



ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fourth Legislature
Second Regular Session

HB 2899: fuel; electric cars; hybrids; taxes
Sponsor: Representative Campbell, LD 1
Committee on Transportation

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) 9% 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)

<input type="checkbox"/> Prop 105 (45 votes)	<input checked="" type="checkbox"/> Prop 108 (40 votes)	<input type="checkbox"/> Emergency (40 votes)	<input type="checkbox"/> Fiscal Note
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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 cents 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 User 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 convenience 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)

Arizona gasoline tax would double under bill advancing in House SHARE THIS

https://tucson.com/news/local/arizona-gasoline-tax-would-double-under-bill-advancing-in-house/article_74035288-bcc0-58e8-8491-a4bdc9ee5a16.html

Arizona gasoline tax would double under bill advancing in House

By Howard Fischer Capitol Media Services

Feb 20, 2020



House Bill 2899 would add six cents on July 1 to the current 18-cents-a-gallon tax. That would go up an additional six cents every year until it hits 36 cents.

The Associated Press

HOENIX — State lawmakers took the first steps Wednesday to what could be a doubling of the state's gasoline tax. **Arizona gasoline tax would double under bill advancing in House** SHARE THIS

P House Bill 2899, approved by the House Transportation Committee on a 6-0 vote, would add six cents on July 1 to the current 18-cents-a-gallon tax. That would go up an additional six cents every year until it hits 36 cents.

Potentially more significant, the levy would also increase annually after that to match inflation, under the measure being pushed by Rep. Noel Campbell, R-Flagstaff. That would preclude the need for future legislators to deal with the politically sensitive issue of voting for a tax hike.

Rep. Bob Thorpe, R-Flagstaff, said lack of political willpower is how Arizona got to the point where it is now, with road construction needs outstripping available revenues because the current tax has not increased since 1991.

“We haven’t had members with the backbone to adjust this,” he said.

But the inflation adjustment is giving heartburn to the Arizona Petroleum Marketing Association, which represents gasoline dealers. Lobbyist Mike Williams told lawmakers that if the 1991 legislation had an inflation index, Arizona now would have the highest gasoline tax in the Western states.

Campbell’s measure would not just hit up drivers of gas-driven vehicles to raise revenues. It also addresses diesel fuel.

Also, the bill would impose new taxes on hybrids and all-electric vehicles on the basis that they, too, use the roads but, from Campbell’s perspective, are not paying their fair share of construction and maintenance costs.

Arizona gasoline tax would double under bill advancing in House SHARE THIS

The move comes even as Gov. Doug Ducey has consistently said he does not believe the state needs additional gasoline taxes.

Campbell is counting on a rising public sentiment for better roads to get him the two-thirds margin he constitutionally needs in the Republican-controlled House and Senate for a tax increase, and to convince Ducey there is broad support for the plan. He got House Speaker Rusty Bowers, R-Mesa, to testify in favor.

And Tony Bradley, president of the Arizona Truckers Association, whose members would pick up a big share of the additional cost, added his voice.

He figured the delays for truckers due to traffic congestion currently cost more than \$800 million a year. By contrast, Bradley estimated, the legislation would raise an additional \$640 million a year with the higher fuel taxes on everyone.

“This bill would save us by paying more,” he said. “And we’re willing to pay more.”

But gubernatorial press aide Patrick Ptak said after the hearing that Ducey’s views have not changed.

Campbell’s bill would require the state transportation board to come up with a plan to use the new revenues and have it updated every five years to show the progress made.

That report would go to legislative leaders and committees to review. Campbell said if they were dissatisfied with how the money was being spent they could put a measure on the ballot recommending that voters rescind the additional taxes.

The proposed new taxes on electric vehicles drew opposition from Tesla.

