

1                                   **INCENTIVES TO PURCHASE CLEAN FUEL**

2   **VEHICLES**

3   2000 GENERAL SESSION

4   STATE OF UTAH

5   **Sponsor: Wayne A. Harper**

6 AN ACT RELATING TO REVENUE AND TAXATION AND CLEAN FUEL VEHICLES;  
7 AUTHORIZING THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT  
8 TO GIVE GRANTS FOR THE PURCHASE OF CLEAN FUEL VEHICLES OR EXPENSES OF  
9 CONVERTING VEHICLES TO USE CLEAN FUEL, IF THE VEHICLES PURCHASED OR  
10 CONVERTED ARE USED FOR BUSINESS OR GOVERNMENTAL PURPOSES; DIRECTING  
11 THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT TO MAKE  
12 RULES TO IMPLEMENT THE GRANT PROGRAM; EXTENDING AND MODIFYING THE  
13 CORPORATE FRANCHISE AND INCOME TAX CREDIT AND INDIVIDUAL INCOME TAX  
14 CREDIT FOR PURCHASES OF CLEAN FUEL VEHICLES OR EXPENSES OF  
15 CONVERTING A VEHICLE TO USE CLEAN FUELS; AND PROVIDING AN EFFECTIVE  
16 DATE.

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

18 AMENDS:

19           **9-1-702**, as last amended by Chapter 178, Laws of Utah 1996

20           **9-1-703**, as last amended by Chapter 178, Laws of Utah 1996

21           **9-1-706**, as last amended by Chapter 178, Laws of Utah 1996

22           **59-7-605**, as last amended by Chapter 10, Laws of Utah 1997

23           **59-10-127**, as last amended by Chapter 257, Laws of Utah 1996

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

25           Section 1. Section **9-1-702** is amended to read:

26           **9-1-702. Definitions.**

27           As used in this part:

28           (1) "Certified by the Air Quality Board" means that a motor vehicle on which conversion  
29 equipment has been installed meets the following criteria:

30           (a) before the installation of conversion equipment, the motor vehicle does not exceed the  
31 emission cut points for a transient test driving cycle, as specified in 40 CFR 51, Appendix E to  
32 Subpart S, or an equivalent test for the make, model, and year of the motor vehicle;

33           (b) the motor vehicle's emissions of regulated pollutants, when operating with clean fuel,  
34 is less than the emissions were before the installation of conversion equipment; and

35           (c) a reduction in emissions under Subsection (1)(b) is demonstrated by:

36           (i) certification of the conversion equipment by the federal Environmental Protection  
37 Agency or by a state whose certification standards are recognized by the Air Quality Board;

38           (ii) testing the motor vehicle, before and after the installation of the conversion equipment,  
39 in accordance with 40 CFR 86, Control of Air Pollution from New and In-use Motor Vehicle  
40 Engines: Certification and Test Procedures, using all fuel the motor vehicle is capable of using;  
41 or

42           (iii) any other test or standard recognized by Air Quality Board rule.

43           [~~(1)~~] (2) "Clean fuel" means:

44           (a) propane, compressed natural gas, or electricity;

45           (b) other fuel the Air Quality Board determines to be at least as effective as fuels under  
46 Subsection (2)(a) in reducing air pollution; or

47           (c) other fuel that meets the clean-fuel vehicle standards in the federal Clean Air Act  
48 Amendments of 1990, Title II, 42 U.S.C. Sec. 7521 et seq.

49           [~~(2)~~] (3) "Clean-fuel vehicle" means a vehicle that:

50           (a) uses a clean fuel; and [that]

51           (b) meets clean-fuel vehicle standards in the federal Clean Air Act Amendments of 1990,  
52 Title II, 42 U.S.C. Sec. 7521 et seq.

53           [~~(3)~~] (4) "Fund" means the Clean Fuels Vehicle [~~Loan~~] Fund created in Section 9-1-703.

54           [~~(4)~~] (5) "Government vehicle" means a motor vehicle registered in Utah and owned and  
55 operated by the state, a public trust authority, a county, a municipality, a town, or a city, including  
56 a metropolitan rapid transit motor [vehicles, buses, trucks, law enforcement vehicles, and  
57 emergency vehicles] vehicle, bus, truck, law enforcement vehicle, or emergency vehicle.

58           [~~(5)~~] (6) "Incremental [~~costs~~] cost" means the difference between the cost of the OEM

59 vehicle and the same vehicle model manufactured without the clean-fuel fueling system.

60 [(6)] (7) "OEM vehicle" means a vehicle manufactured by the original vehicle  
61 manufacturer or its contractor to use a clean fuel.

