
Finance Committee

HB 2847

Brief Description: Modifying effective and expiration dates for the clean fuel sales and use tax exemptions.

Sponsors: Representatives Orcutt, Takko, Holmquist, Hunt, Woods, Anderson, Ericksen, Nixon, Jarrett, McCune, Dunn, McDonald, Serben, Talcott, Roach, Wallace and Shabro.

Brief Summary of Bill

- Lengthens the duration of the retail sales and use tax exemption for clean alternative fuel vehicles to two to eleven years, beginning July 1, 2007.

Hearing Date: 1/30/06

Staff: Mark Matteson (786-7145).

Background:

Retail sales and use taxes. The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The use tax applies if retail sales tax has not been collected. Both the state and local governments impose sales and use taxes; the state rate is 6.5 percent and the average local rate is about 2 percent statewide. Sales taxes are collected by the seller from the buyer at the time of sale. Use tax is remitted directly to the Department of Revenue. State revenues are deposited to the state general fund.

Retail sales and use taxes apply to all items of tangible personal property unless specifically exempt.

In the 2005 session, the Legislature created a new retail sales and use tax exemption for new motor vehicles that use clean alternative fuels, beginning January 1, 2009 and lasting for two years only. The exemption covers the acquisition of new passenger cars or trucks that meet the California motor vehicle emission standards as of January 2005, and that are powered exclusively by natural gas, propane, hydrogen, or electricity. The exemption also covers new passenger cars or trucks that operate on hybrid technology and that have a highway gasoline mileage rating estimated by the United States Environmental Protection Agency of at least forty miles per gallon. Hybrid technology utilizes propulsion units powered by both electricity and gasoline.

Summary of Bill:

The exemption for new motor vehicles that use clean alternative fuels is effective beginning July 1, 2007. The exemption expires July 1, 2017.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.