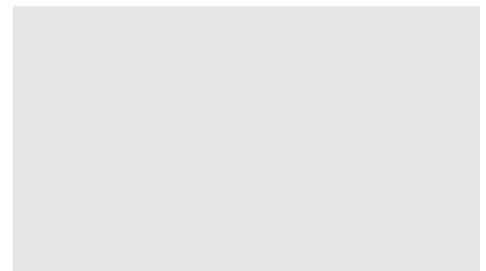
Lobbyist Meghaen Dell'Artino said she believes the formula for the levy, based on electricity used, would have Tesla owners pay more than the owners of gasoline-powered vehicles.

Caryn Potter of the Southwest Energy Efficiency Project registered her own objections, saying higher taxes on all-electric vehicles could discourage people from buying them. That would harm the environment, particularly with some Arizona cities facing problems complying with ground-level ozone standards, she said.

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Dec 19, 2019



Arizona lawmaker seeks doubling of state gas tax; Gov. Ducey not supportive

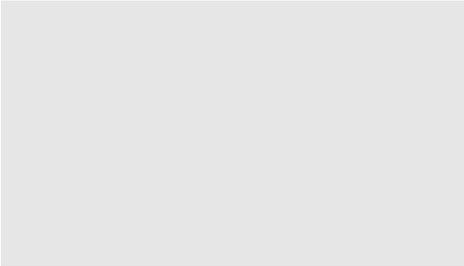
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Arizona gasoline tax would double under bill advancing in House SHARE THIS



Arizona House votes to cut new \$32 vehicle registration fee to \$18

Mar 12, 2019



REFERENCE TITLE: fuel; electric cars; hybrids; taxes

State of Arizona
House of Representatives
Fifty-fourth Legislature
Second Regular Session
2020

HB 2899

Introduced by
Representatives Campbell, Bowers, Fernandez, Friese, Pierce, Thorpe,
Senators Bradley, Fann

AN ACT

AMENDING TITLE 3, CHAPTER 19, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 3-3438; AMENDING TITLE 28, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 28-308; AMENDING TITLE 28, CHAPTER 16, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 28-5606.01 AND 28-5606.02; AMENDING SECTION 28-6533, ARIZONA REVISED STATUTES; AMENDING TITLE 28, CHAPTER 18, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 28-6535; RELATING TO HIGHWAY USER REVENUES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 3, chapter 19, article 3, Arizona Revised
3 Statutes, is amended by adding section 3-3438, to read:

4 3-3438. Standards; retail dispensing; natural gas

5 A. WITHIN ONE HUNDRED EIGHTY DAYS AFTER THE EFFECTIVE DATE OF THIS
6 SECTION, THE DIVISION SHALL ADOPT RULES REQUIRING THE RETAIL SALE OF
7 COMPRESSED NATURAL GAS AND LIQUEFIED NATURAL GAS THAT ARE USED AS A MOTOR
8 VEHICLE FUEL TO BE DISPENSED IN THE MANNER PRESCRIBED IN THIS SECTION.

9 B. COMPRESSED NATURAL GAS SHALL BE DISPENSED EITHER IN GASOLINE
10 GALLON EQUIVALENT UNITS OR DIESEL GALLON EQUIVALENT UNITS. A GASOLINE
11 GALLON EQUIVALENT OF COMPRESSED NATURAL GAS SHALL INITIALLY BE SET AT
12 5.660 POUNDS AND SHALL REMAIN AT THAT LEVEL UNLESS CHANGED PURSUANT TO
13 RULE. A DIESEL GALLON EQUIVALENT OF COMPRESSED NATURAL GAS SHALL
14 INITIALLY BE SET AT 6.384 POUNDS AND SHALL REMAIN AT THAT LEVEL UNLESS
15 CHANGED PURSUANT TO RULE.

16 C. LIQUEFIED NATURAL GAS SHALL BE DISPENSED IN DIESEL GALLON
17 EQUIVALENT UNITS. A DIESEL GALLON EQUIVALENT OF LIQUEFIED NATURAL GAS
18 SHALL INITIALLY BE SET AT 6.059 POUNDS AND SHALL REMAIN AT THIS LEVEL
19 UNLESS CHANGED PURSUANT TO RULE.

