

Memorandum

315.0150

To: Mr. Don Fillman

November 13, 1992

From: Gordon P. Adelman

Subject: Annotation – Low Emission Motor Vehicles and Retrofit Devices

Attached is the annotation for the above. You may wish to abbreviate it further.

GPA:sr

Attach.

Annotation

Low Emission Motor Vehicles and Retrofit Devices

Pursuant to Section 6356.5(a), Revenue and Taxation Code, incremental costs of the sale of and the storage, use, or other consumption in this state of low emission motor vehicles certified by the Air Resources Board are exempt from tax provided the incremental cost is separately stated on the manufacturer's label affixed to the vehicle, the manufacturer's invoice to the retailer, and the retailer's contract of sale with the purchaser. Incremental cost is the difference between the actual price of a new low emission vehicle and the manufacturer's suggested retail price for a comparably equipped conventional fuel vehicle.

Pursuant to Section 6356.5(b), Revenue and Taxation Code, the sale of, and the storage, use or other consumption in this state of any retrofit device is exempt from tax provided low emission labeling appears on the device itself or its packaging, the documentation from the manufacturer to be retained by the retailer upon sale, and the retailer's contract of sale with the customer.

A retrofit device is exempt when sold as a kit or when installed on a customer's vehicle. The labor to install will generally qualify as exempt installation or repair labor. If the dealer purchases a vehicle, installs the retrofit device and sells the vehicle with the device, the vehicle does not qualify as a new low emission vehicle, nor is it a sale of a retrofit device, and the entire selling price of the used vehicle is a taxable transaction not exempt pursuant to Section 6356.5(a) or (b).