

NAHB | ASSEMBLY BILL 1421 (CA) Vehicle Miles Traveled | ANALYSIS

Assembly Bill (AB) 1421 requires the California Transportation Commission, in consultation with the Transportation Agency, to consolidate and prepare research and recommendations for a road user charge or mileage-traveled fee system. Under this bill, the commission will be required to submit a report that includes research and recommendations on how to implement a vehicle miles traveled (VMT) fee on individuals who use roads in the state of California.

BACKGROUND:

The State of California is a global leader when it comes to electric car usage. In fact, in 2024 alone, 25% of the purchased vehicles in the state were electric cars¹. And with the state's rigorous ban on fossil fuel-driven cars by 2035, more people have leaned toward purchasing electric vehicles. California is currently projecting a 3.3 billion loss in gas tax revenue in the next decade due to fewer fossil fuel-driven vehicles on the road.

To compensate for the loss of revenue and gear up for the 2035 abolition of non-electric car sales in the state, California is working to creatively backfill that revenue loss. This means legislation such as AB 1421 is going to drive the design and implementation of what the backfill tax is going to look like for the state.

Almost 30 states have done similar studies or research to implement vehicle miles traveled fees in their states to generate more tax dollars. In 2001, Oregon became the first state to research the subject; in 2006, run its first pilot; and in 2013, the first statewide implementation legislation was signed that created the program, and in recent years, it has expanded.²

Fast forward a few years, and states like Utah, Washington and Virginia have implemented pilot legislation to see if this potential policy could be beneficial for their states. For example, both Utah and Virginia passed permanent voluntary programs that allow individuals who live in the state and drive an electric car to opt into the per mile fee versus a high flat-rate registration fee.

¹ <https://calmatters.org/environment/climate-change/2025/02/electric-car-sales-stall-california/#:~:text=In%20summary,below%20the%20state's%2035%25%20target.>

² <https://taxfoundation.org/blog/state-vmt-vehicle-miles-traveled-taxes/>

A vehicle-miles-traveled policy may be beneficial to the state to generate lost revenue or increase revenues to their state budgets to fund various programs, but it does affect home buyers. For example, a study showed that when the city of San Diego implemented a VMT policy, there was a decline in building more residential construction to fill the housing shortage gap of 72,000 homes, but it also increased the cost mitigation fee to \$25,000 per housing unit, and in some areas, to \$80,000 per housing unit in lower-density housing projects.³

With AB 1421, California residents could see higher housing costs, making living in the suburbs less attractive due to the costs that a home owner will now have to pay.

THIS BILL:

AB 1421 adds Section 3092.7 to the California Vehicle Code to prepare and research the vehicle miles traveled topic. Further, to gather information such as the following:

- Gather information on low-income family drivers in the State of California.
- The impact that the weight-per-mile fee will have on the commercial and electric vehicle industry.
- Information and solutions on charging out-of-state vehicle drivers when they visit California.

Concern:

The two concerns that AB 1421, once implemented as a pilot, later passed as a state-wide policy, will affect regional commerce and economic development, and increase the cost of housing. First, delivery services will be impacted by higher per-mile costs. For example, the trucking and delivery industry charges per-mile rates when goods are being moved around the country. They will now have to increase the per-mile fee in order to offset transportation costs, which ultimately gets passed down to the consumer. Secondly, it will disincentivize home buyers who already can't afford to live in the city from traveling further to purchase a home. Further, the average Californian commutes 30 miles daily just from home to work, in comparison to the national average of 29 miles⁴. This will increase the cost of living in the state that already has one of the highest income taxes, gas taxes, and one of the highest housing costs.

³ <https://londonmoeder.com/wp-content/uploads/2025/02/LMA-Report-on-VMT-Policy-Impacts.pdf>

⁴ <https://www.bts.gov/statistical-products/surveys/national-household-travel-survey-daily-travel-quick-facts>

Understandably, the state is trying to make up the budget deficit due to the high push for electrification in the state. California shouldn't be the hook for the unattended consequences passed by policymakers over the last two decades.

Policy alternative?

To make up for the loss of the electric vehicle ownership transportation loss from the gas tax, perhaps the state can explore a (1) flat tax on the electric cars for infrastructure, (2) electric vehicle tax, or (3) flat road usage tax only for electric vehicles (fuel-used vehicles already pay this through DMV registration and through California Gas Tax).

ARGUMENTS of SUPPORT:

AB 1421 will generate state revenue that can be used to pay the ongoing expenses the state commits to in its budget. For the state of California to generate road taxes, one method it uses is a “gas tax” to fund road repairs and traffic mitigation. Over the past few years, with the high demand for electric vehicles and states' push to zero carbon emissions, many Californians opted for the incentives that electric vehicles have provided. Unfortunately, this meant a loss of gas tax revenues. Frankly, there is such an increase in gas tax that California can push on fuel vehicle drivers before it impacts everyone in the community.

With a piece of legislation such as AB 1421, the state can generate funding regardless of if a vehicle needs electricity charging or fuel at the pump. This will close the gap and make the electric car vehicle owners pay their share into the state's revenue since they use the same roads and infrastructure as fuel-based vehicles do. While an electric car's impact may be low on the environment, when it comes to increasing the impact on the roads, it is no exception.

ARGUMENTS of OPPOSITION:

AB 1421 may have been written with good intentions, but it does seem to double tax and punish fuel vehicles in the state. Many may argue that this piece of legislation brings an equilibrium when generating road taxes in the state since fuel-driven vehicles are taxed a “gas tax” at the pump every time they fill their gas tank. For AB 1421 to push for a fair and reasonable policy on everyday California drivers, it would simply be easier and cost-effective if electric cars did have their traffic mitigation taxes incorporated in their annual car registration, like non-electric cars are currently in the state.

Further, this will economically impact Californians on a larger scale. For example, many young families move to the suburbs to own a home, which can provide the perfect price point and lifestyle, but with the implementation of a vehicle miles traveled tax, this can force families to think twice about moving to the further suburbs and further increase urban pollution. On average, urban cities house 56% of the global pollution⁵, which, in a way, will defeat the state's goals of cleaner emissions and less pollution policies.

Lastly, this will increase the cost of living in the state and punish people for living away from work because they simply can't afford to live and work in the same city or county. Affordability needs to be a concern, and this piece of legislation will further make housing and the cost of living in the state less affordable.

SIMILAR LEGISLATION/LAWS:

- Hawaii: Senate Bill 1534 (2023)
- Oregon: House Bill 3991 (2025)
- Washington: House Bill 1921 (2025)

COURT CASES:

United States v. Jones

POTENTIAL SUPPORT:

California Transportation Commission, American Society of Civil Engineers, Environmental Groups

POTENTIAL OPPOSITION:

CBIA, Reform California, ACLU

⁵ <https://unstats.un.org/sdgs/report/2022/Goal-11/>