

SALES AND USE TAX REVIEW COMMISSION

RECOMMENDATION PURSUANT TO P.L. 1999, C. 416

BILL NUMBER: S-2699

**DATE OF
INTRODUCTION: 6/23/03**

SPONSOR: Senator Bark

**DATE OF
RECOMMENDATION: 8/5/03**

IDENTICAL BILL: A-3812

COMMITTEE: Senate Transportation Committee

DESCRIPTION:

Provides a 50% sales tax rate exemption for sales of electric vehicles.

ANALYSIS:

This bill would present problems if it had to be implemented, because the scope of the affected class is not defined or limited in the bill. "Electric cars" is not defined, and the category is not even limited to cars that are subject to registration as motor vehicles for road use. Without such limitation, the exemption can potentially apply to electric cars used for recreational purposes, e.g., golf carts, and to carts used to transport items within a factory or on a construction site.

There is also the risk that, as the technology and the market for electric vehicles develop, the sale of electric motor vehicles will become commonplace, and thus the State will lose too much of the potential revenue from sales of motor vehicles.

While encouraging consumers to purchase electric vehicles may result in benefits for the natural environment, the 50% tax break is not likely to be sufficient inducement to purchase electric cars. Even if it were, the Commission does not generally favor the use of tax policy as a tool for influencing consumer purchasing or other behavior.

RECOMMENDATION:

The Sales and Use Commission does not recommend this bill for enactment.

COMMISSION MEMBERS FOR PROPOSAL: 0

COMMISSION MEMBERS AGAINST PROPOSAL: 5

COMMISSION MEMBERS ABSTAINING: 1

COMMISSION MEETING DATE: August 5, 2003

CMT:sp