



# Senate

General Assembly

**File No. 346**

February Session, 2006

Substitute Senate Bill No. 660

*Senate, April 4, 2006*

The Committee on Environment reported through SEN. FINCH of the 22nd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

## **AN ACT CONCERNING CLEAN CARS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2006*) As used in sections 2, 5  
2 and 6 of this act:

3 (1) "Motor vehicle" means motor vehicle, as defined in section 14-1  
4 of the 2006 supplement to the general statutes, except that for purposes  
5 of this section, motor vehicle is limited to vehicles with gross vehicle  
6 weight rating, as defined in said section 14-1, of ten thousand pounds  
7 or less;

8 (2) "Unadjusted vehicle purchase price" means the actual sales price  
9 of a new motor vehicle, not reduced by the value of any vehicle or  
10 other property exchanged by the buyer in connection with the  
11 purchase; and

12 (3) "Greenhouse gas" means greenhouse gas, as defined in section  
13 22a-200 of the 2006 supplement to the general statutes.

14       Sec. 2. (NEW) (*Effective October 1, 2006*) (a) Not later than October 1,  
15 2007, the Commissioner of Revenue Services shall lower the sales tax  
16 imposed pursuant to section 12-408 of the general statutes by three per  
17 cent on the unadjusted vehicle purchase price for a motor vehicle with  
18 a model year of 2008 or later with a greenhouse gas score, as  
19 determined by the United States Environmental Protection Agency  
20 and the United States Department of Energy.

21       (b) The Commissioner of Motor Vehicles shall annually prepare and  
22 distribute an updated list of motor vehicles subject to the sales tax  
23 adjustments imposed pursuant to this section and distribute it to  
24 motor vehicle dealers.

25       (c) The provisions of this section shall not apply to those motor  
26 vehicles exempt from sales tax as provided in section 12-412 of the  
27 2006 supplement to the general statutes.

28       (d) Dealers authorized to issue motor vehicle registrations pursuant  
29 to section 14-12 of the 2006 supplement to the general statutes, as  
30 amended by this act, shall include in the bill of sale for motor vehicles  
31 subject to this section a line item denoting the dollar amount of any  
32 sales tax adjustment pursuant to this section.

33       (e) The Commissioner of Motor Vehicles shall provide to the  
34 Commissioner of Environmental Protection any data requested by the  
35 Commissioner of Environmental Protection as necessary to carry out  
36 his or her duties under this section. Such data shall not include any  
37 personally identifiable information.

38       Sec. 3. Subsections (b) and (c) of section 14-12 of the 2006  
39 supplement to the general statutes are repealed and the following is  
40 substituted in lieu thereof (*Effective October 1, 2006*):

41       (b) To obtain a motor vehicle registration, except as provided in  
42 subsection (c) of this section, the owner shall file in the office of the  
43 commissioner an application signed by him and containing such  
44 information and proof of ownership as the commissioner may require.

45 The application shall be made on blanks furnished by the  
46 commissioner. The blanks shall be in such form and contain such  
47 provisions and information as the commissioner may determine. Any  
48 person who is registering a motor vehicle due to a new purchase shall  
49 submit evidence that the sales tax for the motor vehicle was adjusted in  
50 accordance with the provisions of section 2 of this act, if applicable.

51 (c) The commissioner may, for the more efficient administration of  
52 the commissioner's duties, appoint licensed dealers meeting  
53 qualifications established by the commissioner pursuant to regulations  
54 adopted in accordance with the provisions of chapter 54, to issue new  
55 registrations for passenger motor vehicles and motorcycles, campers,  
56 camp trailers or trucks with a gross vehicle weight up to and including  
57 twenty-six thousand pounds when they are sold. The commissioner  
58 shall charge such dealer a fee of ten dollars for each new dealer issue  
59 form furnished for the purposes of this subsection. A person  
60 purchasing a motor vehicle or motorcycle from a dealer so appointed  
61 and registering the motor vehicle or motorcycle pursuant to this  
62 section shall file an application with the dealer and pay, to the dealer, a  
63 fee in accordance with the provisions of subsection (a) or (b) of section  
64 14-49, as amended. The dealer shall submit evidence to the  
65 commissioner that the sales tax for the motor vehicle was adjusted in  
66 accordance with the provisions of section 2, if applicable, of this act for  
67 each registration issued pursuant to this subsection. The commissioner  
68 shall prescribe the time and manner in which the application and fee  
69 shall be transmitted to the commissioner.

