

## Department of Planning and Budget 2001 Fiscal Impact Statement

**1. Bill Number** HB1640

<b>House of Origin</b>	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron** Deeds

**3. Committee** Finance

**4. Title** Motor vehicle sales and use tax.

**5. Summary/Purpose:**

Motor vehicle sales and use tax. Reduces the sales and use tax from three percent to one and one half percent on motor vehicles running on clean special fuels or propelled primarily by electric charge.

**6. Fiscal Impact Estimates are:** Unknown

**7. Budget amendment necessary:** No

**8. Fiscal implications:** Based on average sales prices and the number of clean special fuel vehicles titled during the previous sales and use tax reduction from 1996 through 1999, DMV estimates revenue losses of approximately \$38,500 per year. Data on future sales trends is both unreliable and subject to change due to technological advances in automotive fuels or other unforeseen incentives that could arise in the future. This potential market volatility puts the Commonwealth Transportation Fund at risk of substantially higher revenue losses over time.

**9. Specific agency or political subdivisions affected:** Department of Transportation, Department of Motor Vehicles

**10. Technical amendment necessary:** Despite the relatively minimal fiscal impacts, DMV believes the sales of these vehicles should be monitored to ensure no major revenue impacts develop in the future. In order to assist in this monitoring process, DMV suggests that the sales and use tax reduction proposed by this bill have a limited effective period of no more than four years. A four-year limitation would be the same as the initial reduction put into effect from January 1, 1996 through December 31, 1999.

Technical amendments also are necessary to provide for the appropriate statutory reference to the definition of clean special fuels (§ 46.2-749.3 instead of § 58.1-2101). Also, DMV is unclear which hybrid gasoline/electric vehicles are propelled primarily by electric charge since the two best known hybrids, the Honda Insight and the Toyota Prius, use electric charges in different ways at different speeds. DMV believes this qualifying language should either be changed to clarify the patron's intentions or it should be removed to allow for the reductions to apply simply to hybrid gasoline/electric vehicles.

11. Other comments: In addition, there are already adequate incentives to purchase these vehicles. The high cost of conventional gasoline makes the low-cost, high-mileage hybrids particularly appealing. Clean special fuel vehicles also can be registered with clean special fuel vehicle license plates. These plates allow for the use of HOV lanes without having to meet the vehicle occupancy requirements, a specific incentive targeting clean special fuel vehicles that was originally established for a limited period in 1994. This exemption period has been extended since its establishment, most recently to July 1, 2004.

**Date:** 01/10/01 / jmc

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cc: Secretary of Transportation

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