

**DEPARTMENT OF TAXATION  
2025 Fiscal Impact Statement**

1. **Patron** Tim Griffin

2. **Bill Number** HB 2408

3. **Committee** House Finance

**House of Origin:**

  x   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Individual and Corporate Income Tax: Tax  
Credit for Vehicle Emissions Testing  
Equipment

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would expand the Tax Credit for Vehicle Emission Testing Equipment to allow a tax credit equal to ten percent of the purchase price of a vehicle with an internal combustion engine that is principally garaged in Virginia. Current law allows a tax credit for twenty percent of the purchase or lease price paid during the taxable year for certain vehicle emission testing equipment.

If enacted during the regular session of the 2025 General Assembly, this bill would be effective for taxable years beginning on and after January 1, 2025.

6. **Budget amendment necessary:** Yes.

Item(s): Page 1, Revenue Estimates

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

**8. Fiscal implications:**

Administrative Costs

The Department of Taxation (“the Department”) considers implementation of this bill as routine and does not require additional funding.

Revenue Impact

This bill would have an unknown negative General Fund revenue impact beginning in Fiscal Year 2026 and each year thereafter. This credit would include the purchase of vehicles powered by an internal combustion engine and principally garaged in Virginia. This would include:

- Light-duty vehicles, and
- Heavy-duty vehicles.

To the extent that this bill would apply to light-duty vehicles such as cars, certain vans, and pickup trucks with internal combustion engines principally garaged in Virginia, this bill could have a negative General Fund revenue impact of approximately \$1.42 billion to \$2.76 billion annually. However, due to data limitations, the uncertain nature of the technology and prices in the evolving car market, and the effect that this tax credit might have on taxpayer behavior, a more precise estimate could not be determined.

To the extent that this bill applies to heavy-duty vehicles with internal combustion engines principally garaged in Virginia, the unknown revenue loss would be greater. The number of heavy-duty vehicles in Virginia and their purchase prices are unknown.

**9. Specific agency or political subdivisions affected:**

Department of Taxation

**10. Technical amendment necessary:** No.

**11. Other comments:**

Federal Law

Federal law offers several tax credits to incentivize the adoption of electric and alternative fuel vehicles:

- The Energy Policy Act of 2005 (P.L.109-58) included tax credits for hybrid vehicles and various alternative fuel vehicles.
- The Energy Improvement and Extension Act of 2008 (P.L.110-343) enacted the credit for plug-in electric vehicles (“EV’s”).

The Inflation Reduction Act 2022 (P.L.117-169) modified tax credits for EVs and fuel cell vehicles. EVs purchased before August 16, 2022, may qualify for a tax credit of up to \$7,500. Post-August 16, 2022, only vehicles with final assembly in North America are eligible. The law also enacted new tax credits for both used and commercial clean vehicles.

Virginia Vehicle Emissions Testing Equipment Tax Credit

From 1997 to 2014 the Vehicle Emissions Testing Equipment, Clean-Fuel Vehicle and Certain Refueling Property Tax Credit provided a corporation, individual, or public service corporation with a tax credit equal to:

- Ten percent of:
  - The deduction allowed under Section 179A of the Internal Revenue Code (“IRC”) for purchases of clean-fuel vehicles principally garaged in Virginia or certain refueling property placed in service in Virginia, or
  - The costs used to compute the credit under Section 30 of the IRC, and
- Twenty percent of the purchase or lease price paid during the taxable year for certain vehicle emission testing equipment.

However, Sections 179A and 30 of the IRC were repealed in 2014 (Public Law 113-295). As a result, the ten percent credits described above were no longer available for Virginia income tax purposes. Only the twenty percent credit for certain vehicle emissions testing equipment remains available.

To qualify for the twenty percent credit, the equipment must be certified by the Department of Environmental Quality for vehicle emissions testing within a locality that is required by law to implement an enhanced vehicle emissions inspection program or within any locality adjacent to those localities required to implement the program.

Credits granted to a partnership or S corporation are passed through to the partners or shareholders, respectively. If the credit exceeds the tax liability in a year, the credit may be carried forward up to five succeeding years.

### Proposed Legislation

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cc : Secretary of Finance

Date: 01/23/2025 JPJ  
HB2408F161