

**EXTENSION OF TAX CREDITS FOR ENERGY EFFICIENT
VEHICLES**

2015 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: V. Lowry Snow

Senate Sponsor: _____

LONG TITLE

General Description:

This bill extends tax credits for energy efficient vehicles.

Highlighted Provisions:

This bill:

- extends tax credits for energy efficient vehicles.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

59-7-605, as last amended by Laws of Utah 2014, Chapter 125

59-10-1009, as last amended by Laws of Utah 2014, Chapter 125

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **59-7-605** is amended to read:

59-7-605. Definitions -- Tax credits related to energy efficient vehicles.

(1) As used in this section:

(a) "Air quality standards" means that a vehicle's emissions are equal to or cleaner than



28 the standards established in bin 4 in Table S04-1, of 40 C.F.R. 86.1811-04(c)(6).

29 (b) "Board" means the Air Quality Board created under Title 19, Chapter 2, Air
30 Conservation Act.

31 (c) "Certified by the board" means that:

32 (i) a motor vehicle on which conversion equipment has been installed meets the
33 following criteria:

34 (A) before the installation of conversion equipment, the vehicle does not exceed the
35 emission cut points for a transient test driving cycle, as specified in 40 C.F.R. Part 51,
36 Appendix E to Subpart S, or an equivalent test for the make, model, and year of the vehicle;
37 and

38 (B) as a result of the installation of conversion equipment on the motor vehicle, the
39 motor vehicle has reduced emissions; or

40 (ii) special mobile equipment on which conversion equipment has been installed has
41 reduced emissions.

42 (d) "Clean fuel grant" means a grant awarded under Title 19, Chapter 1, Part 4, Clean
43 Fuels and Vehicle Technology Program Act, for reimbursement of a portion of the incremental
44 cost of an OEM vehicle or the cost of conversion equipment.

45 (e) "Conversion equipment" means equipment referred to in Subsection (2)(c) or (d).

46 (f) "OEM vehicle" has the same meaning as in Section [19-1-402](#).

47 (g) "Original purchase" means the purchase of a vehicle that has never been titled or
48 registered and has been driven less than 7,500 miles.

49 (h) "Qualifying electric vehicle" means a vehicle that:

50 (i) meets air quality standards;

51 (ii) is not fueled by natural gas;

52 (iii) is fueled by electricity only; and

53 (iv) is an OEM vehicle except that the vehicle is fueled by a fuel described in
54 Subsection (1)(h)(iii).

55 (i) "Qualifying plug-in hybrid vehicle" means a vehicle that:

56 (i) meets air quality standards;

57 (ii) is not fueled by natural gas or propane;

58 (iii) has a battery capacity that meets or exceeds the battery capacity described in

59 Section 30D(b)(3), Internal Revenue Code; and

60 (iv) is fueled by a combination of electricity and:

61 (A) diesel fuel;

62 (B) gasoline; or

63 (C) a mixture of gasoline and ethanol.

64 (j) "Reduced emissions" means:

65 (i) for purposes of a motor vehicle on which conversion equipment has been installed,
66 that the motor vehicle's emissions of regulated pollutants, when operating on a fuel listed in
67 Subsection (2)(d)(i) or (ii), is less than the emissions were before the installation of the
68 conversion equipment, as demonstrated by:

69 (A) certification of the conversion equipment by the federal Environmental Protection
70 Agency or by a state that has certification standards recognized by the board;

71 (B) testing the motor vehicle, before and after installation of the conversion equipment,
72 in accordance with 40 C.F.R. Part 86, Control of Emissions from New and In-use Highway
73 Vehicles and Engines, using all fuel the motor vehicle is capable of using;

74 (C) for a retrofit natural gas vehicle that is retrofit in accordance with Section
75 19-1-406, testing that as a result of the retrofit, the retrofit natural gas vehicle satisfies the
76 emission standards applicable under Section 19-1-406; or

77 (D) any other test or standard recognized by board rule, made in accordance with Title
78 63G, Chapter 3, Utah Administrative Rulemaking Act; or

79 (ii) for purposes of special mobile equipment on which conversion equipment has been
80 installed, that the special mobile equipment's emissions of regulated pollutants, when operating
81 on fuels listed in Subsection (2)(d)(i) or (ii), is less than the emissions were before the
82 installation of conversion equipment, as demonstrated by:

83 (A) certification of the conversion equipment by the federal Environmental Protection
84 Agency or by a state that has certification standards recognized by the board; or

85 (B) any other test or standard recognized by board rule, made in accordance with Title
86 63G, Chapter 3, Utah Administrative Rulemaking Act.

87 (k) "Special mobile equipment":

88 (i) means any mobile equipment or vehicle that is not designed or used primarily for
89 the transportation of persons or property; and

90 (ii) includes construction or maintenance equipment.