62 [(7)] (8) "Private sector business vehicle" means [~~one or more~~] a motor [~~vehicles~~] vehicle  
63 registered in Utah that [~~are~~] is owned and operated solely in the conduct of a private business  
64 enterprise.

65 [(8)] (9) "Refueling equipment" means compressors when used separately, compressors  
66 used in combination with cascade tanks, and other equipment that constitute a central refueling  
67 system capable of dispensing vehicle fuel.

68 Section 2. Section **9-1-703** is amended to read:

69 **9-1-703. Clean Fuels Vehicle Fund -- Contents -- Loans or grants made with fund**  
70 **monies.**

71 (1) (a) There is created a revolving fund known as the Clean Fuels Vehicle [~~Loan~~] Fund.

72 (b) The fund consists of:

73 (i) appropriations to the fund;

74 (ii) other public and private contributions made under Subsection (1)(d);

75 (iii) interest earnings on cash balances; and

76 (iv) all monies collected for loan repayments and interest on loans.

77 (c) All money appropriated to the fund is nonlapsing.

78 (d) The department may accept contributions from other public and private sources for  
79 deposit into the fund.

80 (2) (a) [~~Monies~~] The department may make loans or grants with monies available in the  
81 fund [may be loaned by the department] for [expenses for]:

82 (i) the conversion of private sector business vehicles and government vehicles to use a  
83 clean fuel, if certified by the Air Quality Board; or

84 (ii) [~~to~~] the purchase of OEM vehicles for use as private sector business vehicles or  
85 government vehicles.

86 (b) The amount [~~loaned per~~] of a loan for any vehicle may not exceed:

87 (i) the actual cost of the vehicle conversion [~~if loaned under Subsection (a)(i)~~];

88 (ii) the incremental cost of purchasing the OEM vehicle [~~if loaned under Subsection~~  
89 (a)(ii)]; or

90 (iii) the cost of purchasing the OEM vehicle if [~~the purchase cost is loaned under~~  
91 ~~Subsection (2)(a)(ii) and~~] there is no documented incremental cost.

92 (c) The amount of a grant for any vehicle may not exceed:

93 (i) 50% of the actual cost of the vehicle conversion minus the amount of any tax credit  
94 claimed under Section 59-7-605 or 59-10-127 for the vehicle for which a grant is requested; or

95 (ii) 50% of the incremental cost of purchasing an OEM vehicle minus the amount of any  
96 tax credit claimed under Section 59-7-605 or 59-10-127 for the vehicle for which a grant is  
97 requested.

98 [~~(c)~~] (d) (i) Subject to the availability of [funds] monies in the fund, [monies may be  
99 loaned by the division] the department may make loans for the purchase of vehicle refueling  
100 equipment for private sector business vehicles and government vehicles.

101 (ii) The maximum amount loaned per installation of refueling equipment may not exceed  
102 the actual cost of [~~this~~] the refueling equipment.

103 (3) Administrative costs of the fund shall be paid from the fund.

104 (4) (a) The fund balance may not exceed \$10,000,000.

105 (b) Interest on cash balances and repayment of loans in excess of the amount necessary to  
106 maintain the fund balance at \$10,000,000 shall be deposited in the General Fund.

107 (5) (a) [~~Expenditures~~] Loans made from monies in the fund shall be supported by loan  
108 documents evidencing the intent of the borrower to repay the loan.

109 (b) The original loan documents shall be filed with the Division of Finance and a copy  
110 shall be filed with the department.

111 Section 3. Section **9-1-706** is amended to read:

112 **9-1-706. Rulemaking -- Department duties -- Loan repayment.**

113 (1) The department shall:

114 (a) establish and administer the loan and grant program to encourage government officials  
115 and private sector business vehicle owners and operators to obtain and use clean-fuel vehicles; and

116 (b) make rules in accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking  
117 Act[, ~~to establish criteria and conditions for~~]:

118 [~~(i) the amount loaned per incremental costs of:~~]

119 [~~(A) vehicle conversion to clean fuel or OEM purchase or lease; and]~~

120 [~~(B) purchase, or lease and installation of refueling equipment;~~]

