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Bill to Close Luxury SUV Tax Loophole Fails on Assembly Floor

*Proponents Will Continue Push to end State Subsidy
for the Most Polluting Vehicles*

Sacramento, CA -- AB 848 (Nation), a bill to close California's tax loophole incentivizing the most polluting vehicles on the road, failed yesterday on an Assembly floor vote of 36-36. The bill, authored by Assemblymember Joe Nation (D-San Rafael) and jointly sponsored by the Steven and Michele Kirsch Foundation and California State Controller Steve Westly, would eliminate the state's reward for buying the most polluting vehicles on the road and put them on comparable tax footing to other cars and trucks. Instead of a harmful incentive, the bill would provide a \$1,000 tax credit toward the purchase of hybrids and other clean vehicles. Though the legislation failed passage yesterday, its proponents will continue to push for this common sense change to California's treatment of vehicle purchases in this session.

"California's taxpayers who want to breathe cleaner air, who are concerned about our increasing reliance on petroleum, and who wish to stem global warming should be disheartened at the vote," stated Assemblymember Joe Nation. "There is no reason that California should continue subsidizing the purchase of the dirtiest vehicles on the road when there is a revenue neutral alternative to incentivize the cleanest."

The current California tax incentive structure allocates scarce state resources for the purchase of upscale brand SUVs. Current law compensates businesses for buying the most polluting vehicles in luxury brands such as Porsche, BMW, Land Rover, Hummer, Mercedes-Benz, and Lincoln. In the current budgetary environment, incentive funds could be much more targeted to maximize the public benefit. The state has an opportunity to retarget its vehicle incentives through AB 848 to reward the purchase of the most environmentally advantageous vehicles, as opposed to the least beneficial.

"Denying energy efficient car owners a tax credit is something even George Orwell couldn't have dreamed up," Westly said. "It's time to end this outrageous policy so drivers have tax fairness and the environment is preserved."

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Existing California law conforms to federal law by specifically encouraging the purchase of large vehicles (mostly SUVs) through accelerated depreciation and other tax incentives that regular vehicles do not qualify for. Both federal and California grant significant tax benefits to such purchases beyond those granted to lighter vehicles. AB 848 puts SUV purchases on closer tax footing to other vehicles, and provides a tax credit to the purchase of hybrids and other clean vehicles.

“The bill does not seek to tax SUVs, overall, more than any other vehicle,” said Todd Dipaola, Senior Associate Public Policy with the Kirsch Foundation. “Just the opposite is the case. AB 848 changes California tax code so that purchases of vehicles over 6000 lbs. and under 6000 lbs ultimately pay comparable taxes. California has no logical reason to push people to buy larger vehicles that ultimately cost the state more in and road maintenance and health care costs from pollution.”

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