70 Sec. 4. (*Effective October 1, 2006*) Not later than June 1, 2006, the  
71 Department of Environmental Protection, in consultation with the  
72 Governor's Steering Committee on Climate Change, shall conduct a  
73 study to determine the motor vehicle greenhouse gas emission  
74 reductions necessary to meet the goals of section 22a-200a of the  
75 general statutes. Not later than January 1, 2007, the department shall  
76 report its findings, accompanied by any recommended legislative  
77 revisions, to the joint standing committee of the General Assembly  
78 having cognizance of matters relating to the environment.

79       Sec. 5. (NEW) (*Effective October 1, 2006*) (a) Not later than October 1,  
80 2007, the Commissioner of Environmental Protection, in consultation  
81 with the Commissioner of Motor Vehicles, shall establish a greenhouse  
82 gas labeling program for motor vehicles sold in the state with a model  
83 year of 2008 or later. Greenhouse gas labels under this program shall  
84 include:

85       (1) The greenhouse gas score, as determined by the United States  
86 Environmental Protection Agency and the United States Department  
87 of Energy, presented in both a continuous bar format and a single  
88 qualitative score, or an alternative graphical representation that the  
89 Commissioner of Environmental Protection determines will more  
90 effectively convey the information to consumers;

91       (2) The average greenhouse gas score for all vehicles sold in the  
92 state;

93       (3) The average greenhouse gas score for vehicles within the same  
94 vehicle class as the vehicle to which the label is attached;

95       (4) The relative rank of the vehicle, in a ten-point scale, on lifetime  
96 greenhouse gas emissions;

97       (5) A logo identifying the label as part of a state-wide clean vehicle  
98 campaign; and

99       (6) A brief statement identifying motor vehicles as the largest source  
100 of global warming pollution in the state.

101       (b) The greenhouse gas label shall be affixed to the driver's side of  
102 the front windshield.

103       (c) No motor vehicle with a model year of 2008 or later shall be sold  
104 in the state without a greenhouse gas emissions label that meets the  
105 requirements of this section affixed to it.

106       Sec. 6. (NEW) (*Effective October 1, 2006*) The Commissioner of  
107 Environmental Protection, in consultation with the Commissioner of

108 Motor Vehicles, shall establish or contract for a public education  
 109 program regarding the sales tax adjustment pursuant to section 2 of  
 110 this act and vehicle labeling program pursuant to section 5 of this act.  
 111 This program shall also include the dissemination of information about  
 112 the environmental impact of greenhouse gas emissions from motor  
 113 vehicles and the impact of vehicle choice on vehicle greenhouse gas  
 114 emissions.

115 Sec. 7. Subdivision (115) of section 12-412 of the 2006 supplement to  
 116 the general statutes is repealed and the following is substituted in lieu  
 117 thereof (*Effective October 1, 2006*):

118 (115) On and after October 1, 2004, [and prior to October 1, 2008,]  
 119 the sale of any passenger car utilizing hybrid technology that has a  
 120 United States Environmental Protection Agency estimated highway  
 121 gasoline mileage rating of at least forty miles per gallon.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2006</i>	New section
Sec. 2	<i>October 1, 2006</i>	New section
Sec. 3	<i>October 1, 2006</i>	14-12(b) and (c)
Sec. 4	<i>October 1, 2006</i>	New section
Sec. 5	<i>October 1, 2006</i>	New section
Sec. 6	<i>October 1, 2006</i>	New section
Sec. 7	<i>October 1, 2006</i>	12-412(115)

