

ASSEMBLY BILL

No. 2461

Introduced by Assembly Member Keeley

February 21, 2002

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

LEGISLATIVE COUNSEL'S DIGEST

AB 2461, as introduced, Keeley. 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.

Existing law, until January 1, 2003, for purposes of determining the vehicle license fee, exempts 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 extend these provisions until January 1, 2009, and would make certain legislative findings and declarations regarding vehicle emissions.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

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

1 SECTION 1. Legislature finds and declares:

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

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

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

13 (d) The existing California vehicle license fee and state and
14 local sales and use taxes on the sale or lease of motor vehicles that
15 operate on alternative fuels are higher than for comparable
16 conventional fuel vehicles because alternative fuel vehicles
17 generally have higher sales prices. The higher sales prices are
18 largely due to the fact that these vehicles are produced in extremely
19 low volumes (many assembled by hand), such that their
20 production has not achieved the economies of scale that would
21 significantly reduce their cost; and they use many new advanced
22 materials and technologies that also have not yet achieved
23 economies of scale, and therefore have a temporarily greater cost
24 to consumers.

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

35 (f) Alternative fuel vehicles provide benefits to California
36 citizens that are external to, or not reflected in, their cost to the
37 purchaser. These benefits include: increasing our national
38 independence from foreign energy sources; providing more



1 transportation choices for consumers and businesses, thus
2 reducing our economic vulnerability to sudden fuel price increases
3 caused by external or internal events; reducing air pollution from
4 mobile sources; reducing future pressures for additional
5 environmental controls on existing and new businesses and
6 industries in California; and creating new advanced transportation
7 technology jobs and industries in California.

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

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

20 (i) It is the intent of the Legislature to equalize the vehicle
21 license fee, and state and local sales and use taxes, between
22 alternative fuel vehicles and conventional fuel vehicles for a
23 period of four years, beginning January 1, 1999, and ending
24 December 31, 2008. During this time period it is the intent of the
25 Legislature that the incremental or differential cost between an
26 alternative fuel vehicle and a comparable conventional fuel
27 vehicle, as determined by the State Energy Resources
28 Conservation and Development Commission, should be exempt
29 from both the vehicle license fee, and state and local sales and use
30 taxes.

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

36 SEC. 2. Section 10759.5 of the Revenue and Taxation Code
37 is amended to read:

38 10759.5. (a) For purposes of determining the vehicle license
39 fee imposed by this part, there are exempted from the
40 determination of market value, the incremental costs of new



1 light-duty motor vehicles propelled by alternative fuels, and
2 certified by the State Air Resources Board as producing emissions
3 that meet the emission standard for ultra-low-emission vehicles or
4 lower as defined by the board. This exemption shall apply to the
5 subsequent payments of the vehicle license fee.

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

16 (c) This section shall become operative on January 1, 1999, and
17 shall remain in effect only until January 1, ~~2003~~ 2009, and as of
18 that date is repealed.

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