91 (2) For ~~the~~ taxable ~~year~~ years beginning on or after January 1, 2015, but beginning
92 on or before December 31, ~~2015~~ 2016, a taxpayer may claim a tax credit against tax
93 otherwise due under this chapter or Chapter 8, Gross Receipts Tax on Certain Corporations Not
94 Required to Pay Corporate Franchise or Income Tax Act, in an amount equal to:

95 (a) (i) for the original purchase of a new qualifying electric vehicle that is registered in
96 this state, the lesser of:

97 (A) \$1,500; or

98 (B) 35% of the purchase price of the vehicle; or

99 (ii) for the original purchase of a new qualifying plug-in hybrid vehicle that is
100 registered in this state, \$1,000;

101 (b) for the original purchase of a new vehicle fueled by natural gas or propane that is
102 registered in this state, the lesser of:

103 (i) \$1,500; or

104 (ii) 35% of the purchase price of the vehicle;

105 (c) 50% of the cost of equipment for conversion, if certified by the board, of a motor
106 vehicle registered in this state minus the amount of any clean fuel grant received, up to a
107 maximum tax credit of \$1,500 per motor vehicle, if the motor vehicle is to:

108 (i) be fueled by propane, natural gas, or electricity;

109 (ii) be fueled by other fuel the board determines annually on or before July 1 to be at
110 least as effective in reducing air pollution as fuels under Subsection (2)(c)(i); or

111 (iii) meet the federal clean-fuel vehicle standards in the federal Clean Air Act
112 Amendments of 1990, 42 U.S.C. Sec. 7521 et seq.;

113 (d) 50% of the cost of equipment for conversion, if certified by the board, of a special
114 mobile equipment engine minus the amount of any clean fuel grant received, up to a maximum
115 tax credit of \$1,000 per special mobile equipment engine, if the special mobile equipment is to
116 be fueled by:

117 (i) propane, natural gas, or electricity; or

118 (ii) other fuel the board determines annually on or before July 1 to be:

119 (A) at least as effective in reducing air pollution as the fuels under Subsection (2)(d)(i);

120 or

121 (B) substantially more effective in reducing air pollution than the fuel for which the
122 engine was originally designed; and

123 (e) for a lease of a vehicle described in Subsection (2)(a) or (b), an amount equal to the
124 product of:

125 (i) the amount of tax credit the taxpayer would otherwise qualify to claim under
126 Subsection (2)(a) or (b) had the taxpayer purchased the vehicle, except that the purchase price
127 described in Subsection (2)(a)(i)(B) or (2)(b)(ii) is considered to be the value of the vehicle at
128 the beginning of the lease; and

129 (ii) a percentage calculated by:

130 (A) determining the difference between the value of the vehicle at the beginning of the
131 lease, as stated in the lease agreement, and the value of the vehicle at the end of the lease, as
132 stated in the lease agreement; and

133 (B) dividing the difference determined under Subsection (2)(e)(ii)(A) by the value of
134 the vehicle at the beginning of the lease, as stated in the lease agreement.

135 (3) (a) The board shall:

136 (i) determine the amount of tax credit a taxpayer is allowed under this section; and

137 (ii) provide the taxpayer with a written certification of the amount of tax credit the
138 taxpayer is allowed under this section.

139 (b) A taxpayer shall provide proof of the purchase or lease of an item for which a tax
140 credit is allowed under this section by:

141 (i) providing proof to the board in the form the board requires by rule;

142 (ii) receiving a written statement from the board acknowledging receipt of the proof;

143 and

144 (iii) retaining the written statement described in Subsection (3)(b)(ii).

145 (c) A taxpayer shall retain the written certification described in Subsection (3)(a)(ii).

146 (4) Except as provided by Subsection (5), the tax credit under this section is allowed
147 only:

148 (a) against a tax owed under this chapter or Chapter 8, Gross Receipts Tax on Certain
149 Corporations Not Required to Pay Corporate Franchise or Income Tax Act, in the taxable year
150 by the taxpayer;

151 (b) for the taxable year in which a vehicle described in Subsection (2)(a) or (b) is

152 purchased, a vehicle described in Subsection (2)(e) is leased, or conversion equipment
153 described in Subsection (2)(c) or (d) is installed; and

154 (c) once per vehicle.

155 (5) A taxpayer may not assign a tax credit under this section to another person.

156 (6) If the amount of a tax credit claimed by a taxpayer under this section exceeds the
157 taxpayer's tax liability under this chapter or Chapter 8, Gross Receipts Tax on Certain
158 Corporations Not Required to Pay Corporate Franchise or Income Tax Act, for a taxable year,
159 the amount of the tax credit exceeding the tax liability may be carried forward for a period that
160 does not exceed the next five taxable years.

