



How to Create Consistent Funding for EV Incentives and Infrastructure

Background

States interested in supporting transportation electrification through incentives for electric vehicles (EVs) and charging infrastructure often lack adequate, consistent funding sources. EV incentive programs included in state budgets are often oversubscribed early in the year due to high consumer demand, resulting in inconsistent policy and failing to serve potential program participants.

Solution

Colorado passed its Sustainability of the Transportation System law in 2021 ([Senate Bill 21-260](#)), introducing several funding mechanisms to support the transition to electric mobility, including retail delivery fees. During the COVID-19 pandemic, demand for retail deliveries increased significantly. Online sales and e-commerce continue to grow. The increase in retail deliveries leads to increased traffic and vehicle emissions, resulting in additional road wear, pollution, and health impacts. To secure revenue to mitigate environmental and health impacts, Colorado introduced retail delivery fees in 2022. Funding from these fees supports six clean transportation funds, which include EV incentives and charging infrastructure buildout. As of early 2025, [\\$218.2 million](#) has been generated through retail delivery fees.

In Minnesota, the Transportation Finance and Policy bill ([HF 2887](#)), passed in 2023, levied a 50¢ fee on individual deliveries to address road wear and tear caused by the increase in delivery trucks and is projected to generate [\\$189 million](#) between 2025 and 2027. Minnesota's fees are generally distributed to cities and towns. Other states are considering using retail delivery fees to combat gas tax erosion.

How it works

Colorado's retail delivery fee is composed of [six separate fees](#) that currently amount to 28¢. It is adjusted for inflation at the end of each fiscal year. The fee applies to any order delivered by motor vehicle that includes at least one item subject to state sales tax. If an order includes multiple shipments, there is still only one 28¢ delivery fee. If all items in a shipment are tax exempt, no retail delivery fee is applied. Small businesses with annual revenues of less than \$500,000 are exempt from the delivery fee. Businesses remit delivery fees by setting up a retail

delivery account with the Colorado Department of Revenue, and these fees are due at the same time as sales taxes. Retail delivery fees are exempt from sales tax.

In Minnesota, the 50¢ fee is applied to each transaction once, regardless of the number of items or shipments in each order. Retailers with annual sales of less than \$1 million are exempt, as are marketplace deliveries for sellers with annual sales of under \$100,000. In Minnesota, additional exemptions to the fee include drugs, medical devices and supplies, food and food ingredients, prepared food, and baby products. Deliveries by food or beverage establishments are also exempt from this requirement. Finally, if a purchaser is exempt from sales tax, no delivery fees apply.

Results

The low cost of delivery fees in Colorado and Minnesota is unlikely to change consumers' online shopping and food delivery behavior. Current fee structures in both states exempt small businesses to promote growth. At pennies per order, delivery fees can help create more sustainable transportation systems in states.

It's hard to argue with success, and Colorado's EV and charging incentives, supported by retail delivery fees, have propelled it to become a national leader in EV sales, with almost one in three vehicle sales being electric. Generous and consistent state EV incentives, combined with infrastructure buildout made possible by delivery fees, have made EVs economically attractive and accessible.

Resources

Midwest Council of State Governments (CSG)

<https://csgmidwest.org/2025/02/27/question-have-states-implemented-or-considered-adoption-of-a-retail-delivery-fee/>

Colorado Department of Taxes

- <https://tax.colorado.gov/retail-delivery-fee>
- [Quick explainer video](#)

National Council of State Legislatures

<https://www.ncsl.org/state-legislatures-news/details/gas-taxes-cant-pay-for-roads-much-longer-but-amazon-deliveries-might>