOT. (Sec. 6)
7. States that the imposition of the subsequently outlined per unit tax rates (Provisions 8-14) are not effective until the repeal of the aforementioned flat tax rates on electric and hybrid vehicles (Provisions 1-2). (Sec. 3)

Motor Vehicle and Use Fuel Per Unit

8. Imposes an additional motor vehicle fuel tax and use fuel tax for light class motor vehicles at a rate as follows:
 - a) For FY 2021, 24 cents per gallon;
 - b) For FY 2022, 30 cents per gallon;
 - c) For FY 2023, 36 cents per gallon; and
 - d) For FY 2024 and each FY thereafter, 36 cents per gallon as adjusted to reflect the change in the GDP implicit price deflator of the prior year. (Sec. 3)
9. Imposes an additional use fuel tax on use class motor vehicles at a rate as follows:
 - a) For FY 2021, 32 cents per gallon;
 - b) For FY 2022, 38 cents per gallon;
 - c) For FY 2023, 44 cents per gallon; and
 - d) For FY 2024 and each FY thereafter, 44 cents per gallon as adjusted to reflect the change in the GDP implicit price deflator of the prior year. (Sec. 3)

Natural Gas Per Unit

10. Imposes a tax on natural gas including for light class motor vehicles at a rate as follows:
 - a) For FY 2021, 24 cents per gasoline gallon equivalent (GGE);
 - b) For FY 2022, 30 cents per GGE;
 - c) For FY 2023, 36 cents per GGE; and
 - d) For FY 2024 and each FY thereafter, 36 cents per GGE as adjusted to reflect the change in the GDP implicit price deflator of the prior year. (Sec. 3)
11. Imposes a tax on natural gas for use class motor vehicles at a rate as follows:
 - a) For FY 2021, \$32 per diesel gallon equivalent (DGE);
 - b) For FY 2022, \$38 per DGE;
 - c) For FY 2023, \$44 per DGE; and
 - d) For FY 2024 and each FY thereafter, \$44 per DGE as adjusted to reflect the change in the GDP implicit price deflator of the prior year. (Sec. 3)

Propane Per Unit

12. Imposes a tax on propane including for light class motor vehicles at a rate as follows:
 - a) For FY 2021, 18 cents per gallon;
 - b) For FY 2022, 23 cents per gallon;
 - c) For FY 2023, 28 cents per gallon; and
 - d) For FY 2024 and each FY thereafter, 28 cents per gallon as adjusted to reflect the change in the GDP implicit price deflator of the prior year. (Sec. 3)

13. Imposes a tax on propane for use class motor vehicles at a rate as follows:
 - a) For FY 2021, \$22 per gallon;
 - b) For FY 2022, \$26 per gallon;
 - c) For FY 2023, \$30 per gallon; and
 - d) For FY 2024 and each FY thereafter, \$30 per gallon as adjusted to reflect the change in the GDP implicit price deflator of the prior year. (Sec. 3)

Electricity Per Unit

14. Imposes a tax on electricity including for light class and use class motor vehicles at a rate as follows:
 - a) For FY 2021 and FY 2022, two cents per kilowatt;
 - b) For FY 2023, three cents per kilowatt; and
 - c) For FY 2024 and each FY thereafter, three cents per kilowatt as adjusted at to reflect the change in the GDP implicit price deflator of the prior year. (Sec. 3)

The Arizona Road Use Account

15. Establishes the Arizona Road Use Account (Account) in the HURF administered by ADOT. (Sec. 4-5)
16. States that monies in the Account are continuously appropriated and derived from:
 - a) The annual electric and hybrid tax or the imposition of additional per unit fuel taxes; and
 - b) Appropriations from the Legislature. (Sec. 5)
17. Requires monies in the Account to be used exclusively for maintaining, preserving and constructing streets, roads and highways and administering such activities. (Sec. 5)
18. Prohibits monies in the Account from being used for any law enforcement activities, except enforcement by ADOT of vehicle weight and safety law. (Sec. 5)
19. Requires ADOT to monthly release monies in the Account to the HURF for distribution in the same manner as other monies in that fund except monies in the Account:
 - a) Cannot be used for the Economic Strength Project Fund or for highway patrol cost; and
 - b) Must be distributed exclusively to ADOT, counties and cities. (Sec. 5)