20 D. TAXES IMPOSED ON COMPRESSED NATURAL GAS AND LIQUEFIED NATURAL
21 GAS ARE PRESUMED TO BE DIRECT TAXES ON THE CONSUMER OR USER BUT SHALL BE
22 COLLECTED AND REMITTED TO THE DEPARTMENT OF TRANSPORTATION BY SUPPLIERS
23 FOR THE PURPOSE OF CONVENIENCE AND FACILITY ONLY. COMPRESSED NATURAL GAS
24 AND LIQUEFIED NATURAL GAS TAXES THAT A SUPPLIER COLLECTS AND PAYS TO THE
25 DEPARTMENT OF TRANSPORTATION ARE CONSIDERED TO BE ADVANCE PAYMENTS, SHALL
26 BE ADDED TO THE PRICE OF COMPRESSED NATURAL GAS AND LIQUEFIED NATURAL GAS
27 AND SHALL BE RECOVERED FROM THE CONSUMER.

28 E. THE DIVISION SHALL ESTABLISH PROCEDURES TO CARRY OUT THIS
29 SECTION. BEFORE MAKING NECESSARY REVISIONS RESULTING FROM CHANGES IN THE
30 ENERGY CONTENTS OF MOTOR FUELS, INCLUDING COMPRESSED NATURAL GAS OR
31 LIQUEFIED NATURAL GAS, THE DIVISION SHALL TAKE INTO CONSIDERATION WHETHER
32 THE NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY PRESCRIBES STANDARDS
33 FOR DISPENSING COMPRESSED NATURAL GAS AND LIQUEFIED NATURAL GAS AND
34 WHETHER THOSE STANDARDS USE DIFFERENT VALUES FOR GASOLINE GALLON
35 EQUIVALENT AND DIESEL GALLON EQUIVALENT UNITS OR ALLOW SALES IN DIFFERENT
36 UNITS. IF THE NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY DEVELOPS OR
37 ADOPTS DIFFERENT STANDARDS THAN PRESCRIBED BY SUBSECTION B OF THIS SECTION
38 FOR GASOLINE GALLON EQUIVALENT AND DIESEL GALLON EQUIVALENT UNITS, THE
39 NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY STANDARDS SHALL BE ADOPTED
40 FOR THIS STATE UNLESS GOOD CAUSE IS SHOWN OTHERWISE.

1 Sec. 2. Title 28, chapter 2, article 1, Arizona Revised Statutes,
2 is amended by adding section 28-308, to read:

3 28-308. Periodic plan and review of road use fees; potential
4 termination of road use fees

5 A. THE STATE TRANSPORTATION BOARD, IN CONSULTATION WITH COUNTY AND
6 MUNICIPAL GOVERNMENTS, AND REGIONAL TRANSPORTATION PLANNING AGENCIES SHALL
7 IMMEDIATELY DEVELOP A COMPREHENSIVE PLAN FOR THE USE OF ANTICIPATED MONIES
8 IN THE ARIZONA ROAD USE ACCOUNT ESTABLISHED BY SECTION 28-6535 OVER THE
9 NEXT TWENTY YEARS.

10 B. PERIODICALLY, BUT NOT LESS FREQUENTLY THAN EVERY FIVE YEARS, THE
11 STATE TRANSPORTATION BOARD, IN CONSULTATION WITH COUNTY AND CITY
12 GOVERNMENTS, AND REGIONAL TRANSPORTATION PLANNING AGENCIES SHALL UPDATE
13 THE PRIOR COMPREHENSIVE PLAN FOR THE USE OF ANTICIPATED MONIES IN THE
14 ARIZONA ROAD USE ACCOUNT OVER THE NEXT TWENTY YEARS. THE PLAN SHALL
15 INCLUDE SPECIFIC PROPOSED PROJECTS FOR CONSTRUCTING, PRESERVING AND
16 MAINTAINING STREETS, ROADS AND HIGHWAYS IN THIS STATE TO BE FUNDED FROM
17 THE ARIZONA ROAD USE ACCOUNT.