**ENV** Joint Favorable Subst.

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

### **OFA Fiscal Note**

#### **State Impact:**

Agency Affected	Fund-Effect	FY 07 \$	FY 08 \$
Department of Environmental Protection	GF - Cost	Significant	Significant
Department of Revenue Services	GF - Revenue Loss	None	Indeterminate
Department of Revenue Services	GF - Savings	30,000	None
Department of Motor Vehicles	TF - Cost	See Below	See Below

Note: GF=General Fund; TF=Transportation Fund

#### **Municipal Impact:** None

#### **Explanation**

The bill will result in an indeterminate revenue loss to the General Fund from the Sales and Use Tax. The revenue loss is unknown because the bill does not specify the minimum score a vehicle must attain to qualify for a tax break. The state currently collects approximately \$200 million a year in sales tax from the sale of new vehicles. Therefore the revenue loss to the state could be significant depending on the number of vehicles that may qualify for the reduced sales tax rate.

It is anticipated that the Department of Revenue Services will need \$30,000 to cover one-time computer programming costs in FY 07 to make modification to the agency's integrated tax administration system.

Requiring the Department of Environmental Protection (DEP) to conduct a study and report its findings by January 1, 2007, to determine the motor vehicle greenhouse gas emission reductions necessary to meet the goals of section 22a-200a of the statutes, will require the need for outside resources or an additional ½ of an employee at a cost of \$25,000 - \$50,000 in FY 07.

It is anticipated that the DEP will incur additional costs to establish and implement a greenhouse gas labeling program. The DEP will initially require one additional employees at a full year cost of \$75,000 plus fringe benefits<sup>1</sup> to establish the program and then would require an additional employee at an annual cost of \$75,000 plus fringe benefits<sup>2</sup> a (for a total of 2) to implement and enforce the program.

It is estimated that the cost to contract out for a public education program regarding the sales tax adjustment and the vehicle labeling program could be significant. In order for the program to be effective, costs could be over \$500,000.

It is anticipated that the Department of Motor Vehicles could consult with the DEP within resources but would incur additional costs for the annual preparation and distribution of updated lists of motor vehicles subject to the sales tax adjustments in the bill.

### ***The Out Years***

The bill also makes permanent the sales tax exemption for the purchase of hybrid passenger cars that achieve at least 40 miles per gallon which will result in the state forgoing approximately \$3 million

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<sup>1</sup> The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The estimated first year fringe benefit rate as a percentage of payroll is 23.6%, effective July 1, 2005. The first year fringe benefit costs for new positions do not include pension costs. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System (SERS). The SERS 2005-06 fringe benefit rate is 34.7%, which when combined with the non pension fringe benefit rate would total 58.3%.

<sup>2</sup> The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The estimated first year fringe benefit rate as a percentage of payroll is 23.6%, effective July 1, 2005. The first year fringe benefit costs for new positions do not include pension costs. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System (SERS). The SERS 2005-06 fringe benefit rate is 34.7%, which when combined with the non pension fringe benefit rate would total 58.3%.

per year beginning in FY 09. Given current market projections for hybrid vehicles the future revenue forgone is anticipated to increase substantially as more cars sold in the state meet the requirements of the sales tax exemption.

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

**OLR Bill Analysis  
sSB 660*****AN ACT CONCERNING CLEAN CARS.*****SUMMARY:**

This bill requires the (1) Department of Environmental Protection (DEP) commissioner to establish a greenhouse gas (GHG) labeling program for certain 2008 model year and later motor vehicles, and (2) revenue services commissioner to reduce the sales tax from 6% to 3% on these motor vehicles that have low GHG emissions. It makes permanent the sales tax exemption for the purchase of hybrid passenger cars that get at least 40 miles per gallon.

