

**STATE
REVISED FISCAL IMPACT**

(replaces fiscal note dated January 25, 2010)

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Date: February 2, 2010

Prime Sponsor(s): Rep. Ferrandino
Sen. Heath

Bill Status: Senate Finance

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TITLE: CONCERNING THE DISQUALIFICATION OF CATEGORY 7 MOTOR VEHICLES FROM THE STATE INCOME TAX CREDIT FOR THE PURCHASE OF VEHICLES USING ALTERNATIVE FUELS.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue		
General Fund	\$2.7 million	\$2.7 million
State Expenditures		
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2010-2011: None required		
Local Government Impact: None		

Summary of Legislation

Under current law, taxpayers are eligible for a state income tax credit for the purchase of alternative fuel vehicles. This reengrossed bill reduces the number of years in which the purchase of certain types of these vehicles are eligible for the credit from both the 2010 and 2011 tax years to only 2010. The department is required to account for the revenue attributable to this bill, and to the extent information is available, make quarterly reports to the legislature about the revenue gain.

The vehicles eligible for the state tax credit impacted by this bill are defined as "Category 7" vehicles in state law. These are alternative fuel vehicles with a fuel economy of at least 30 mpg but less than 40 mpg and that meet certain EPA emissions standards. The most widely purchased Category 7 vehicles are the Ford Escape, Ford Fusion, and Toyota Camry hybrids.

The amount of the state income tax credit for these vehicles is 50 percent of the difference between the cost of the vehicle and the cost of the same or most similar vehicle (the incremental cost) that uses a traditional fuel. The credit cannot exceed \$6,000. To be eligible for the tax credit, the vehicles must be titled and registered in the state.

State Revenue

This bill is expected to increase General Fund revenue by \$2.7 million in both FY 2010-11 and FY 2011-12.

It is projected that about 2,850 Category 7 vehicles will be purchased in 2011 by state residents that under current law would qualify for an average state tax credit amount of \$1,900. This equates to \$5.4 million in tax credits claimed for the 2011 tax year, which would be accrued half (\$2.7 million) to FY 2010-11 and half (\$2.7 million) to FY 2011-12. Thus, this is the amount of revenue the state **will not** forego by disqualifying 2011 purchases of Category 7 vehicles from the tax credit. This estimate is based on historical data on the state's alternative fuel tax credit, sales data on types of hybrid vehicles, their incremental costs, and forecasts for hybrid vehicle sales in 2011.

State Appropriations

No appropriations are required to implement this bill.

Departments Contacted

Governor's Office

Law

Revenue