Increasing Electric Vehicle Adoption in the Second-Hand Market

Plug-in electric vehicles (PEVs) save consumers money, promote healthy air and are powered with cleaner, more affordable, domestic electricity. Given these benefits, it’s no surprise that there are more than 275,000 of these clean PEVs on the road in California today.\(^1\) To achieve the California goal of 1.5 million zero-emission vehicles (ZEVs) on the road by 2025, there must be more rapid adoption of these vehicles, including within the second-hand market, or used car markets. Ensuring there are new and used vehicles on the road broadens the visibility of these vehicles amongst all consumers.

California currently has two PEV markets: one for new vehicles, and one for used vehicles. While policies exist to encourage consumers to purchase new vehicles, many consumers, particularly those in disadvantaged communities, will still choose to purchase a used vehicle. The following outlines the current and proposed policies for consumers to purchase a used PEV. For comparison, the policies for consumers to purchase a new PEV are also listed. The proposed legislation for second-hand vehicles seeks to create parity with those policies for new vehicles.

Policies and Programs to Encourage the Purchase of a USED PEV

1. **Sales tax exemption:** This proposed bill would create a sales tax exemption for the second-hand purchase of a PEV for certain qualified buyers. Since this is a point-of-purchase incentive, the policy is simple and easy for dealers to implement and consumers to understand. This proposed legislation is a win-win for California because:

   - This allows for money to be put immediately back in the pockets of these low-income consumers.
   - The definition of “qualified buyer” ensures this sales tax exemption truly only applies to those Californians that need this financial assistance. The buyer must trade in a vehicle of model year 2009 or older, and have been in possession of the vehicle for 12 months prior to the trade-in.
   - The definition of “qualified buyer” ensures a 1:1 removal of dirty, less efficient vehicles from the road with a clean PEV, helping to effectively meet California’s climate goals.

A sales tax exemption is a powerful, and proven, incentive to help drivers make the switch to PEVs.\(^2\) Since first-time purchases of PEVs are often leased on three year terms, encouraging the second-hand purchase of these vehicles through a sales tax exemption will greatly increase the purchase of PEVs in the second-hand market and put more of these clean vehicles on the road.

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\(^1\) Data from hybridcars.com, from 2011 through January 2017.

2. Rebates: Existing law provides a rebate up to $1,500 for the purchase of a used PEV through the Enhanced Fleet Modernization Program (EFMP) & Plus-Up Project to those residents in disadvantaged communities, but not for other low-income residents in California outside of these disadvantaged communities. These funds are also subject to the availability of Greenhouse Gas Reduction Funds, creating huge market uncertainty.

Policies and Programs to Encourage the Purchase of a NEW PEV

1. Rebates: The current Clean Vehicle Rebate Project (CVRP) addresses the purchase of a new car, up to $2,500. Funding is provided through Greenhouse Gas Reduction Funds (GGRF). However, funds are often depleted quickly, creating uncertainty of the future availability of the rebate for consumers.\(^3\) Existing law also provides an additional rebate of $1,500 to low-income customers purchasing a new vehicle through the Enhanced Fleet Modernization Program (EFMP) & Plus-Up Project.

2. Various Air Quality District Programs: The California air quality management districts may offer additional programs for the purchase of a new PEV. For example, certain low-income vehicle purchasers in the South Coast Management District may be eligible for the “Replace Your Ride” program by replacing an older, high-polluting vehicle with a PEV.\(^4\)

Policies and Programs to Encourage the Purchase of a NEW or USED PEV

1. The three CA Investor Owned Utility EV Pilot Programs all aim to install more charging infrastructure, particularly at the workplace, multi-unit dwellings and in disadvantaged communities.

About Plug In America

Plug In America is the nation’s leading independent consumer voice for accelerating the use of plug-in electric vehicles in the United States to consumers, policymakers, auto manufacturers and others. Formed as a non-profit in 2008, Plug In America provides practical, objective information collected from our coalition of plug-in vehicle drivers, through public outreach and education, policy work and a range of technical advisory services. Our expertise represents the world’s deepest pool of experience of driving and living with plug-in vehicles. The organization conceived National Drive Electric Week. We drive electric. You can too. www.pluginamerica.org

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\(^3\) The most recent approval of GGRF for these programs is as follows: $133M to the CVRP; $80M to the Enhanced Fleet Modernization Program, Plus-Up Pilot Project and up to $20 million of this amount may be used for other light-duty equity pilot projects.

\(^4\) https://www.replaceyourride.com/Home.aspx