

BILL SUMMARY
2nd Session of the 52nd Legislature

Bill No.:	HB 3024
Version:	Committee Substitute
Author:	Speaker Bengt
Date:	March 9, 2010
Impact:	FY11: Savings of \$4.565 million and FY12: Full year savings of \$6,848 million

Bill Summary

Research Analyst: Dusty Darr

The Committee Substitute (CS) for House Bill 3024 modifies current tax credits relating to the purchase of electric vehicles. The measure modifies the definition of “qualified electric motor vehicle property” to include new medium-speed electric vehicles. The measure also specifies that the definition of qualified electric motor vehicle property does not apply to low-speed electric vehicles. This modification is in addition to the prohibition, under current law, that specifies that vehicles known as “golf carts,” “go-carts” and other motor vehicles which are manufactured principally for use off the streets are not to be considered qualified electric motor vehicles.

The measure defines medium-speed electrical motor vehicles as any self-propelled, electrically powered four-wheeled motor vehicle that is equipped with a roll cage or crush-proof body design, whose attainable speed within one mile is greater than thirty (30) miles per hour but does not exceed thirty-five (35) miles per hour. In addition, low-speed electric vehicles are defined as four-wheeled vehicles powered by rechargeable storage batteries whose top speed is greater than twenty (20) miles per hour but does not exceed twenty-five (25) miles per hour. Low-speed electrical vehicles are also required to be manufactured in compliance with the national Highway Traffic Safety Administration standards for low-speed vehicles and be both street legal and eligible to be tagged.

Under current law, a qualified electric motor vehicle may qualify for a fifty percent (50%) tax credit for the costs associated with the vehicle. This measure adds a provision stating that the credit claimed by the taxpayer may not exceed the lesser of fifty percent (50%) of the costs of the vehicle or Five Thousand Dollars (\$5,000.00). In addition, the measure imposes a Five Hundred Dollar (\$500.00) per-vehicle cap for qualifying low-speed electric vehicles. No credits may be claimed for any used vehicle or any vehicle which has previously been the basis of a claimed credit.

Fiscal Summary

Fiscal Analyst: Diane Thomas

Committee Substitute for HB 3024 relates to the credit for conversion to clean burning motor vehicle fuel property. The measure modifies electric vehicles only as follows:

- Modifies definitions for:
 - Motor vehicles designed to operate principally on streets and highways;
 - Medium speed electric vehicles (more than 30 mph but less than 36 mph);
 - Qualified low-speed electric vehicles (more than 20 mph but less than 25 mph);
- Provides a maximum credit of \$5,000 for qualified electric motor vehicle property and medium-speed electrical motor vehicles. This modification applies to these vehicles immediately upon passage and approval of this measure; and
- Provides a \$500 income tax credit for a qualified low-speed electric motor vehicle. This will apply to vehicles placed in service after December 31, 2009.

Fiscal Analysis

Under current law, it is estimated (for tax year 2010) approximately \$10.8 million in credits will be claimed for certain electric vehicles and \$4.8 million in credits will be claimed for hybrid vehicles, resulting in an estimate total cost of \$15.6 million in credits for qualified electric motor vehicle property. The following table details the credits by vehicle type:

	Estimated Number	Estimated Credit	Projected 2010
Vehicle Type	Sold	Per Vehicle	Current Credits
Low Speed Electric	1,000	\$6,200	\$6,200,000
Teslas	10	\$59,600	\$596,000
Full Size Sedans	250	\$16,000	\$4,000,000
Hybrids	3,208	\$1,500	\$4,812,000
Total Credits			\$15,608,000

The measure provides a maximum credit of \$5,000 for qualified electric motor vehicle property and medium-speed electrical motor vehicles. For purposes of this analysis, the Teslas and full size sedans listed above will be subject to the \$5,000 cap. The measure further provides a maximum credit of \$500 for all low-speed electric motor vehicles. The estimate is further modified assuming that 1/2 of the Teslas and full size sedans are sold before the effective date of this measure and not subject to the proposed caps. The table below details, by vehicle type, the projected credits under this measure:

	Estimated Number	Estimated Credit	Credit Caps	Projected 2010 Credits Under
Vehicle Type	Sold	Per Vehicle		CS HB 3024
Low Speed Electric	1,000	\$6,200	\$500	\$1,000,000
Teslas	5	\$59,600	\$5,000	\$25,000
Teslas	5	\$59,600	No Cap	\$298,000
Full Size Sedans	125	\$16,000	\$5,000	\$625,000
Full Size Sedans	125	\$16,000	No Cap	\$2,000,000
Hybrids	3,208	\$1,500	\$1,500	\$4,812,000
Total Credits				\$8,760,000

Tax Year 2010 Credits under the current law:

\$15,608,000

Tax year 2010 credits under CS for HB 3024:

8,760,000

Estimated increase in revenues:

\$ 6,848,000

The result of this measure provides an increase in income tax revenue of \$6.848 million for tax year 2010.

An analysis of the filing patterns of income tax returns is used to convert the tax year savings to a fiscal year impact. Generally 2/3rds of the credit is claimed by the April 15th deadline and the remaining 1/3rd is claimed by October 15th, the extended due date deadline. Tax year 2010 returns are due to be filed in 2011. For this reason, it is anticipated that the impact for FY11 is \$4.565 million (2/3 of \$6.848), with a full savings of \$6,848 in FY12.

Long Term Fiscal Considerations

As stated above.

Fiscal Analysis Reviewed By:

Janice Buchanan

House Fiscal Director