

ENERGY EFFICIENT VEHICLE TAX CREDITS

2014 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: V. Lowry Snow

Senate Sponsor: J. Stuart Adams

LONG TITLE

General Description:

This bill addresses tax credits related to energy efficient vehicles.

Highlighted Provisions:

This bill:

- ▶ modifies the amount of tax credit that may be claimed for the purchase of certain energy efficient vehicles; and
- ▶ makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill takes effect for a taxable year beginning on or after January 1, 2015.

Utah Code Sections Affected:

AMENDS:

59-7-605, as last amended by Laws of Utah 2013, Chapter 184

59-10-1009, as last amended by Laws of Utah 2013, Chapter 184

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:



28 (a) "Air quality standards" means that a vehicle's emissions are equal to or cleaner than
29 the standards established in ~~[(i) bin 2 in Table S04-1, of 40 C.F.R. 86.1811-04(c)(6); or (ii)~~
30 ~~for a new qualified plug-in electric drive motor vehicle, as defined in Section 30D, Internal~~
31 ~~Revenue Code;]~~ bin 4 in Table S04-1, of 40 C.F.R. 86.1811-04(c)(6).

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

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

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

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

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

43 (ii) special mobile equipment on which conversion equipment has been installed has
44 reduced emissions.

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

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

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

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

52 (h) "Qualifying electric ~~[or hybrid]~~ vehicle" means a vehicle that:

53 (i) meets air quality standards;

54 (ii) is not fueled by natural gas;

55 (iii) is fueled by ~~[(A)]~~ electricity only; ~~[or]~~ and

56 ~~[(B) a combination of electricity and diesel fuel, gasoline, a mixture of gasoline and~~
57 ~~ethanol, or propane; and]~~

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

59 Subsection (1)(h)(iii).

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

61 (i) meets air quality standards;

62 (ii) is not fueled by natural gas;

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

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

65 (iv) is fueled by a combination of electricity and diesel fuel, gasoline, a mixture of
66 gasoline and ethanol, or propane.

67 [(†)] (j) "Reduced emissions" means:

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

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

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

77 (C) for a retrofit natural gas vehicle that is retrofit in accordance with Section
78 19-1-406, testing that as a result of the retrofit, the retrofit natural gas vehicle satisfies the
79 emission standards applicable under Section 19-1-406; or

80 (D) any other test or standard recognized by board rule, made in accordance with Title
81 63G, Chapter 3, Utah Administrative Rulemaking Act; or

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

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

88 (B) any other test or standard recognized by board rule, made in accordance with Title
89 63G, Chapter 3, Utah Administrative Rulemaking Act.

90 ~~(j)~~ (k) "Special mobile equipment":

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

93 (ii) includes construction or maintenance equipment.

94 (2) For the taxable year beginning on or after January 1, ~~[2014]~~ 2015, but beginning on
95 or before December 31, ~~[2014]~~ 2015, a taxpayer may claim a tax credit against tax otherwise
96 due under this chapter or Chapter 8, Gross Receipts Tax on Certain Corporations Not Required
97 to Pay Corporate Franchise or Income Tax Act, in an amount equal to:

98 (a) (i) ~~[\$605]~~ for the original purchase of a new qualifying electric ~~[or hybrid]~~ vehicle
99 that is registered in this state~~;~~, the lesser of:

100 (A) \$2,500; or

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

102 (ii) for the original purchase of a new qualifying plug-in hybrid vehicle that is
103 registered in this state, \$1,250;

104 (b) for the purchase of a vehicle fueled by natural gas that is registered in this state, the
105 lesser of:

106 (i) \$2,500; or

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

108 (c) 50% of the cost of equipment for conversion, if certified by the board, of a motor
109 vehicle registered in this state minus the amount of any clean fuel grant received, up to a
110 maximum tax credit of \$2,500 per motor vehicle, if the motor vehicle is to:

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

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

114 (iii) meet the federal clean-fuel vehicle standards in the federal Clean Air Act
115 Amendments of 1990, 42 U.S.C. Sec. 7521 et seq.; ~~[and]~~

