

Updated July 2, 2026

## Electric Vehicle Taxes and the Federal Highway Trust Fund

Policymakers have debated imposing a federal tax on electric vehicles (EVs). Proponents argue that EVs use federally funded roads but do not incur federal fuels taxes. Opponents argue that EVs have lower pollution and lifecycle greenhouse gas emissions than gasoline-powered vehicles, thus incurring fewer societal costs. This In Focus discusses the growing gap between federal highway revenues and spending; proposals for taxing EVs; and the potential revenue and economic effects of these options.

### Gas Taxes and the Highway Trust Fund

The Highway Trust Fund (HTF) is a federal accounting instrument that receives revenue from transportation excise taxes and provides a dedicated source of funding for surface transportation projects. Since FY2001, annual expenditures from the HTF have generally exceeded annual revenues, which has raised questions about the lifespan of the HTF. The Congressional Budget Office (CBO) projects that under current law, the HTF will not have sufficient funds to fulfill federal obligations to state and local governments for public transportation projects starting in FY2027 and for highway projects starting in FY2028.

The HTF's primary revenue source is an 18.3 cents per gallon tax on gasoline, commonly known as the *gas tax*. In FY2024, the HTF received \$24.8 billion from the gas tax, making up 51% of its total revenue that fiscal year. The gas tax is set to a fixed dollar amount per gallon and can be changed only by an act of Congress. Congress last changed the gas tax in 1993, increasing it from 14.0 cents to 18.3 cents. Because current law does not tie the gas tax to inflation, it loses purchasing power over time, contributing to the gap between HTF revenues and expenditures. The gas tax lost approximately 74% of its real purchasing power between FY1993 and FY2025.

Another reason revenue from the gas tax has stagnated is the increasing fuel efficiency of vehicles. Model year 1975 light-duty vehicles averaged 13.1 miles per gallon of fuel consumed; model year 2024 vehicles averaged 27.2 miles. That increase is explained by more efficient internal combustion engines and the rise of hybrid vehicles and EVs, which consume little to no fuel (and pay little to no fuel taxes). In 2024, EVs made up approximately 1.6% of all light-duty vehicles on U.S. roads. The Energy Information Administration (EIA) projects that by 2050, EVs could make up between 18% and 46%. EIA's projections vary based in part on assumptions about federal policies, most notably tailpipe emissions standards.

### Tax on Electricity Charging

A tax on EV charging is one way EV drivers could pay into the HTF. Just as drivers of gas-powered vehicles pay taxes

on their gas usage, a tax could be levied on the amount of electricity that EV drivers charge at public stations. Given that gas-powered cars average 23.4 miles per gallon and EVs average 3.6 miles per kilowatt-hour (kWh), a tax of 2.8 cents per kWh would be comparable to the federal gas tax. Seven states already levy such taxes, and Georgia and Nebraska have scheduled charging taxes of 2.8 cents and 3.0 cents to take effect in 2027 and 2028, respectively.

In this approach, drivers of plug-in hybrid-electric vehicles (PHEVs) would pay the gas tax for their fuel use and the charging tax for their electricity use.

However, estimates suggest that 80% or more of charging occurs at drivers' homes, so a tax at charging stations would not apply to most EV charging. At present, the only way to distinguish residential EV charging from other residential electricity usage is to install a submeter in one's home. A charging tax would thus either apply to only a small fraction of EV charging or would create additional compliance costs for the taxpayer or the government.

State-level experiences show that EV charging taxes raise relatively little revenue. Utah's 12.5% public charging tax, which is the highest in the nation, raises less than \$50,000 per month. Wisconsin's recently enacted charging tax of 3 cents per kWh, a close equivalent to the federal gas tax, is projected to raise less than \$286,000 per year—equivalent to roughly 50 cents of monthly revenue per EV or PHEV.

### EV Manufacturer Tax

Another policy option is to impose a one-time excise tax on manufacturers and importers of EVs. Since there are relatively few manufacturers and importers of EVs, this tax would be relatively simple to administer. This design could be broadly similar to the current *gas guzzler tax* (Internal Revenue Code [IRC] §4064), which imposes a tax ranging from \$1,000 to \$7,700 on sales of certain vehicles with fuel economies of less than 22.5 miles per gallon.

A potential challenge with this design is accounting for exempt users and uses. Under current federal motor fuel excise taxes, certain users and uses are exempt. Exempt users include state and local governments, nonprofit educational organizations, and qualified blood collector organizations (IRC §4041(g)); exempt uses include certain farming purposes (IRC §4041(f)) and off-highway business activities, such as for construction machinery (IRC §6421). Some vehicles transition between nontaxable and taxable uses, such as a surplus vehicle sold by a government or a business vehicle used for both on- and off-highway uses. A one-time tax assumes the vehicle will be used for taxable purposes throughout its lifetime. An annual refund process

could resolve this, though the Internal Revenue Service has described concerns around fraudulent claims for similar existing programs (e.g., fuel excise tax refunds).