EFFECTIVE DATE: October 1, 2006

**SALES TAX REDUCTION**

The bill requires the revenue services commissioner, by October 1, 2007, to reduce the sales tax by 3% on the price of 2008 model year and later motor vehicles that achieve a GHG score, as determined by the U.S. Environmental Protection Agency (EPA) and Department of Energy. But the bill does not specify the score vehicles must attain to qualify for the tax break (see COMMENT). The sales tax reduction applies only to vehicles weighing 10,000 pound or less. It applies to the vehicles' actual sales price, not reduced by the value of a trade-in or other property.

It requires the motor vehicles commissioner to annually prepare and update a list of motor vehicles subject to the sales tax reduction, and distribute it to motor vehicle dealers. He also must provide the DEP commissioner with any data she requests to carry out her duties under the bill. This data cannot include any personally identifiable information.

It requires dealers authorized to issue motor vehicle registrations to include in the bills of sale for affected vehicles a line item denoting the dollar amount of any sales tax adjustments.

### ***Motor Vehicle Registration***

The bill requires people registering a newly purchased motor vehicle subject to the bill to submit evidence to the motor vehicle commissioner that the sales tax was reduced as the bill provides. It also requires motor vehicle dealers authorized to issue new registrations to submit evidence to the DMV commissioner when they adjust the sales tax, if applicable, for each registration they issue.

### ***Exempt Vehicles***

The bill does not apply to motor vehicles that are currently exempt from the sales tax. These include (a) motor vehicles purchased, but not registered, in Connecticut by a nonresident; (2) new motor vehicles exclusively powered by clean alternative fuels; and (3) passenger cars using hybrid technology with an EPA-estimated mileage rating of at least 40 miles per gallon.

### **GHG LABELING PROGRAM**

The DEP commissioner, by October 1, 2007 and after consulting with the DMV commissioner, must create a GHG labeling program for 2008 model year and later motor vehicles. The label must be affixed to the driver's front side windshield, and include:

1. the GHG score, presented both in a continuous bar format and a single qualitative score, or an alternative graphical representation that DEP determines will effectively convey the information to consumers;
2. the average GHG score for all vehicles sold in Connecticut;
3. the average GHG score for vehicles within the same vehicle class;
4. the vehicle's relative rank, on a 10-point scale, for lifetime GHG

emissions;

5. a logo identifying the label as part of a statewide clean vehicle campaign; and
6. a brief statement identifying motor vehicles as the state's largest source of global warming.

### **Public Education Program**

The DEP commissioner, after consulting with the DMV commissioner, must establish or contract for a public education program regarding the sales tax reduction and vehicle labeling programs. The public education program must include information about the environmental impact of GHG emissions from motor vehicles and the impact of vehicle choice on vehicle GHG emissions.

### **SALES TAX EXEMPTION**

By law, passenger cars (1) using hybrid technology and with an EPA-estimated gasoline mileage rating of at least 40 mpg and (2) purchased between October 1, 2004 and October 1, 2008 are exempt from the sales tax. The bill makes the exemption permanent.

### **GHG EMISSIONS STUDY**

It requires the DEP, in consultation with the Governor's Steering Committee on Climate Change, to conduct a study, by June 1, 2006, of the motor vehicle GHG reductions needed to meet the state's climate change goals (see COMMENT). DEP must report its findings and any recommended legislation, to the Environment Committee by January 1, 2007.

### **BACKGROUND**

#### **Greenhouse Gas Score**

EPA rates cars on a scale of 0 to 10, where 10 represents the lowest amount of GHG emitted. The score is determined by the vehicle's estimated fuel economy and its fuel type. The average GHG score for 2006 is 5.

**COMMENT*****GHG Score***

The bill requires that vehicles attaining a GHG score qualify for the tax break it creates, but does not specify the score a vehicle must attain to qualify for the tax break.

***Effective Date***

The bill requires DEP, in consultation with the Governor's Steering Committee on Climate Change, to study, by June 1, 2006, the motor vehicle GHG reductions needed to meet the state's climate change goals. But this provision does not take effect until October 1, 2006.

**COMMITTEE ACTION**

Environment Committee

Joint Favorable Substitute

Yea 26 Nay 1 (03/20/2006)