161 (7) In accordance with any rules prescribed by the commission under Subsection (8),
162 the commission shall transfer at least annually from the General Fund into the Education Fund
163 the amount by which the amount of tax credit claimed under this section for a taxable year
164 exceeds \$500,000.

165 (8) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
166 commission may make rules for making a transfer from the General Fund into the Education
167 Fund as required by Subsection (7).

168 Section 2. Section **59-10-1009** is amended to read:

169 **59-10-1009. Definitions -- Tax credits related to energy efficient vehicles.**

170 (1) As used in this section:

171 (a) "Air quality standards" means that a vehicle's emissions are equal to or cleaner than
172 the standards established in bin 4 in Table S04-1, of 40 C.F.R. 86.1811-04(c)(6).

173 (b) "Board" means the Air Quality Board created in Title 19, Chapter 2, Air
174 Conservation Act.

175 (c) "Certified by the board" means that:

176 (i) a motor vehicle on which conversion equipment has been installed meets the
177 following criteria:

178 (A) before the installation of conversion equipment, the vehicle does not exceed the
179 emission cut points for a transient test driving cycle, as specified in 40 C.F.R. Part 51,
180 Appendix E to Subpart S, or an equivalent test for the make, model, and year of the vehicle;
181 and

182 (B) as a result of the installation of conversion equipment on the motor vehicle, the

183 motor vehicle has reduced emissions; or

184 (ii) special mobile equipment on which conversion equipment has been installed has
185 reduced emissions.

186 (d) "Clean fuel grant" means a grant a claimant, estate, or trust receives under Title 19,
187 Chapter 1, Part 4, Clean Fuels and Vehicle Technology Program Act, for reimbursement of a
188 portion of the incremental cost of the OEM vehicle or the cost of conversion equipment.

189 (e) "Conversion equipment" means equipment referred to in Subsection (2)(c) or (d).

190 (f) "OEM vehicle" has the same meaning as in Section [19-1-402](#).

191 (g) "Original purchase" means the purchase of a vehicle that has never been titled or
192 registered and has been driven less than 7,500 miles.

193 (h) "Qualifying electric vehicle" means a vehicle that:

194 (i) meets air quality standards;

195 (ii) is not fueled by natural gas;

196 (iii) is fueled by electricity only; and

197 (iv) is an OEM vehicle except that the vehicle is fueled by a fuel described in

198 Subsection (1)(h)(iii).

199 (i) "Qualifying plug-in hybrid vehicle" means a vehicle that:

200 (i) meets air quality standards;

201 (ii) is not fueled by natural gas or propane;

202 (iii) has a battery capacity that meets or exceeds the battery capacity described in

203 Section 30D(b)(3), Internal Revenue Code; and

204 (iv) is fueled by a combination of electricity and:

205 (A) diesel fuel;

206 (B) gasoline; or

207 (C) a mixture of gasoline and ethanol.

208 (j) "Reduced emissions" means:

209 (i) for purposes of a motor vehicle on which conversion equipment has been installed,

210 that the motor vehicle's emissions of regulated pollutants, when operating on a fuel listed in

211 Subsection (2)(d)(i) or (ii), is less than the emissions were before the installation of the

212 conversion equipment, as demonstrated by:

213 (A) certification of the conversion equipment by the federal Environmental Protection

214 Agency or by a state that has certification standards recognized by the board;

215 (B) testing the motor vehicle, before and after installation of the conversion equipment,
216 in accordance with 40 C.F.R. Part 86, Control of Emissions from New and In-use Highway
217 Vehicles and Engines, using all fuel the motor vehicle is capable of using;

218 (C) for a retrofit natural gas vehicle that is retrofit in accordance with Section
219 19-1-406, testing that as a result of the retrofit, the retrofit natural gas vehicle satisfies the
220 emission standards applicable under Section 19-1-406; or

221 (D) any other test or standard recognized by board rule, made in accordance with Title
222 63G, Chapter 3, Utah Administrative Rulemaking Act; or

223 (ii) for purposes of special mobile equipment on which conversion equipment has been
224 installed, that the special mobile equipment's emissions of regulated pollutants, when operating
225 on fuels listed in Subsection (2)(d)(i) or (ii), is less than the emissions were before the
226 installation of conversion equipment, as demonstrated by:

227 (A) certification of the conversion equipment by the federal Environmental Protection
228 Agency or by a state that has certification standards recognized by the board; or

229 (B) any other test or standard recognized by board rule, made in accordance with Title
230 63G, Chapter 3, Utah Administrative Rulemaking Act.

231 (k) "Special mobile equipment":

232 (i) means any mobile equipment or vehicle not designed or used primarily for the
233 transportation of persons or property; and

234 (ii) includes construction or maintenance equipment.

