



Sales and Use Tax Exemptions for Purchases or Leases of Fuel-Efficient Passenger Motor Vehicles

Purpose: This Informational Publication describes two sales and use tax exemptions for purchases and leases of fuel-efficient passenger motor vehicles. The exemption for hybrid passenger vehicles will not apply to sales made on or after October 1, 2008. In addition, a section has been added addressing purchases of accessories or service contracts in connection with a purchase or lease of a fuel-efficient vehicle.

Effective Dates: The exemption under Conn. Gen. Stat. §12-412(115) for purchases or leases of hybrid passenger cars is effective for purchases or leases occurring on or after October 1, 2004, and on or before September 30, 2008.

The exemption under Conn. Gen. Stat. §12-412(110) for purchases or leases of high miles per gallon (mpg) passenger motor vehicles is effective for purchases or leases occurring on or after January 1, 2008, and on or before June 30, 2010.

Statutory Authority: Conn. Gen. Stat. §12-412(110), as amended by 2007 Conn. Pub. Acts 242, §20 and 2007 Conn. Pub. Acts 4, §72 (June Spec. Sess.), Conn. Gen. Stat. § 12-412(115), Conn. Gen. Stat. §12-407(a)(37)(CC), and Conn. Agencies Regs. §12-407(2)(i)(DD)-1.

Guidance for Both Exemptions: The two sales and use tax exemptions described in this publication apply to purchases or leases of fuel-efficient passenger motor vehicles.

Passenger motor vehicles are frequently offered in different configurations (such as different choices of engine, transmission, and other major options) and the configurations may impact whether a particular

passenger motor vehicle qualifies for this exemption. Therefore, the **current** United States Environmental Protection Agency (USEPA) ratings for the particular passenger motor vehicle being purchased or leased **must be reviewed** to determine if it qualifies for exemption.

In determining whether passenger cars have a certain USEPA mpg rating and, thus, whether their purchase or lease is exempt from Connecticut sales and use taxes, DRS is using the improved method USEPA put into place, beginning with model year 2008, to determine mpg ratings. The improved methodology results in mpg ratings that more accurately represent real world driving conditions. For most vehicles, the improved methodology means a lower mpg rating than would have resulted from the old method. DRS is using the improved method for all vehicles purchased or leased on or after January 1, 2008, including pre-model year 2008 vehicles.

The exemptions apply to the purchase or lease of a new or used qualifying passenger motor vehicle from a motor vehicle dealer and to the purchase of a used qualifying passenger motor vehicle directly from a non-dealer owner.

Accessories and Service Contracts: Accessories that are part of the selling price of an exempt vehicle are also exempt. However, any accessories sold after the original sale of the vehicle are taxable.

Sales of service contracts, such as extended warranties or repair contracts, are taxable even if the purchase or lease of the vehicle is exempt under Conn. Gen. Stat. §12-412(110) or §12-412(115). An exception is if a nonresident of Connecticut purchases a service contract after the original purchase of the vehicle, in which case the contract is considered to be sold at the location the vehicle is registered.

The Exemption for Hybrid Passenger Cars:

Purchases or leases of hybrid passenger cars that meet the following conditions qualify for exemption under Conn. Gen. Stat. §12-412(115). This exemption for hybrid passenger cars will not apply to sales made on or after October 1, 2008. For all model years:

- The passenger car must be a hybrid passenger car;
- The passenger car must have a USEPA estimated highway mileage rating of at least 40 mpg; **and**
- The sale must occur on or after October 1, 2004, and on or before September 30, 2008. Lease payments qualify for exemption for that portion of the lease term that is on or after October 1, 2004, and on or before September 30, 2008.

For model years 2004 or later, a *hybrid passenger car* is defined as a passenger car or light truck that draws acceleration energy from two onboard sources of stored energy and that is certified to meet or exceed the federal Tier II bin 5 low emission vehicle classification. The two onboard sources of stored energy in a hybrid car are an internal combustion or heat engine using combustible fuel and a rechargeable energy storage system. A **motorcycle is not a passenger car** and so purchases and leases of motorcycles do not qualify for this exemption.

Federal Low Emission Vehicle Classifications:

The rule of thumb on the federal Tier II standards is the lower the bin number, the cleaner the vehicle.

Thus, Tier II bin 1 is a zero-emission vehicle (ZEV), the cleanest federal Tier II standard, while Tier II bins 2 through 4 are cleaner than the average standard and Tier II bin 5 is the average of the Tier II standards. Tier II bins 6 through 9, which do not qualify for this exemption, are not as clean as the average requirement for a Tier II vehicle.

Many automakers list the emission standards for their vehicles under the *Vehicle Specs* sections of their websites. Some vehicles have stickers or window decals identifying the certification level. All vehicles, however, have a mandatory under-the-hood label that identifies the emission standard(s).