18 C. THE STATE TRANSPORTATION BOARD AND REGIONAL PLANNING AGENCIES
19 SHALL SUBMIT THE PLAN TO THE GOVERNOR, THE PRESIDENT OF THE SENATE AND THE
20 SPEAKER OF THE HOUSE OF REPRESENTATIVES AND PROVIDE A COPY OF THE PLAN TO
21 THE SECRETARY OF STATE. THE PRESIDENT OF THE SENATE AND THE SPEAKER OF
22 THE HOUSE OF REPRESENTATIVES SHALL DIRECT THE APPROPRIATE STANDING
23 COMMITTEES TO REVIEW THE PLAN AND CONDUCT THOROUGH PUBLIC HEARINGS ON THE
24 PLAN AND THE PROPOSED SPECIFIC PLANS AND PROJECTS IN THE PLAN.

25 D. AFTER REVIEW OF THE PLAN AND THE PUBLIC HEARINGS ON THE PLAN,
26 THE APPROPRIATE STANDING LEGISLATIVE COMMITTEES MAY RECOMMEND THE
27 TERMINATION OF ALL FEES AND OTHER CHARGES IMPOSED BY SECTION 28-5606.01 OR
28 28-5606.02 THAT PROVIDE MONIES FOR THE ARIZONA ROAD USE ACCOUNT AND THE
29 REPEAL OF THE ACCOUNT.

30 Sec. 3. Title 28, chapter 16, article 1, Arizona Revised Statutes,
31 is amended by adding sections 28-5606.01 and 28-5606.02, to read:

32 28-5606.01. Imposition of additional motor fuel taxes;
33 conditional enactment

34 A. IN ADDITION TO THE TAXES IMPOSED BY SECTION 28-5606, SUBSECTION
35 A, THE FOLLOWING TAXES SHALL BE IMPOSED AT THE RATES PROVIDED IN THIS
36 SECTION IN THE SAME MANNER AS THE TAXES IMPOSED BY SECTION 28-5606,
37 SUBSECTION A:

38 1. FOR MOTOR VEHICLE FUEL, THE RATE PER GALLON IS:

39 (a) FOR FISCAL YEAR 2020-2021, \$.24.

40 (b) FOR FISCAL YEAR 2021-2022, \$.30.

41 (c) FOR FISCAL YEAR 2022-2023, \$.36.

42 (d) FOR FISCAL YEAR 2023-2024 AND EACH YEAR THEREAFTER, THE RATE
43 PRESCRIBED IN SUBDIVISION (c) OF THIS PARAGRAPH SHALL BE ADJUSTED ANNUALLY
44 TO REFLECT THE CHANGE IN THE GROSS DOMESTIC PRODUCT IMPLICIT PRICE

1 DEFLATOR REPORTED BY THE UNITED STATES DEPARTMENT OF COMMERCE FROM JANUARY
2 1, 2020 TO DECEMBER 31 OF THE PRIOR YEAR.

3 2. FOR NATURAL GAS, THE RATE PER GASOLINE GALLON EQUIVALENT IS:

4 (a) FOR FISCAL YEAR 2020-2021, \$.24.

5 (b) FOR FISCAL YEAR 2021-2022, \$.30.

6 (c) FOR FISCAL YEAR 2022-2023, \$.36.

7 (d) FOR FISCAL YEAR 2023-2024 AND EACH YEAR THEREAFTER, THE RATE
8 PRESCRIBED IN SUBDIVISION (c) OF THIS PARAGRAPH SHALL BE ADJUSTED ANNUALLY
9 TO REFLECT THE CHANGE IN THE GROSS DOMESTIC PRODUCT IMPLICIT PRICE
10 DEFLATOR REPORTED BY THE UNITED STATES DEPARTMENT OF COMMERCE FROM JANUARY
11 1, 2020 TO DECEMBER 31 OF THE PRIOR YEAR.

12 3. FOR PROPANE, THE RATE PER GALLON IS:

13 (a) FOR FISCAL YEAR 2020-2021, \$.18.