- 121 (i) specifying the amount of money in the fund to be dedicated annually for grants;  
122 (ii) limiting the amount of a grant given to any person claiming a tax credit under Section  
123 59-7-605 or 59-10-127 for the motor vehicle for which a grant is requested to assure that the sum  
124 of the tax credit and grant does not exceed:  
125 (A) 50% of the incremental cost of the OEM vehicle; or  
126 (B) 50% of the cost of conversion equipment;  
127 (iii) limiting the number of motor vehicles per fleet operator that may be eligible for a grant  
128 in a year;  
129 [(ii)] (iv) specifying criteria the department shall consider in prioritizing and awarding  
130 loans[, including establishing a minimum loan amount] and grants;  
131 [(iii)] (v) specifying repayment [by the loan recipient] periods;  
132 (vi) specifying procedures for:  
133 (A) awarding loans and grants; and  
134 [(iv)] (B) [collection of the] collecting loans [authorized by this section]; and  
135 [(v) awarding program monies to loan recipients who meet the criteria and conditions  
136 under Subsection (b); and]  
137 [(vi)] (vii) requiring all loan and grant applicants [who wish to receive a loan under the  
138 loan program] to:  
139 (A) apply on forms provided by the department;  
140 (B) agree in writing to use the clean fuel for which each vehicle is converted or purchased  
141 using loan or grant proceeds for a minimum of ~~[60%]~~ 70% of the vehicle miles traveled beginning  
142 from the time of conversion~~[, lease;]~~ or purchase of the vehicle;  
143 (C) agree in writing to notify the department if a vehicle converted or purchased using loan  
144 or grant proceeds becomes inoperable through mechanical failure or accident and to pursue a  
145 remedy outlined in department rules;  
146 (D) provide reasonable data to the department on vehicles converted~~[, leased;]~~ or  
147 purchased with loan or grant proceeds; and  
148 (E) submit vehicles converted~~[, leased;]~~ or purchased with loan or grant proceeds to  
149 inspections by the department as required in department rules and as necessary for administration  
150 of the loan and grant program.  
151 (2) (a) When developing repayment schedules for the loans, the department shall consider

152 the projected savings from use of the clean-fuel vehicle.

153 (b) A repayment schedule may not exceed ten years.

154 (c) Loans made from the fund for private sector vehicles shall be made at an interest rate  
155 equal to the annual return earned in the state treasurer's Public Treasurer's Pool as determined the  
156 month immediately preceding the closing date of the loan.

157 (d) Loans made from the fund for government vehicles shall be made at a zero interest  
158 rate.

159 (3) The Division of Finance is responsible for collection of and accounting for the loans  
160 and has custody of all loan documents, including all notes and contracts, evidencing the  
161 indebtedness of the fund.

162 Section 4. Section **59-7-605** is amended to read:

163 **59-7-605. Definitions -- Credit -- Cleaner burning fuels.**

164 (1) As used in this section:

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

167 (b) "Certified by the board" means that:

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

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

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

176 [(iii)] (C) a reduction in emissions under Subsection [(b)(ii)] (1)(b)(i)(B) is demonstrated  
177 by:

178 [(A)] (I) certification of the conversion equipment by the federal Environmental Protection  
179 Agency or by a state whose certification standards are recognized by the board;

180 [(B)] (II) testing the motor vehicle [~~is tested~~], before and after installation of the  
181 conversion equipment, in accordance with 40 CFR 86, Control of Air Pollution from New and  
182 In-use Motor Vehicle Engines: Certification and Test Procedures, using all fuel the motor vehicle

183 is capable of using; or

184 ~~[(C)]~~ (III) any other test or standard recognized by board rule[-]; or

185 (ii) special mobile equipment on which conversion equipment has been installed meets the  
186 following criteria:

187 (A) the special mobile equipment's emissions of regulated pollutants, when operating on  
188 fuels listed in Subsection (2)(c), is less than the emissions were before the installation of  
189 conversion equipment; and

190 (B) a reduction in emissions under Subsection (1)(b)(ii)(A) is demonstrated by:

191 (I) certification of the conversion equipment by the federal Environmental Protection  
192 Agency or by a state whose certification standards are recognized by the board; or

193 (II) any other test or standard recognized by board rule.

194 (c) "Clean fuel grant" means a grant awarded under Title 9, Chapter 1, Part 7, Clean Fuels  
195 Conversion Program Act, for reimbursement of a portion of the incremental cost of an OEM  
196 vehicle or the cost of conversion equipment.

197 ~~[(e)]~~ (d) "Conversion equipment" means equipment referred to in Subsection  
198 [59-7-605](2)(b) or (2)(c).

199 (e) "Incremental cost" has the same meaning as in Section 9-1-702.

200 (f) "OEM vehicle" has the same meaning as in Section 9-1-702.

201 ~~[(d)]~~ (g) "Special [fuel] mobile equipment":

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

204 (ii) includes construction or maintenance equipment.

