

**TAX CREDIT FOR CLEAN FUEL VEHICLES**

1998 GENERAL SESSION

STATE OF UTAH

**Sponsor: LeRay McAllister**

AN ACT RELATING TO REVENUE AND TAXATION; CREATING THE CLEAN FUELS REIMBURSEMENT PROGRAM; GRANTING RULEMAKING AUTHORITY; AMENDING PROVISIONS CONCERNING CORPORATE INCOME TAX CREDITS FOR CLEAN FUELS VEHICLES; MODIFYING PROVISIONS CONCERNING INDIVIDUAL INCOME TAX CREDITS FOR CLEAN FUELS VEHICLES; APPROPRIATING \$300,000 FROM THE GENERAL FUND FOR FISCAL YEAR 1998-99; MAKING TECHNICAL CORRECTIONS; AND PROVIDING AN EFFECTIVE DATE.

This act affects sections of Utah Code Annotated 1953 as follows:

ENACTS:

**9-1-707**, Utah Code Annotated 1953

**63-55b-901**, Utah Code Annotated 1953

AMENDS:

**59-7-605**, as last amended by Chapter 10, Laws of Utah 1997

**59-10-127**, as last amended by Chapter 257, Laws of Utah 1996

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

Section 1. Section **9-1-707** is enacted to read:

**9-1-707. Clean Fuels Reimbursement Program -- Funding -- Rulemaking -- Department duties.**

(1) There is created the Clean Fuels Vehicle Reimbursement Program to reimburse applicants for the purchase of OEM vehicles.

(2) (a) The Clean Fuels Vehicle Reimbursement Program is funded by monies from:

(i) appropriations to the fund; and

(ii) other public and private contributions made under Subsection (2)(b), including

1 matching funds from the United States Department of Energy.

2 (b) The department may accept contributions from other public and private sources for  
3 deposit into the fund.

4 (3) The department shall:

5 (a) establish and administer the reimbursement program to encourage vehicle owners and  
6 operators to obtain and use clean fuel vehicles; and

7 (b) make rules in accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking  
8 Act, to establish criteria and conditions for:

9 (i) the amount reimbursed per OEM vehicle;

10 (ii) prioritizing and awarding reimbursements including a maximum reimbursement;

11 (iii) awarding program monies to reimburse recipients who meet the criteria and conditions  
12 established by this section and by rule; and

13 (iv) requiring all reimbursement applicants who wish to receive reimbursement under this  
14 program to:

15 (A) apply on forms provided by the department;

16 (B) agree in writing to use the clean fuel for which each vehicle is purchased using  
17 reimbursement proceeds for a minimum of 60% of the vehicle miles traveled beginning from the  
18 time of lease or purchase of the OEM vehicle; and

19 (C) submit vehicles for which reimbursement is requested to inspections by the department  
20 as required in department rules and as necessary for administration of the reimbursement program.

21 (4) In making rules to administer this program, the department shall ensure that:

22 (a) only fleet operators of private sector business vehicles and government vehicles may  
23 be reimbursed under this program;

24 (b) no more than ten vehicles per fleet operator may be eligible for reimbursement; and

25 (c) public utility companies may not be reimbursed under this program.

26 Section 2. Section **59-7-605** is amended to read:

27 **59-7-605. Definitions -- Credit -- Cleaner burning fuels.**

28 (1) As used in this section:

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

31 (b) "Certified by the board" means that a motor vehicle on which conversion equipment

1 has been installed meets the following criteria:

2 (i) ~~[prior to]~~ before the installation of conversion equipment, the vehicle does not exceed  
3 the emission cut points for transient test driving cycle, as specified in 40 CFR 51, Appendix E to  
4 Subpart S, or an equivalent test for the make, model, and year of the vehicle;

5 (ii) the vehicle's emissions of regulated pollutants, when operating on fuels listed in  
6 ~~[Subsections]~~ Subsection 59-7-605(2)(b) ~~[and 59-10-127(2)(b),]~~ is less than ~~[prior to]~~ before the  
7 installation of conversion equipment; and