14 (b) FOR FISCAL YEAR 2021-2022, \$.23.

15 (c) FOR FISCAL YEAR 2022-2023, \$.28.

16 (d) FOR FISCAL YEAR 2023-2024 AND EACH YEAR THEREAFTER, THE RATE
17 PRESCRIBED IN SUBDIVISION (c) OF THIS PARAGRAPH SHALL BE ADJUSTED ANNUALLY
18 TO REFLECT THE CHANGE IN THE GROSS DOMESTIC PRODUCT IMPLICIT PRICE
19 DEFLATOR REPORTED BY THE UNITED STATES DEPARTMENT OF COMMERCE FROM JANUARY
20 1, 2020 TO DECEMBER 31 OF THE PRIOR YEAR.

21 4. FOR ELECTRICITY, THE RATE PER KILOWATT IS:

22 (a) FOR FISCAL YEAR 2020-2021, \$.02.

23 (b) FOR FISCAL YEAR 2021-2022, \$.02.

24 (c) FOR FISCAL YEAR 2022-2023, \$.03.

25 (d) FOR FISCAL YEAR 2023-2024 AND EACH YEAR THEREAFTER, THE RATE
26 PRESCRIBED IN SUBDIVISION (c) OF THIS PARAGRAPH SHALL BE ADJUSTED ANNUALLY
27 TO REFLECT THE CHANGE IN THE GROSS DOMESTIC PRODUCT IMPLICIT PRICE
28 DEFLATOR REPORTED BY THE UNITED STATES DEPARTMENT OF COMMERCE FROM JANUARY
29 1, 2020 TO DECEMBER 31 OF THE PRIOR YEAR.

30 B. IN ADDITION TO THE TAXES IMPOSED BY SECTION 28-5606, SUBSECTION
31 B, THE FOLLOWING TAXES SHALL BE IMPOSED AT THE RATES PROVIDED IN THIS
32 SECTION IN THE SAME MANNER AS THE TAXES IMPOSED BY SECTION 28-5606,
33 SUBSECTION B:

34 1. FOR LIGHT CLASS MOTOR VEHICLES, AT THE SAME RATE AND IN THE SAME
35 MANNER AS PRESCRIBED IN SUBSECTION A OF THIS SECTION.

36 2. FOR USE CLASS MOTOR VEHICLES, AT THE FOLLOWING RATES:

37 (a) FOR USE FUEL, THE RATE PER GALLON IS:

38 (i) FOR FISCAL YEAR 2020-2021, \$.32.

39 (ii) FOR FISCAL YEAR 2021-2022, \$.38.

40 (iii) FOR FISCAL YEAR 2022-2023, \$.44.

41 (iv) FOR FISCAL YEAR 2023-2024 AND EACH YEAR THEREAFTER, THE RATE
42 PRESCRIBED IN ITEM (iii) OF THIS SUBDIVISION SHALL BE ADJUSTED ANNUALLY TO
43 REFLECT THE CHANGE IN THE GROSS DOMESTIC PRODUCT IMPLICIT PRICE DEFLATOR
44 REPORTED BY THE UNITED STATES DEPARTMENT OF COMMERCE FROM JANUARY 1, 2020
45 TO DECEMBER 31 OF THE PRIOR YEAR.

1 (b) FOR NATURAL GAS, THE RATE PER DIESEL GALLON EQUIVALENT IS:
2 (i) FOR FISCAL YEAR 2020-2021, \$32.
3 (ii) FOR FISCAL YEAR 2021-2022, \$38.
4 (iii) FOR FISCAL YEAR 2022-2023, \$44.
5 (iv) FOR FISCAL YEAR 2023-2024 AND EACH YEAR THEREAFTER, THE RATE
6 PRESCRIBED IN ITEM (iii) OF THIS SUBDIVISION SHALL BE ADJUSTED ANNUALLY TO
7 REFLECT THE CHANGE IN THE GROSS DOMESTIC PRODUCT IMPLICIT PRICE DEFLATOR
8 REPORTED BY THE UNITED STATES DEPARTMENT OF COMMERCE FROM JANUARY 1, 2020
9 TO DECEMBER 31 OF THE PRIOR YEAR.

