

OFFICE OF FISCAL ANALYSIS

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SB-127

AN ACT CONCERNING THE SALE OF ELECTRIC VEHICLES IN THE STATE.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 22 \$	FY 23 \$
Department of Motor Vehicles	TF - Revenue Gain	Up to 20,000	Up to 20,000
Resources of the General Fund	GF - Revenue Gain	Potential	Potential

Note: GF=General Fund; TF=Transportation Fund

Municipal Impact: None

Explanation

The bill results in a potential revenue gain of up to \$20,000 to the Special Transportation Fund by expanding car dealer license eligibility to additional manufacturers, which is dependent on the number of licenses issued by the Department of Motor vehicles.

The bill also increases the potential sales tax revenue to the General Fund. The actual revenue gain in sales tax would be dependent upon any potential shift in consumer purchases from out-of-state to in-state.

Connecticut requires sales tax to be paid on vehicles registered for less than thirty days in another state upon registration of the vehicle in this state. However, Connecticut does provide a credit for out-of-state sales taxes paid if the registrant provides supporting documentation.

Of the adjacent states, Massachusetts is the only one that charges

sales tax on the purchase of motor vehicles by nonresidents.¹ Vehicle purchases from Massachusetts are therefore likely to qualify for the sales tax credit for out-of-state purchases. Any potential shift in sales from Massachusetts to Connecticut under this bill would result in the full sales tax payment in Connecticut (rather than an out-of-state sales tax credit) which results in a potential revenue gain.

The Out Years

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

¹ New York State does not currently tax purchases of motor vehicles by nonresidents. Rhode Island does not charge Connecticut residents on the purchase of motor vehicles.