LEGISLATIVE FISCAL ESTIMATE TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR **ASSEMBLY, Nos. 825 and 1929**

STATE OF NEW JERSEY

DATED: AUGUST 29, 1997

Assembly Committee Substitute for Assembly Bill Numbers 825 of 1996 and 1929 of 1997 would exempt receipts from the sale of "ultra low emissions" vehicles and "super ultra low emissions" vehicles from the sales and use tax. These vehicles would be so certified under rules established by the California Air Resources Board (CARB) or the federal Environmental Protection Agency (EPA) according to the bill. The exemption proposed in the bill would be allowed for five calendar years commencing after the date of enactment.

The Office of Legislative Services (OLS) observes the federal EPA is in the final stage of promulgating a new National Low Emission Vehicle (NLEV) program under the authority of the federal Clean Air Act. The new emissions regulations for the manufacture and sale of new automobiles and light trucks (minivans, full size vans and pickups) in the United States are expected to be approved by the end of the summer of 1997. The emissions regulations will be phased in over a period of time that will be set at the time of the final approval. The fiscal impact of the bill will depend on the final form of the regulations as well as production and marketing decisions made by the automobile producers and by consumer purchase decisions.

The goal of the new emissions program is to harmonize varying emissions standards in the nation into a single national standard early in the 21st century. The introduction of ultra low emissions vehicles (ULEV) will start initially in California and the northeast states. It is reported one automobile manufacturer expects to sell about 20,000 ULEV automobiles in California and the northeast states in model year 1998. If the bill is enacted in 1997, the State could expect to lose sales tax revenues immediately. If 10 percent of the announced ULEV's are sold in New Jersey, the initial sales tax loss might be as much as $2.5 million if the vehicles are sold in calendar year 1998. The amount of loss would continue to grow during the 5 year duration of the proposed exemption because all manufacturers are expected to sell certified ULEV units in the midatlantic-northeast regions ahead of other states.

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.