10 (c) FOR PROPANE, THE RATE PER GALLON IS:
11 (i) FOR FISCAL YEAR 2020-2021, \$22.
12 (ii) FOR FISCAL YEAR 2021-2022, \$26.
13 (iii) FOR FISCAL YEAR 2022-2023, \$30.
14 (iv) FOR FISCAL YEAR 2023-2024 AND EACH YEAR THEREAFTER, THE RATE
15 PRESCRIBED IN ITEM (iii) OF THIS SUBDIVISION SHALL BE ADJUSTED TO REFLECT
16 THE CHANGE IN THE GROSS DOMESTIC PRODUCT IMPLICIT PRICE DEFLATOR REPORTED
17 BY THE UNITED STATES DEPARTMENT OF COMMERCE FROM JANUARY 1, 2020 TO
18 DECEMBER 31 OF THE PRIOR YEAR.

19 (d) FOR ELECTRICITY, THE RATE PER KILOWATT IS:
20 (i) FOR FISCAL YEAR 2020-2021, \$.02.
21 (ii) FOR FISCAL YEAR 2021-2022, \$.02.
22 (iii) FOR FISCAL YEAR 2022-2023, \$.03.
23 (iv) FOR FISCAL YEAR 2023-2024 AND EACH YEAR THEREAFTER, THE RATE
24 PRESCRIBED IN ITEM (iii) OF THIS SUBDIVISION SHALL BE ADJUSTED TO REFLECT
25 THE CHANGE IN THE GROSS DOMESTIC PRODUCT IMPLICIT PRICE DEFLATOR REPORTED
26 BY THE UNITED STATES DEPARTMENT OF COMMERCE FROM JANUARY 1, 2020 TO
27 DECEMBER 31 OF THE PRIOR YEAR.

28 C. THIS SECTION IS EFFECTIVE ONLY IF SECTION 28-5606.02 IS
29 REPEALED.

30 ~~28-5606.02.~~ Electric and hybrid vehicles tax

31 IN ADDITION TO ALL OTHER TAXES PROVIDED BY LAW, A TAX IS IMPOSED ON
32 A VEHICLE THAT ACCESSES A STREET OR HIGHWAY AND THAT IS PROPELLED BY
33 ELECTRICITY OR BY A COMBINATION OF ELECTRICITY AND ANY FUEL THAT IS TAXED
34 PURSUANT TO SECTION 28-5606 AS FOLLOWS:

35 1. FOR A VEHICLE THAT IS PROPELLED ONLY BY ELECTRICITY:
36 (a) FOR FISCAL YEAR 2020-2021, \$111 PER YEAR.
37 (b) FOR FISCAL YEAR 2021-2022, \$139 PER YEAR.
38 (c) FOR FISCAL YEAR 2022-2023, \$166 PER YEAR.
39 (d) FOR FISCAL YEAR 2023-2024 AND IN EACH FISCAL YEAR THEREAFTER,
40 THE RATE PROVIDED IN SUBDIVISION (c) OF THIS PARAGRAPH SHALL BE ADJUSTED
41 ANNUALLY TO REFLECT THE CHANGE IN THE GROSS DOMESTIC PRODUCT IMPLICIT
42 PRICE DEFLATOR REPORTED BY THE UNITED STATES DEPARTMENT OF COMMERCE FROM
43 JANUARY 1, 2020 TO DECEMBER 31 OF THE PRIOR YEAR.

1 2. FOR A VEHICLE THAT IS PROPELLED BY A COMBINATION OF ELECTRICITY
2 AND OTHER FUELS:

3 (a) FOR FISCAL YEAR 2020-2021, \$45 PER YEAR.

4 (b) FOR FISCAL YEAR 2021-2022, \$56 PER YEAR.