8 (iii) reduction in emissions under Subsection (b)(ii) is demonstrated by:

9 (A) certification of the conversion equipment by the federal Environmental Protection  
10 Agency or by a state whose certification standards are recognized by the board;

11 (B) the vehicle is tested, before and after installation of the conversion equipment, in  
12 accordance with 40 CFR 86, Control of Air Pollution from New and In-use Motor Vehicle  
13 Engines: Certification and Test Procedures, using all fuel the vehicle is capable of using; or

14 (C) any other test or standard recognized by board rule.

15 (c) "Conversion equipment" means equipment referred to in Subsection 59-7-605(2)(b).

16 (d) "OEM vehicle" means a vehicle manufactured by the original vehicle manufacturer or  
17 its contractor to use a clean fuel.

18 ~~[(d)]~~ (e) "Special fuel mobile equipment":

19 (i) means any mobile equipment or vehicle that uses special fuel and is not designed or  
20 used primarily for the transportation of persons or property; and

21 (ii) includes construction or maintenance equipment.

22 (2) For tax years beginning January 1, ~~[1997]~~ 1999, and ending December 31, ~~[2001]~~

23 2003, there is a credit against tax otherwise due under this chapter or Chapter 8, Gross Receipts  
24 Tax on Certain Corporations Not Required to Pay Corporate Franchise or Income Tax Act, in an  
25 amount equal to:

26 (a) ~~[20%]~~ 50%, up to a maximum of ~~[\$500]~~ \$1,500 per vehicle, of the cost of ~~[new motor]~~  
27 OEM vehicles being registered in Utah ~~[and for the first time]~~ that:

28 (i) are fueled by propane, natural gas, or electricity;

29 (ii) are fueled by other fuel the board determines annually on or before July 1 to be at least  
30 as effective in reducing air pollution as fuels under Subsection (2)(a)(i) ~~[in reducing air pollution];~~

31 or

1 (iii) meet the clean fuel vehicle standards in the federal Clean Air Act Amendments of  
2 1990, Title II;

3 (b) [20%] 50%, up to a maximum of \$400 per vehicle, of the cost of equipment for  
4 conversion, if certified by the board, of a motor vehicle registered in Utah to:

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

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

8 (iii) meet the federal clean-fuel vehicle standards under Subsection (2)(a)(iii); and

9 (c) [20%] 50%, up to a maximum of \$500, of the cost of equipment for conversion, if  
10 certified by the board, of a special fuel mobile equipment engine to be fueled by:

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

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

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

14 or

15 (B) substantially more effective in reducing air pollution than the fuel for which the engine  
16 was originally designed.

17 (3) A taxpayer shall provide proof of the purchase of an item for which a credit is allowed  
18 under this section by:

19 (a) providing proof to the board in the form it requires by rule;

20 (b) receiving a written statement from the board acknowledging receipt of the proof; and

21 (c) attaching the written statement obtained from the board to the tax return in which the  
22 credit is claimed.

23 (4) This credit is allowed only:

24 (a) against any Utah tax owed in the taxable year by the taxpayer; and

25 (b) in the taxable year in which the [item] OEM vehicle is [purchased] first registered by  
26 a corporation with the equipment for which the credit is claimed.

27 Section 3. Section **59-10-127** is amended to read:

28 **59-10-127. Definition -- Credit -- Cleaner burning fuels.**

29 (1) As used in this section:

30 (a) "Board" means the Air Quality Board created in Title 19, Chapter 2, [~~Environmental~~  
31 ~~Quality Code~~] Air Conservation Act.