Purchases and leases of the following hybrid passenger cars qualify for exemption under Conn. Gen. Stat. §12-412(115):

- Honda Civic Hybrid for model years 2003, 2004, 2005, 2006, 2007, and 2008;
- Honda Insight for model years 2000, 2001, 2002, 2003, 2004, 2005, and 2006; **and**

- Toyota Prius for model years 2001, 2002, 2003, 2004, 2005, 2006, 2007, and 2008.

The Exemption for High MPG Passenger Motor Vehicles:

Purchases and leases of passenger motor vehicles that meet the following conditions qualify for exemption under Conn. Gen. Stat. §12-412(110):

- The vehicle must be a passenger motor vehicle, as defined in Conn. Gen. Stat. § 14-1(63). A **motorcycle is not a passenger motor vehicle** and so purchases and leases of motorcycles do not qualify for this exemption. A passenger motor vehicle may, but need not be, a hybrid passenger car;
- The vehicle must have a USEPA estimated city or highway mileage rating of at least 40 miles per gallon; **and**
- The purchase or lease must occur on or after January 1, 2008, and on or before June 30, 2010. The exemption applies to lease payments for that portion of the lease term that is on or after January 1, 2008, and on or before June 30, 2010.

Purchases and leases of 2009 model year passenger motor vehicles are exempt if the vehicle has a USEPA estimated city or highway mileage of at least 40 miles per gallon. This can be determined either by the Fuel Economy Label attached to the window of a new vehicle or by searching for the vehicle with the appropriate configuration, such as fuel type or transmission type as described above, at www.fueleconomy.gov/feg/findacar.htm.

Purchases and leases of the following pre-2009 passenger motor vehicles qualify for exemption under Conn. Gen. Stat. §12-412(110) as long as the purchases and leases occur on or after January 1, 2008, and on or before June 30, 2010. Both automatic and manual transmissions of the models listed below qualify unless designated otherwise:

- Chevrolet Metro (3 cylinder only) for model years 1998 and 1999;
- Chevrolet Sprint (manual only) for model years 1990 (not the Turbo model), 1991, 1992, and 1994;
- Geo Metro (3 cylinder manual only) for model years 1990, 1991, 1992, 1993, 1994, 1995, 1996, and 1997;
- Honda Civic (8-valve) for model years 1992, 1993, and 1994;
- Honda Civic (EGR/2-VLV (FFS)) for model year 1995;
- Honda Civic CRX HF for model years 1990 and 1991;

- Honda Civic HB VX for model years 1992, 1993, 1994, and 1995;
- Honda Civic Hybrid for model years 2003, 2004, 2005, 2006, 2007, and 2008;
- Honda Civic HX for model years 1996 and 2002 (manual only);
- Honda Insight for model years 2000, 2001, 2002, 2003, 2004, 2005, and 2006;
- Mercedes Benz Smart Fortwo for model year 2008;
- Pontiac Firefly (manual only) for model years 1990, 1991, 1992, and 1994;
- Suzuki Swift (3 cylinder manual only) for model years 1990, 1991, 1992, 1993, and 1995;
- Toyota Prius for model years 2001, 2002, 2003, 2004, 2005, 2006, 2007, and 2008;
- Volkswagen Golf/GTI (diesel) for model years 1996 and 1997;
- Volkswagen New Golf (diesel) for model years 1999, 2000, 2001, 2002, 2003, 2004 (manual only), 2005 (manual only), and 2006;
- Volkswagen Jetta (diesel) for model years 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004 (manual only), and 2005 (manual only);
- Volkswagen New Jetta (diesel) for model year 1999;
- Volkswagen Jetta Wagon (diesel) for model years 2002, 2003, and 2004 (manual only);
- Volkswagen New Beetle (diesel) for model years 1998 (manual only), 1999, 2000, 2001, 2002 (manual only), 2003 (manual only), 2004 (manual only), 2005 (manual only), and 2006 (manual only);
- Volkswagen Passat (diesel) for model years 1996 and 1998 (manual only); **and**
- Volkswagen Passat Wagon (diesel) for model years 1996 and 1998 (manual only).

Effect on Other Documents: Informational Publication 2008(14), *Sales and Use Tax Exemptions for Purchases or Leases of Fuel-Efficient Passenger Motor Vehicles*, is modified and superseded.

Effect of This Document: An Informational Publication issued by the Department of Revenue Services (DRS) addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

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For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Visit the DRS website at **www.ct.gov/DRS** to download and print Connecticut tax forms; **or**
 - **Telephone:** Call **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only) and select **Option 2** from a touch-tone phone, or call **860-297-4753** (from anywhere).
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