5 (c) FOR FISCAL YEAR 2022-2023, \$67 PER YEAR.

6 (d) FOR FISCAL YEAR 2023-2024 AND IN EACH FISCAL YEAR THEREAFTER,
7 THE RATE PROVIDED IN SUBDIVISION (c) OF THIS PARAGRAPH SHALL BE ADJUSTED
8 ANNUALLY TO REFLECT THE CHANGE IN THE GROSS DOMESTIC PRODUCT IMPLICIT
9 PRICE DEFLATOR REPORTED BY THE UNITED STATES DEPARTMENT OF COMMERCE FROM
10 JANUARY 1, 2020 TO DECEMBER 31 OF THE PRIOR YEAR.

11 Sec. 4. Section 28-6533, Arizona Revised Statutes, is amended to
12 read:

13 28-6533. Arizona highway user revenue fund; reports

14 A. The officer collecting all highway user revenues, as defined in
15 section 28-6501 and in article IX, section 14, Constitution of Arizona,
16 and all fees, penalties and fines collected under sections 28-1101,
17 28-1103, 28-1105 and 28-1521 shall transfer the revenues to the
18 department. After the deduction of all exemptions and refunds and after
19 taking actions required under subsection C of this section, the department
20 shall immediately deposit, pursuant to sections 35-146 and 35-147, the
21 revenues in a fund designated as the Arizona highway user revenue fund
22 EXCEPT THAT THE REVENUES COLLECTED PURSUANT TO SECTION 28-5606.01 OR
23 28-5606.02 SHALL BE DEPOSITED IN THE ARIZONA ROAD USE ACCOUNT ESTABLISHED
24 BY SECTION 28-6535.

25 B. The revenues in the Arizona highway user revenue fund shall only
26 be spent for the purposes prescribed in article IX, section 14,
27 Constitution of Arizona. Counties and incorporated cities and towns shall
28 not spend highway user revenue fund monies distributed to them pursuant to
29 this article for enforcement of traffic laws or administration of traffic
30 safety programs. If the auditor general reports to the state treasurer
31 after conducting a performance audit pursuant to section 41-1279.03,
32 subsection A, paragraph 7 that a jurisdiction has not used revenues as
33 required by this subsection, the state treasurer shall withhold the
34 noncomplying jurisdiction's revenues until the noncomplying jurisdiction
35 presents evidence that is satisfactory to the auditor general and that
36 shows that the jurisdiction has spent monies for purposes prescribed in
37 this subsection from another general revenue source equal to the amount of
38 the revenues diverted from the uses prescribed in this subsection.

39 C. If there is any default, the department shall deduct all amounts
40 required by law or any resolution authorizing the issuance of bonds of the
41 board to be placed in the principal funds, interest funds, reserve funds
42 or sinking funds or any other funds established to service bonds issued or
43 to be issued by the board before the revenues are deposited in the Arizona
44 highway user revenue fund.

1 D. A county receiving monies pursuant to section 28-6538 shall
2 publish an annual financial report for the prior fiscal year of funds
3 received from motor vehicle fuel and use fuel taxes. The financial report
4 shall contain budgeted and actual expenditures for the preceding fiscal
5 year and shall be prepared and distributed by December 31 by the county.

6 Sec. 5. Title 28, chapter 18, article 2, Arizona Revised Statutes,
7 is amended by adding section 28-6535, to read:

8 28-6535. Arizona road use account

9 A. THE ARIZONA ROAD USE ACCOUNT IS ESTABLISHED IN THE ARIZONA
10 HIGHWAY USER REVENUE FUND. THE DEPARTMENT SHALL ADMINISTER THE ACCOUNT.
11 MONIES IN THE ACCOUNT ARE CONTINUOUSLY APPROPRIATED.

12 B. MONIES IN THE ACCOUNT SHALL BE DERIVED FROM:

13 1. FEES AND OTHER CHARGES ON FUELS OR ANY OTHER ENERGY SOURCE USED
14 FOR THE PROPULSION OF VEHICLES ON THE PUBLIC STREETS, ROADS AND HIGHWAYS
15 IN THIS STATE IMPOSED BY SECTION 28-5606.01 OR 28-5606.02.