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

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

- 121 (ii) other fuel the board determines annually on or before July 1 to be:
- 122 (A) at least as effective in reducing air pollution as the fuels under Subsection (2)(d)(i);
- 123 or
- 124 (B) substantially more effective in reducing air pollution than the fuel for which the
- 125 engine was originally designed[-]; and
- 126 (e) for a lease of a vehicle described in Subsection (2)(a) or (b), an amount equal to the
- 127 product of:
- 128 (i) the amount of tax credit the taxpayer would otherwise qualify to claim under
- 129 Subsection (2)(a) or (b) had the taxpayer purchased the vehicle, except that the purchase price
- 130 described in Subsection (2)(a)(i)(B) or (2)(b)(ii) is considered to be the value of the vehicle at
- 131 the beginning of the lease; and
- 132 (ii) a percentage calculated by:
- 133 (A) determining the difference between the value of the vehicle at the beginning of the
- 134 lease, as stated in the lease agreement, and the value of the vehicle at the end of the lease, as
- 135 stated in the lease agreement; and
- 136 (B) dividing the difference determined under Subsection (2)(e)(ii)(A) by the value of
- 137 the vehicle at the beginning of the lease, as stated in the lease agreement.
- 138 (3) (a) The board shall:
- 139 (i) determine the amount of tax credit a taxpayer is allowed under this section; and
- 140 (ii) provide the taxpayer with a written certification of the amount of tax credit the
- 141 taxpayer is allowed under this section.
- 142 ~~[(3)]~~ (b) A taxpayer shall provide proof of the purchase or lease of an item for which a
- 143 tax credit is allowed under this section by:
- 144 ~~[(a)]~~ (i) providing proof to the board in the form the board requires by rule;
- 145 ~~[(b)]~~ (ii) receiving a written statement from the board acknowledging receipt of the
- 146 proof; and
- 147 ~~[(c)]~~ (iii) retaining the written statement described in Subsection (3)(b)(ii).
- 148 (c) A taxpayer shall retain the written certification described in Subsection (3)(a)(ii).
- 149 (4) Except as provided by Subsection (5), the tax credit under this section is allowed
- 150 only:
- 151 (a) against a tax owed under this chapter or Chapter 8, Gross Receipts Tax on Certain

152 Corporations Not Required to Pay Corporate Franchise or Income Tax Act, in the taxable year
153 by the taxpayer;

154 (b) for the taxable year in which ~~[an item]~~ a vehicle described in Subsection (2)(a) or
155 (b) is purchased, a vehicle described in Subsection (2)(e) is leased, or conversion equipment
156 described in Subsection (2)(c) or (d) is installed; and

157 (c) once per vehicle.

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

159 ~~[(5)]~~ (6) If the amount of a tax credit claimed by a taxpayer under this section exceeds
160 the taxpayer's tax liability under this chapter or Chapter 8, Gross Receipts Tax on Certain
161 Corporations Not Required to Pay Corporate Franchise or Income Tax Act, for a taxable year,
162 the amount of the tax credit exceeding the tax liability may be carried forward for a period that
163 does not exceed the next five taxable years.

164 ~~[(6)]~~ (7) In accordance with any rules prescribed by the commission under Subsection
165 ~~[(7)]~~ (8), the commission shall transfer at least annually from the General Fund into the
166 Education Fund the amount by which the amount of tax credit claimed under this section for a
167 taxable year exceeds \$500,000.

168 ~~[(7)]~~ (8) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking
169 Act, the commission may make rules for making a transfer from the General Fund into the
170 Education Fund as required by Subsection ~~[(6)]~~ (7).

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

172 **59-10-1009. Definitions -- Tax credits related to energy efficient vehicles.**

173 (1) As used in this section:

174 (a) "Air quality standards" means that a vehicle's emissions are equal to or cleaner than
175 the standards established in ~~[(i) bin 2 in Table S04-1, of 40 C.F.R. 86.1811-04(c)(6); or (ii)~~
176 ~~for a new qualified plug-in electric drive motor vehicle, as defined in Section 30D, Internal~~
177 ~~Revenue Code,]~~ bin 4 in Table S04-1, of 40 C.F.R. 86.1811-04(c)(6).

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

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

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

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

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

189 (ii) special mobile equipment on which conversion equipment has been installed has
 190 reduced emissions.

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

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

195 (f) "OEM vehicle" has the same meaning as in Section 19-1-402.

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

198 (h) "Qualifying electric [~~or hybrid~~] vehicle" means a vehicle that:

199 (i) meets air quality standards;

200 (ii) is not fueled by natural gas;

201 (iii) is fueled by[~~-(A)~~] electricity only; [~~or~~] and

202 [~~(B) a combination of electricity and diesel fuel, gasoline, a mixture of gasoline and~~
 203 ~~ethanol, or propane; and]~~

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

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

207 (i) meets air quality standards;

208 (ii) is not fueled by natural gas;

209 (iii) has a battery capacity that meets or exceeds the battery capacity described in
 210 Section 30D(b)(3), Internal Revenue Code; and

211 (iv) is fueled by a combination of electricity and diesel fuel, gasoline, a mixture of
 212 gasoline and ethanol, or propane.

213 [~~(i)~~] (j) "Reduced emissions" means:

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

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

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

223 (C) for a retrofit natural gas vehicle that is retrofit in accordance with Section
224 19-1-406, testing that as a result of the retrofit, the retrofit natural gas vehicle satisfies the
225 emission standards applicable under Section 19-1-406; or

226 (D) any other test or standard recognized by board rule, made in accordance with Title
227 63G, Chapter 3, Utah Administrative Rulemaking Act; or

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

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

234 (B) any other test or standard recognized by board rule, made in accordance with Title
235 63G, Chapter 3, Utah Administrative Rulemaking Act.