A manufacturer excise tax could vary according to vehicle features, such as vehicle type, weight, or battery capacity. However, experiences with other one-time vehicle taxes suggest the need for an accompanying tax on vehicle alterations to prevent abuse. For example, the federal excise tax on sales of heavy trucks and trailers (IRC §4051(a)) taxes modifications made to the vehicle within six months after purchase (IRC §4051(b)) to prevent tax avoidance by selling a stripped truck and then upgrading it free of tax.

## Annual EV Tax

In response to decreases in state gasoline taxes from EVs, 41 states have imposed special registration fees for EVs. Those fees range from \$50 to \$290 and are often part of the state's regular vehicle registration process. Since the states already register vehicles periodically and the registration includes information about each vehicle, these additional fees are relatively simple for the states to administer.

The federal government could also charge an annual EV tax. A CBO testimony stated that an annual tax of \$100 would have provided parity with the average gas-powered vehicle, and may have raised about \$300 million in 2022.

While an annual EV tax could avert some challenges with administering exemptions and preventing tax avoidance, a federal annual EV tax could be difficult to administer in other ways. In 2024, there were approximately 4.5 million EVs on the roads. Collecting and enforcing an annual tax on that many drivers could be administratively challenging, but certain design choices (such as using state vehicle registration data) could simplify administration.

In May 2026, the House Committee on Transportation and Infrastructure ordered reported the Building Unrivaled Infrastructure and Long-Term Development for America's 250<sup>th</sup> Act (BUILD America 250 Act; H.R. 8870). The proposal would create tiered annual registration fees for vehicles: \$130 for EVs, \$35 for PHEVs, and none for other vehicles. States would be required to administer the fees and remit the revenues to the federal government. States not complying would be subject to penalties 25% higher than what the fee revenues would have been. The Committee proposed a similar tiered registration fee in H.R. 1 (119<sup>th</sup> Congress), but the fee was not included in the enacted bill.

## Vehicle Miles Traveled Tax

A vehicle miles traveled (VMT) tax is a *user fee* under which drivers are charged a certain amount for every mile driven. The gas tax is often described as a user fee because the amount a driver pays in taxes roughly scales to the distance they drive. However, the relationship between miles driven and gallons of gas consumed is imperfect, given the variance in fuel efficiency among cars.

A VMT tax would have a more linear relationship between road use and taxes paid than a gas tax. Like the gas tax, such a tax could also potentially be indexed to inflation.

At least 14 states have conducted voluntary VMT pilot programs. These pilots have used various methods of determining total miles driven, including manual odometer readings, smartphone apps, plug-in devices, and in-vehicle telematics. Each method has trade-offs among costs of implementation, reliability, and potential for fraud.

Regardless of data collection method, a VMT tax is likely to incur higher administrative costs than the gas tax. To administer the gas tax, the federal government collects revenue from roughly 850 registered suppliers, distributors, refiners, and blenders of fuel. Administrative and enforcement costs of the gas tax are generally estimated to be less than 1% of revenue collections. For a VMT tax, the federal government would likely need to collect revenue directly from vehicle owners. New Zealand's VMT tax costs roughly 3% of revenue collections. Hawaii estimates that a state VMT tax would cost between 2% and 25% of revenue collections depending on the collection method(s).

VMT taxes may also raise privacy concerns. A VMT tax might cause private companies or government entities to collect more data on the miles a vehicle has been driven or on vehicle location. Most state pilot programs outsourced management of participant accounts to private-sector partners, in part to mitigate privacy concerns.

In 2022, the Government Accountability Office recommended that the Federal Highway Administration (FHWA) develop and apply criteria to assess the scalability of state VMT pilots. In the Infrastructure Investment and Jobs Act (P.L. 117-58), Congress required that the Department of Transportation conduct a nationwide pilot of a VMT tax; as of June 2026, CRS did not find evidence that FHWA had initiated the pilot. The BUILD America 250 Act would also require FHWA to conduct such a pilot.

## Revenue Potential and Economic Effects

EVs and PHEVs jointly constituted 2.1% of the total U.S. vehicle fleet in 2024, limiting the short-term revenues that can be raised from EV taxes or fees. As noted above, an EV charging tax might raise as little as 50 cents per vehicle per month (roughly \$34 million per year if set to 2.8 cents per kWh), and CBO estimated that if a \$100 annual registration fee had been in effect in 2022, it would have raised roughly \$300 million. By contrast, CBO projects that the HTF will have an average deficit of \$36 billion per year over the next decade (FY2027-FY2036).

While a tax on EVs alone will not bring the HTF into balance, Congress may consider it as part of a broader reform agenda. EV taxes may also decrease EV purchases, which would affect the economy and the environment. EV drivers have higher incomes than the general population, so a tax on EVs would affect higher-income households more.

---

Nicholas E. Buffie, Analyst in Public Finance

Anthony A. Cilluffo, Analyst in Public Finance

Ali E. Lohman, Analyst in Transportation Policy

## Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.