Plan and Review of Road Use Fees

20. Requires the Board of Transportation, in consultation with the counties, cities and regional transportation planning agencies, to immediately develop a comprehensive plan for the use of anticipated monies in the Account. (Sec. 2)
21. Requires the plan to:
 - a) Be updated, periodically but not less frequently than every five years, over the next 20 years; and
 - b) Include specific proposed projects for constructing, preserving and maintaining streets, roads and highways in Arizona to be funded by the Account. (Sec. 2)
22. Requires the plan to be submitted the Governor, the President, the Speaker and the SOS. (Sec. 2)
23. Requires the President and the Speaker to direct the appropriate standing committees to review the plan and conduct thorough public hearings on the plan. (Sec. 2)
24. Allows the standing committees, after review of the plan and public hearings, to recommend the termination of the fees and charges that provide monies to the Account. (Sec. 2)

Retail Dispensing of Natural Gas

25. Requires compressed natural gas to be dispensed either in:
 - a) GGE units, initially set at 5.660 pounds unless changed by rule; or

- b) DGE units, initially set at 6.384 pounds unless changed by rule. (Sec. 1)
- 26. Requires liquefied natural gas to be dispensed in DGE units, initially set at 6.059 pounds unless changed by rules. (Sec. 1)
- 27. States that taxes imposed on compressed and liquified natural gas are presumed to be direct taxes on the consumer or user but must be collected and remitted to ADOT by suppliers for the purpose of convivence and facility only. (Sec. 1)
- 28. States that compressed and liquefied natural gas taxes that a supplier collect and pays to ADOT:
 - a) Are advanced payments;
 - b) Must be added to the priced of the natural gas; and
 - c) Must be recovered from the consumer. (Sec. 1)
- 29. Requires the Department of Agriculture's Weights and Measures Division (Division) to:
 - a) Adopt rules for dispensing natural gas at retail sale for use as a motor vehicle fuel within 180 days of the effective date of this bill; and
 - b) Establish procedures for carrying out all requirements relating to dispensing natural gas at retail sale. (Sec. 1)
- 30. Requires the Division, before any necessary revisions resulting from changes in the energy content of motor fuels, to take into consideration:
 - a) Whether the National Institute of Standards and Technology (NIST) prescribes standards for dispensing natural gas; and
 - b) Whether those standards use different values for GGE and DGE or allow sales in different units. (Sec. 1)
- 31. States that if NIST develops or adopts different standards for GGE and DGE units, the NIST standards must be adopted in Arizona unless good cause is shown otherwise. (Sec. 1)

Miscellaneous

- 32. Contains legislative findings. (Sec. 7)
- 33. Contains a Prop. 108 clause. (Sec. 8)

Amendments

Committee on Transportation

- 1. Specifies that only the tax rate on electricity per kilowatt is conditional on the repeal of the flat tax rate on electric and hybrid vehicles.
- 2. Clarifies that the per unit tax rates on natural gas, propane and electricity apply only if used to propel a motor vehicle.
- 3. Modifies the tax rates imposed on natural gas for use class motor vehicles as follows:
 - a) For FY 2021, 32 cents per DGE;
 - b) For FY 2022, 38 cents per DGE;
 - c) For FY 2023, 44 cents per DGE; and
 - d) For FY 2024 and each FY thereafter, 44 cents per DGE as adjusted to reflect the change in the GDP implicit price deflator of the prior year.
- 4. Modifies the tax rates imposed on propane for use class motor vehicles as follows:
 - a) For FY 2021, 22 cents per gallon;
 - b) For FY 2022, 26 cents per gallon;
 - c) For FY 2023, 30 cents per gallon; and
 - d) For FY 2024 and each FY thereafter, 30 cents per gallon as adjusted to reflect the change in the GDP implicit price deflator of the prior year.