236 [(j)] (k) "Special mobile equipment":

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

239 (ii) includes construction or maintenance equipment.

240 (2) For the taxable year beginning on or after January 1, [2014] 2015, but beginning on
241 or before December 31, [2014] 2015, a claimant, estate, or trust may claim a nonrefundable tax
242 credit against tax otherwise due under this chapter in an amount equal to:

243 (a) (i) [\$605] for the original purchase of a new qualifying electric [or hybrid] vehicle
244 that is registered in this state[;], the lesser of:

245 (A) \$2,500; or
246 (B) 35% of the purchase price of the vehicle; or
247 (ii) for the original purchase of a new qualifying plug-in hybrid vehicle that is
248 registered in this state, \$1,250;
249 (b) for the purchase of a vehicle fueled by natural gas that is registered in this state, the
250 lesser of:
251 (i) \$2,500; or
252 (ii) 35% of the purchase price of the vehicle;
253 (c) 50% of the cost of equipment for conversion, if certified by the board, of a motor
254 vehicle registered in this state minus the amount of any clean fuel conversion grant received, up
255 to a maximum tax credit of \$2,500 per vehicle, if the motor vehicle:
256 (i) is to be fueled by propane, natural gas, or electricity;
257 (ii) is to be fueled by other fuel the board determines annually on or before July 1 to be
258 at least as effective in reducing air pollution as fuels under Subsection (2)(c)(i); or
259 (iii) will meet the federal clean fuel vehicle standards in the federal Clean Air Act
260 Amendments of 1990, 42 U.S.C. Sec. 7521 et seq.; [~~and~~]
261 (d) 50% of the cost of equipment for conversion, if certified by the board, of a special
262 mobile equipment engine minus the amount of any clean fuel conversion grant received, up to a
263 maximum tax credit of \$1,000 per special mobile equipment engine, if the special mobile
264 equipment is to be fueled by:
265 (i) propane, natural gas, or electricity; or
266 (ii) other fuel the board determines annually on or before July 1 to be:
267 (A) at least as effective in reducing air pollution as the fuels under Subsection (2)(d)(i);
268 or
269 (B) substantially more effective in reducing air pollution than the fuel for which the
270 engine was originally designed[-]; and
271 (e) for a lease of a vehicle described in Subsection (2)(a) or (b), an amount equal to the
272 product of:
273 (i) the amount of tax credit the claimant, estate, or trust would otherwise qualify to
274 claim under Subsection (2)(a) or (b) had the claimant, estate, or trust purchased the vehicle,
275 except that the purchase price described in Subsection (2)(a)(i)(B) or (2)(b)(ii) is considered to

276 be the value of the vehicle at the beginning of the lease; and

277 (ii) a percentage calculated by:

278 (A) determining the difference between the value of the vehicle at the beginning of the
279 lease, as stated in the lease agreement, and the value of the vehicle at the end of the lease, as
280 stated in the lease agreement; and

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

283 (3) (a) The board shall:

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

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

288 ~~[(3)]~~ (b) A claimant, estate, or trust shall provide proof of the purchase or lease of an
289 item for which a tax credit is allowed under this section by:

290 ~~[(a)]~~ (i) providing proof to the board in the form the board requires by rule;

291 ~~[(b)]~~ (ii) receiving a written statement from the board acknowledging receipt of the
292 proof; and

293 ~~[(c)]~~ (iii) retaining the written statement described in Subsection (3)(b)(ii).

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

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

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

300 (b) for the taxable year in which ~~[an item]~~ a vehicle described in Subsection (2)(a) or
301 (b) is purchased, a vehicle described in Subsection (2)(e) is leased, or conversion equipment
302 described in Subsection (2)(c) or (d) is installed; and

303 (c) once per vehicle.

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

306 ~~[(5)]~~ (6) If the amount of a tax credit claimed by a claimant, estate, or trust under this

307 section exceeds the claimant's, estate's, or trust's tax liability under this chapter for a taxable
308 year, the amount of the tax credit exceeding the tax liability may be carried forward for a period
309 that does not exceed the next five taxable years.

310 ~~[(6)]~~ (7) In accordance with any rules prescribed by the commission under Subsection
311 ~~[(7)]~~ (8), the commission shall transfer at least annually from the General Fund into the
312 Education Fund the amount by which the amount of tax credit claimed under this section for a
313 taxable year exceeds \$500,000.

314 ~~[(7)]~~ (8) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking
315 Act, the commission may make rules for making a transfer from the General Fund into the
316 Education Fund as required by Subsection ~~[(6)]~~ (7).

317 Section 3. **Effective date.**

318 This bill takes effect for a taxable year beginning on or after January 1, 2015.

Legislative Review Note
as of 1-22-14 2:03 PM

Office of Legislative Research and General Counsel