235 (2) For ~~the~~ taxable ~~year~~ years beginning on or after January 1, 2015, but beginning
236 on or before December 31, ~~2015~~ 2016, a claimant, estate, or trust may claim a nonrefundable
237 tax credit against tax otherwise due under this chapter in an amount equal to:

238 (a) (i) for the original purchase of a new qualifying electric vehicle that is registered in
239 this state, the lesser of:

240 (A) \$1,500; or

241 (B) 35% of the purchase price of the vehicle; or

242 (ii) for the original purchase of a new qualifying plug-in hybrid vehicle that is
243 registered in this state, \$1,000;

244 (b) for the original purchase of a new vehicle fueled by natural gas or propane that is

245 registered in this state, the lesser of:

246 (i) \$1,500; or

247 (ii) 35% of the purchase price of the vehicle;

248 (c) 50% of the cost of equipment for conversion, if certified by the board, of a motor
249 vehicle registered in this state minus the amount of any clean fuel conversion grant received, up
250 to a maximum tax credit of \$1,500 per vehicle, if the motor vehicle:

251 (i) is to be fueled by propane, natural gas, or electricity;

252 (ii) is to be fueled by other fuel the board determines annually on or before July 1 to be
253 at least as effective in reducing air pollution as fuels under Subsection (2)(c)(i); or

254 (iii) will meet the federal clean fuel vehicle standards in the federal Clean Air Act
255 Amendments of 1990, 42 U.S.C. Sec. 7521 et seq.;

256 (d) 50% of the cost of equipment for conversion, if certified by the board, of a special
257 mobile equipment engine minus the amount of any clean fuel conversion grant received, up to a
258 maximum tax credit of \$1,000 per special mobile equipment engine, if the special mobile
259 equipment is to be fueled by:

260 (i) propane, natural gas, or electricity; or

261 (ii) other fuel the board determines annually on or before July 1 to be:

262 (A) at least as effective in reducing air pollution as the fuels under Subsection (2)(d)(i);

263 or

264 (B) substantially more effective in reducing air pollution than the fuel for which the
265 engine was originally designed; and

266 (e) for a lease of a vehicle described in Subsection (2)(a) or (b), an amount equal to the
267 product of:

268 (i) the amount of tax credit the claimant, estate, or trust would otherwise qualify to
269 claim under Subsection (2)(a) or (b) had the claimant, estate, or trust purchased the vehicle,
270 except that the purchase price described in Subsection (2)(a)(i)(B) or (2)(b)(ii) is considered to
271 be the value of the vehicle at the beginning of the lease; and

272 (ii) a percentage calculated by:

273 (A) determining the difference between the value of the vehicle at the beginning of the
274 lease, as stated in the lease agreement, and the value of the vehicle at the end of the lease, as
275 stated in the lease agreement; and

276 (B) dividing the difference determined under Subsection (2)(e)(ii)(A) by the value of
277 the vehicle at the beginning of the lease, as stated in the lease agreement.

278 (3) (a) The board shall:

279 (i) determine the amount of tax credit a claimant, estate, or trust is allowed under this
280 section; and

281 (ii) provide the claimant, estate, or trust with a written certification of the amount of
282 tax credit the claimant, estate, or trust is allowed under this section.

283 (b) A claimant, estate, or trust shall provide proof of the purchase or lease of an item
284 for which a tax credit is allowed under this section by:

285 (i) providing proof to the board in the form the board requires by rule;

286 (ii) receiving a written statement from the board acknowledging receipt of the proof;
287 and

288 (iii) retaining the written statement described in Subsection (3)(b)(ii).

289 (c) A claimant, estate, or trust shall retain the written certification described in
290 Subsection (3)(a)(ii).

291 (4) Except as provided by Subsection (5), the tax credit under this section is allowed
292 only:

293 (a) against a tax owed under this chapter in the taxable year by the claimant, estate, or
294 trust;

295 (b) for the taxable year in which a vehicle described in Subsection (2)(a) or (b) is
296 purchased, a vehicle described in Subsection (2)(e) is leased, or conversion equipment
297 described in Subsection (2)(c) or (d) is installed; and

298 (c) once per vehicle.

299 (5) A claimant, estate, or trust may not assign a tax credit under this section to another
300 person.

301 (6) If the amount of a tax credit claimed by a claimant, estate, or trust under this
302 section exceeds the claimant's, estate's, or trust's tax liability under this chapter for a taxable
303 year, the amount of the tax credit exceeding the tax liability may be carried forward for a period
304 that does not exceed the next five taxable years.

305 (7) In accordance with any rules prescribed by the commission under Subsection (8),
306 the commission shall transfer at least annually from the General Fund into the Education Fund

307 the amount by which the amount of tax credit claimed under this section for a taxable year
308 exceeds \$500,000.

309 (8) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
310 commission may make rules for making a transfer from the General Fund into the Education
311 Fund as required by Subsection (7).

Legislative Review Note
as of 12-8-14 3:52 PM

Office of Legislative Research and General Counsel