

DEPARTMENT OF TAXATION

2015 Fiscal Impact Statement

1. **Patron** Richard H. Stuart

3. **Committee** Senate Finance

4. **Title** Individual Income Tax Credit for Hybrid
Vehicle Registration

2. **Bill Number** SB 949

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create a refundable individual income tax credit equal to \$64 for any owner of a hybrid vehicle who paid the annual license tax on hybrid electric vehicles between July 1, 2013, and July 1, 2014. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, any unused credit amount could be carried forward to the next year.

This bill would be effective for taxable years beginning on or after January 1, 2015, but before January 1, 2016. The provisions of this bill would expire on July 1, 2018.

6. **Budget amendment necessary:** Yes.

Page 1, Revenue Estimates

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2013-14	\$0	GF
2014-15	\$0	GF
2015-16	(\$4.8 million)	GF
2016-17	\$0	GF
2017-18	\$0	GF
2018-19	\$0	GF
2019-20	\$0	GF

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, the Department considers implementation of this bill as "routine," and does not require additional funding.

The Department will provide specific administrative costs on any legislation that is not “routine.” Additionally, the Department will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, the Department will identify the costs at that time.

Revenue Impact

This revenue estimate assumes that the credit would be available for the license tax on hybrid electric vehicles paid for a vehicle registration year beginning prior to July 1, 2014 (see Line 10 below). This bill would have a negative General Fund revenue impact of approximately \$4.8 million in FY 2016. According to DMV, owners of approximately 75,000 hybrid vehicles paid the \$64 license tax for a vehicle registration year beginning prior to July 1, 2014, for license tax revenues of approximately \$4.8 million.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

As currently written, the bill would refund any license tax on hybrid electric vehicles paid in Fiscal Year 2014. However, taxpayers prepaying the license tax for later years in Fiscal Year 2014 were refunded that portion of the tax by DMV and would receive an additional benefit under this bill. Additionally, taxpayers prepaying the license tax prior to Fiscal Year 2014 would not receive any benefit. To address these issues, the Department suggests the following technical amendment:

Page 1, Line 15, After § 58.1-2249

Strike: between July 1, 2013, and

Insert: for a vehicle registration year beginning prior to

As the proposed credit would be refundable and carrying over the excess amount would not be necessary, the Department suggests the following technical amendment:

Page 1, Line 19, After beginning of line

Strike: C. If the amount of the credit exceeds the taxpayer’s liability for the taxable year, the excess may be carried over for credit against the income taxes of the taxpayer in the next year.

11. Other comments:

License Tax on Hybrid Electric Vehicles

House Bill 2313 (Acts of Assembly 2013, Chapter 766) imposed an annual license tax of \$64 on hybrid electric motor vehicles and certain alternative fuel vehicles beginning July 1, 2013. Legislation enacted in the 2014 General Assembly Session, House Bill 975 and Senate Bill 127 (Acts of Assembly 2014, Chapters 43 and 14), repealed the annual

license tax on hybrid electric vehicles effective July 1, 2014, and required the Department of Motor Vehicles (DMV) to refund any prepaid portion of the annual license tax for registration years beginning on or after July 1, 2014.

Refundable Tax Credits

Virginia currently allows 35 income tax credits. Of these credits, five are refundable:

- Agricultural Best Management Practices Tax Credit for individuals;
- Virginia Coal Employment and Production Incentive Tax Credit;
- Coalfield Employment Enhancement Tax Credit;
- Motion Picture Production Tax Credit; and
- Research and Development Expenses Tax Credit.

Proposal

This bill would create a refundable individual income tax credit equal to \$64 for any owner of a hybrid vehicle who paid the annual license tax on hybrid electric vehicles between July 1, 2013, and July 1, 2014. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, any unused credit amount could be carried forward to the next year.

This bill would be effective for taxable years beginning on or after January 1, 2015, but before January 1, 2016. The provisions of this bill would expire on July 1, 2018.

Similar Legislation

House Bill 1651 would allow owners of natural gas fueling stations that are built on or after January 1, 2016, and open to the public to claim a credit against the corporate or individual income tax equal to 50 percent of the fuels tax attributable to the volume of natural gas purchased for resale during the taxable year.

cc : Secretary of Finance

Date: 1/25/2015 AM
DLAS File Name: SB949F161