16 2. ANY OTHER MONIES APPROPRIATED BY THE LEGISLATURE.

17 C. MONIES IN THE ACCOUNT SHALL BE USED EXCLUSIVELY FOR MAINTAINING,
18 PRESERVING AND CONSTRUCTING STREETS, ROAD AND HIGHWAYS AND ADMINISTERING
19 SUCH ACTIVITIES. MONIES IN THE ACCOUNT MAY NOT BE USED FOR ANY LAW
20 ENFORCEMENT ACTIVITIES, EXCEPT ENFORCEMENT OF VEHICLE WEIGHT AND VEHICLE
21 SAFETY LAWS BY THE DEPARTMENT.

22 D. THE DEPARTMENT SHALL MONTHLY RELEASE MONIES IN THE ACCOUNT TO
23 THE GENERAL ARIZONA HIGHWAY USER REVENUE FUND AND THESE MONIES SHALL BE
24 DISTRIBUTED IN THE SAME MANNER AS OTHER MONIES IN THAT FUND EXCEPT THAT
25 MONIES FROM THE ARIZONA ROAD USE ACCOUNT:

26 1. MAY NOT BE USED FOR THE ECONOMIC STRENGTH PROJECT FUND PURSUANT
27 TO SECTION 28-6534 OR FOR HIGHWAY PATROL COSTS PURSUANT TO SECTION
28 28-6537.

29 2. SHALL BE DISTRIBUTED EXCLUSIVELY TO THE DEPARTMENT, COUNTIES AND
30 CITIES IN THE SAME MANNER AS OTHER MONIES IN THE ARIZONA HIGHWAY USER
31 REVENUE FUND PURSUANT TO THIS ARTICLE.

32 Sec. 6. Electric and hybrid vehicles tax report: delayed
33 repeal

34 A. The department of transportation shall study the feasibility of
35 converting from a flat tax rate for electric vehicles to a kilowatt per
36 mile, or egallon, as defined by the United States department of energy,
37 tax rate or equivalent. On or before December 31, 2025, the department of
38 transportation shall submit a report to the governor, the president of the
39 senate and the speaker of the house of representatives and provide a copy
40 of this report to the secretary of state. The report shall outline the
41 effectiveness of the electric and hybrid vehicles tax established in
42 section 28-5606.02, Arizona Revised Statutes, as added by this act. The
43 department of transportation shall consult with representatives from the
44 electric car industry, a statewide trucking association, an international
45 registration plan, an international fuel tax agreement and other relevant

1 stakeholders in developing the report. The report shall include any
2 proposed legislation that may be required to implement the recommendations
3 of the department of transportation.

4 B. This section is repealed from and after December 31, 2025.

5 Sec. 7. Legislative findings

6 The Legislature finds that:

7 1. Arizona's street, road and highway maintenance, preservation and
8 construction are significantly underfunded. Statewide road use fees for
9 Arizona's streets, roads and highways have not been significantly
10 increased since the early 1980s, except for a \$.01 increase in the fuel
11 taxes in 1991.

12 2. The maintenance backlog for the cities, towns and counties and
13 state highway system deficit is tens of billions of dollars and is
14 increasing by more than \$1,000,000,000 per year.

15 3. Arizona's economy and people rely on a safe, efficient and
16 adequate statewide network of streets, roads and highways. Without
17 long-term, ongoing funding, that system is in jeopardy and with it this
18 state's future.

19 Sec. 8. Requirements for enactment; two-thirds vote

20 Pursuant to article IX, section 22, Constitution of Arizona, this
21 act is effective only on the affirmative vote of at least two-thirds of
22 the members of each house of the legislature and is effective immediately
23 on the signature of the governor or, if the governor vetoes this act, on
24 the subsequent affirmative vote of at least three-fourths of the members
25 of each house of the legislature.