

Setting registration fees for electric vehicles



Vehicles must be registered to be entitled to move around freely. Registration involves vehicle owners paying a tax, after which a registration number and certificate are issued so that authorities can establish the link between a vehicle and its owner. Although some exceptions apply, these registration fees are applicable to all vehicles, regardless of their use (private car, public transportation, lorries, agricultural vehicles, etc.). This type of tax is different from a form of road tax, for example vignettes, which users must pay in order to access the road network in a predefined geographical area.

Vehicle registration tax provides a financial resource while having an influence over the type and number of vehicles in circulation. Various cases exist, in which either registration fees are payable upon the vehicle being brought into circulation or must be renewed after a period that varies from one State to another.

→ MITIGATING THE TAX INCOHERENCE OF ELECTRIC VEHICLES

In the United States, to counteract the fact that electric vehicles do not pay fuel tax, leading to a downward trend in fuel tax revenues¹⁶², some States¹⁶³ require electric vehicle owners to pay annual additional registration fees (EV fees)¹⁶⁴, on top of the initial vehicle registration fees.

In California, the State Bill-1 Transportation Funding approved in 2017 provides in particular that owners of “zero-emission” cars produced from 2020 must pay this additional registration fee¹⁶⁵. This tax will be indexed on inflation. This decision strives to generate additional revenues of \$200 million over the next decade. The revenues from this tax will be allocated to funding the State’s road network rehabilitation programme.

→ A RESOURCE WITHOUT REGARD FOR INFRASTRUCTURE USE

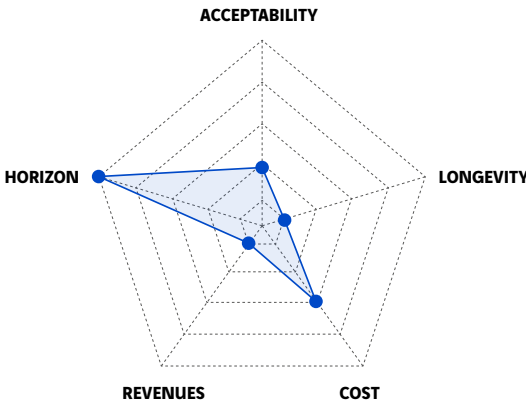
This mechanism has been met with several criticisms. First of all, while they can be adjusted in accordance with vehicle type, power, weight or age, registration fees are applicable regardless of vehicle use¹⁶⁶. In other words, whether a vehicle is used every day or only a few times a year, the amount collected by the tax administration is the same.

Lastly, as the number of electric vehicles in circulation remains low in the United States, the low revenues from this tax will not make up for the shortfall related to these vehicles not paying fuel tax. To increase revenues, authorities must act on two levers: increasing the number


of vehicles in circulation or increasing the amount of the tax. However, the latter solution will have counter-productive effects on the former: applying additional registration fees to electric vehicles on an annual basis has direct repercussions on the cost of electric vehicles and therefore on the number of sales if these fees are deemed too expensive¹⁶⁷.




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Who pays?



STATE



COMPANIES



TAXPAYER

What scale of implementation?



LOCAL



NATIONAL