

Department of Planning and Budget

2006 Fiscal Impact Statement

1. Bill Number: HB 974

House of Origin Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. Patron: Englin

3. Committee: Finance

4. Title: Motor vehicle sales and use tax; exempts cars with certain EPA fuel efficiency rating.

5. Summary/Purpose: This bill would exempt from the motor vehicle sales and use tax cars with an EPA fuel efficiency rating of 50 mpg or greater, and SUV's with an EPA fuel efficiency rating of 30 mpg or greater.

6. Fiscal impact is preliminary. See Item #8.

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2006-07	-\$7,500,000	-	NGF
2007-08	-\$9,500,000	-	NGF
2008-09	-\$11,100,000	-	NGF
2009-10	-\$12,800,000	-	NGF
2010-11	-\$14,900,000	-	NGF
2011-12	-\$16,300,000	-	NGF

7. Budget amendment necessary: No.

8. Fiscal implications: Estimates provided by the Department of Taxation indicate an increasingly negative impact on motor vehicle sales and use tax revenues. The losses due to the proposed exemption are based on the following assumptions and information:

- JD Powers expects hybrid sales to gain 4.2% of market share by 2012. Based on the JD Powers report, this estimate assumes that hybrid sales will total 4.2% of total new car sales by 2012.
- The number of hybrid cars available to the public in the next few years is expected to increase dramatically: 79% of automobile executives predict a boom on hybrid low-cost car sales.

	Weighted		Weighted		Revenue
	<u>Hybrid Cars</u>	<u>Price</u>	<u>Hybrid SUV</u>	<u>Price</u>	<u>Impact*</u>
FY07	7,516	\$22,025	2,872	\$37,115	(\$7.5)
FY08	8,418	\$22,290	3,446	\$37,561	(\$9.5)
FY09	9,429	\$22,468	4,136	\$37,861	(\$11.1)
FY10	10,560	\$22,603	4,963	\$38,088	(\$12.8)
FY11	11,827	\$22,784	5,955	\$38,393	(\$14.9)
FY12	11,585	\$23,057	7,146	\$38,854	(\$16.3)

*FY07 impact is an 11-month effect.

Revenue impacts of used hybrid sales cannot be determined. Currently, there are over 17,700 active registrations for hybrid vehicles that could qualify for the proposed exemption as used hybrid sales.

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

10. Technical amendment necessary: None.

11. Other comments: None.

Date: 2/2/06/jlv

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cc: Secretary of Transportation