

Senate Bill No. 1782

CHAPTER 888

An act to add and repeal Section 10759.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

[Approved by Governor September 26, 1998. Filed with Secretary of State September 28, 1998.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1782, M. Thompson. Taxation: vehicle license fees: low-emission vehicles.

The Vehicle License Fee Law provides that the annual amount of the license fee for any vehicle is 2% of the market value of the vehicle, as specified. It provides for the determination of the market value of any vehicle, for reclassification to increase the market value of a vehicle, and for the exemption of certain vehicles from the imposition of the license fee.

This bill would, until January 1, 2003, for purposes of determining the vehicle license fee, exempt from the determination of market value, the incremental costs, as defined, that are incurred with respect to a new light-duty motor vehicle propelled by an alternative fuel that is certified by the State Air Resources Board as producing emissions that meet, or are lower than, the emission standards and other specifications for ultra-low-emission vehicles, as defined by the board.

This bill would make certain legislative findings and declarations regarding vehicle emissions.

This bill would take effect immediately as a tax levy.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares:

(a) There is a wide disparity on some state and local taxes and fees levied on owners of vehicles operated on alternative fuels when compared to those same taxes and fees levied on owners of comparable conventional fuel vehicles.

(b) In some cases, the taxes and fees on alternative fuel vehicles are more than twice as much as those for conventional fuel vehicles.

(c) The disparity in taxes and fees exists even though the alternative fuel vehicle may look identical to the conventional fuel vehicle and provide the same or lesser utility to the individual owner.

(d) The existing California vehicle license fee and state and local sales and use taxes on the sale or lease of motor vehicles that operate



on alternative fuels are higher than for comparable conventional fuel vehicles because alternative fuel vehicles generally have higher sales prices. The higher sales prices are largely due to the fact that these vehicles are produced in extremely low volumes (many assembled by hand), such that their production has not achieved the economies of scale that would significantly reduce their cost; and they use many new advanced materials and technologies that also have not yet achieved economies of scale, and therefore have a temporarily greater cost to consumers.

(e) The higher sales prices for these alternative fuel vehicles are expected to be a short-term, temporary situation because prices are expected to decline significantly to competitive levels as volume increases. If this does not occur, these vehicles may never be competitive, and automakers would likely withdraw them from the market. The current vehicle license fee mechanism, and sales and use tax system, do not reflect these temporary, short-term pricing situations. Instead they intrinsically, but incorrectly, assume that these short-term higher prices reflect true long-term market value of the vehicles.

(f) Alternative fuel vehicles provide benefits to California citizens that are external to, or not reflected in, their cost to the purchaser. These benefits include: increasing our national independence from foreign energy sources; providing more transportation choices for consumers and businesses, thus reducing our economic vulnerability to sudden fuel price increases caused by external or internal events; reducing air pollution from mobile sources; reducing future pressures for additional environmental controls on existing and new businesses and industries in California; and creating new advanced transportation technology jobs and industries in California.

(g) It is the public policy of the State of California, the federal government, and many local governments, to encourage the development and use of alternative fuel vehicles, for the purpose of providing the benefits described above to all California citizens.

(h) Existing vehicle license fee structures, and the existing sales and use tax system, as they relate to the determination of market value of alternative fuel vehicles do not reflect the critical short-term pricing issues described above, nor the external benefits that accrue to all California citizens. Additionally, these existing fees and taxes act as a significant disincentive to potential purchasers of alternative fuel vehicles, and as such, are contrary to existing public policies at all levels of government.

(i) It is the intent of the Legislature to equalize the vehicle license fee, and state and local sales and use taxes, between alternative fuel vehicles and conventional fuel vehicles for a period of four years, beginning January 1, 1999, and ending December 31, 2002. During this time period it is the intent of the Legislature that the incremental or differential cost between an alternative fuel vehicle and a



comparable conventional fuel vehicle, as determined by the State Energy Resources Conservation and Development Commission, should be exempt from both the vehicle license fee, and state and local sales and use taxes.

(j) To ensure that the alternative fuel vehicles subject to these provisions provide significant reduction in air pollution, eligible vehicles must meet, at a minimum, the standard for ultra-low-emission vehicles as determined by the State Air Resources Board.

SEC. 2. Section 10759.5 is added to the Revenue and Taxation Code, to read:

10759.5. (a) For purposes of determining the vehicle license fee imposed by this part, there are exempted from the determination of market value, the incremental costs of new light-duty motor vehicles propelled by alternative fuels, and certified by the State Air Resources Board as producing emissions that meet the emission standard for ultra-low-emission vehicles or lower as defined by the board. This exemption shall apply to the subsequent payments of the vehicle license fee.

(b) For purposes of this section, “incremental cost” means the amount determined by the State Energy Resources Conservation and Development Commission as the reasonable difference between the cost of the motor vehicle defined in subdivision (a) and the cost of a comparable gasoline or diesel fuel vehicle. This determination shall constitute the maximum incremental cost for purposes of the exemption in subdivision (a), and may be reduced by the actual sales price of the vehicle. The actual incremental cost shall be stated in the contract for sale or lease with the purchaser, and shall be reported to the commission quarterly.

(c) This section shall become operative on January 1, 1999, and shall remain in effect only until January 1, 2003, and as of that date is repealed.

SEC. 3. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect.