1 (b) "Certified by the board" means that a motor vehicle on which conversion equipment  
2 has been installed meets the following criteria:

3 (i) [~~prior to~~] before the installation of conversion equipment, the vehicle does not exceed  
4 the emission cut points for a transient test driving cycle, as specified in 40 CFR 51, Appendix E  
5 to Subpart S, or an equivalent test for the make, model, and year of the vehicle;

6 (ii) the vehicle's emissions of regulated pollutants, when operating on fuels listed in  
7 Subsection 59-7-605(2)(b) [~~and 59-10-127(2)(b);~~] is less than [~~prior to~~] before the installation of  
8 conversion equipment; and

9 (iii) reduction in emissions under Subsection (b)(ii) is demonstrated by:

10 (A) certification of the conversion equipment by the federal Environmental Protection  
11 Agency or by a state whose certification standards are recognized by the board;

12 (B) the vehicle is tested, before and after installation of the conversion equipment, in  
13 accordance with 40 CFR 86, Control of Air Pollution from New and In-use Motor Vehicle  
14 Engines: Certification and Test Procedures, using all fuels the vehicle is capable of using; or

15 (C) any other test or standard recognized by board rule.

16 (c) "Conversion equipment" means equipment referred to in [~~Subsection 59-7-605(2)(b)~~  
17 ~~and~~] Subsection 59-10-127(2)(b).

18 (d) "OEM vehicle" means a vehicle manufactured by the original vehicle manufacturer or  
19 its contractor to use a clean fuel.

20 [~~(d)~~] (e) "Special fuel mobile equipment" means any mobile equipment or vehicle not  
21 designed or used primarily for the transportation of persons or property, including construction or  
22 maintenance equipment.

23 (2) For tax years beginning January 1, [~~1997~~] 1999, and ending December 31, [~~2001~~]  
24 2003, there is allowed a credit against tax otherwise due under this chapter in an amount equal to:

25 (a) [~~20%~~] 50%, up to a maximum of [~~\$500~~] \$1,500 per vehicle, of the cost of [~~new motor~~]  
26 OEM vehicles being registered in Utah [~~and for the first time~~] that:

27 (i) are fueled by propane, natural gas, or electricity;

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

30 (iii) meet the clean-fuel vehicle standards in the federal Clean Air Act Amendments of  
31 1990, Title II;

1 (b) [20%] 50%, up to a maximum of \$400 per vehicle, of the cost of equipment for  
2 conversion, if certified by the board, of a motor vehicle registered in Utah to:

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

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

6 (iii) meet the federal clean fuel vehicle standards under Subsection (2)(a)(iii); and

7 (c) [20%] 50%, up to a maximum of \$500, of the cost of equipment for conversion, if  
8 certified by the board, of a special fuel mobile equipment engine to be fueled by:

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

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

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

12 or

13 (B) substantially more effective in reducing air pollution than the fuel for which the engine  
14 was originally designed.

15 (3) An individual shall provide proof of the purchase of an item for which a credit is  
16 allowed under this section by:

17 (a) providing proof to the board in the form it requires by rule;

18 (b) receiving a written statement from the board acknowledging receipt of the proof; and

19 (c) attaching the written statement obtained from the board to the tax return in which the  
20 credit is claimed.

21 (4) This credit is allowed only:

22 (a) against any Utah tax owed in the taxable year by the taxpayer; and

23 (b) in the taxable year in which the [item] OEM vehicle is [purchased] first registered by  
24 an individual with the equipment for which the credit is claimed.

25 Section 4. Section **63-55b-901** is enacted to read:

26 **63-55b-901. Repeal date -- Title 9.**

27 Section 9-1-707 is repealed January 1, 2003.

28 Section 5. **Appropriation.**

29 (1) There is appropriated from the General Fund for fiscal year 1998-99 \$300,000 to the  
30 Clean Fuels Vehicle Reimbursement Program created under Section 9-1-707.

31 (2) This appropriation is nonlapsing.

- 1 Section 6. **Effective date.**
- 2 This act takes effect on July 1, 1998.

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**Legislative Review Note**  
**as of 2-18-98 3:39 PM**

A limited legal review of this bill raises no obvious constitutional or statutory concerns.

**Office of Legislative Research and General Counsel**