205 (2) For [tax] taxable years beginning on or after January 1, [1997, and ending] 2001, but  
206 beginning on or before December 31, [2001, there is] 2005, a taxpayer may claim a credit against  
207 tax otherwise due under this chapter or Chapter 8, Gross Receipts Tax on Certain Corporations Not  
208 Required to Pay Corporate Franchise or Income Tax Act, in an amount equal to:

209 (a) [20%, up to a maximum of \$500 per vehicle,] 50% of the incremental cost of [new  
210 motor vehicles being] an OEM vehicle registered in Utah [and for the first time that] minus the  
211 amount of any clean fuel grant received, up to a maximum tax credit of \$3,000 per vehicle, if the  
212 vehicle:

213 (i) [are] is fueled by propane, natural gas, or electricity;

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

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

219 (b) ~~[20%, up to a maximum of \$400;]~~ 50% of the cost of equipment for conversion, if  
220 certified by the board, of a motor vehicle registered in Utah minus the amount of any clean fuel  
221 grant received, up to a maximum tax credit of \$2,500 per motor vehicle, if the motor vehicle is to:

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

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

225 (iii) meet the federal clean-fuel vehicle standards ~~[under Subsection (2)(a)(iii)]~~ in the  
226 federal Clean Air Act Amendments of 1990, Title II, 42 U.S.C. Sec. 7521 et seq.; and

227 (c) ~~[20%, up to a maximum of \$500;]~~ 50% of the cost of equipment for conversion, if  
228 certified by the board, of a special ~~[fuel]~~ mobile equipment engine minus the amount of any clean  
229 fuel grant received, up to a maximum tax credit of \$1,000 per special mobile equipment engine,  
230 if the special mobile equipment is to be fueled by:

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

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

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

234 or

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

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

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

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

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

243 (4) ~~[This]~~ Except as provided by Subsection (5), this credit is allowed only:

244 (a) against any Utah tax owed in the taxable year by the taxpayer; ~~[and]~~

245 (b) in the taxable year in which the item is purchased for which the credit is claimed[-];  
 246 and

247 (c) once per vehicle.

248 (5) If the amount of a tax credit claimed by a taxpayer under this section exceeds the  
 249 taxpayer's tax liability under this chapter for a taxable year, the amount of the credit exceeding the  
 250 liability may be carried forward for a period that does not exceed the next five taxable years.

251 Section 5. Section **59-10-127** is amended to read:

252 **59-10-127. Definition -- Credit -- Cleaner burning fuels.**

253 (1) As used in this section:

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

256 (b) "Certified by the board" means that:

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

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

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

265 (iii) a reduction in emissions under Subsection [(b)(ii)] (1)(b)(i)(B) is demonstrated by:

266 [(A)] (I) certification of the conversion equipment by the federal Environmental Protection  
 267 Agency or by a state whose certification standards are recognized by the board;

268 [(B)] (II) testing the motor vehicle [is tested], before and after installation of the  
 269 conversion equipment, in accordance with 40 CFR 86, Control of Air Pollution from New and  
 270 In-use Motor Vehicle Engines: Certification and Test Procedures, using all fuels the motor vehicle  
 271 is capable of using; or

272 [(C)] (III) any other test or standard recognized by board rule[-]; or

273 (ii) special mobile equipment on which conversion equipment has been installed meets the  
 274 following criteria:

275 (A) the special mobile equipment's emissions of regulated pollutants, when operating on

276 fuels listed in Subsection (2)(c), is less than the emissions were before the installation of  
277 conversion equipment; and

278 (B) a reduction in emissions under Subsection (1)(b)(ii)(A) is demonstrated by:

279 (I) certification of the conversion equipment by the federal Environmental Protection

280 Agency or by a state whose certification standards are recognized by the board; or

281 (II) any other test or standard recognized by the board.

282 (c) "Clean fuel grant" means a grant the taxpayer receives under Title 9, Chapter 1, Part  
283 7, Clean Fuels Conversion Program Act for reimbursement of a portion of the incremental cost of  
284 the OEM vehicle or the cost of conversion equipment.

285 ~~[(c)]~~ (d) "Conversion equipment" means equipment referred to in [Subsection  
286 59-7-605(2)(b) and] Subsection [59-10-127](2)(b) or (2)(c).

287 (e) "Incremental cost" has the same meaning as in Section 9-1-702.

288 (f) "OEM vehicle" has the same meaning as in Section 9-1-702.

289 ~~[(d)]~~ (g) "Special [fuel] mobile equipment":

290 (i) means any mobile equipment or vehicle not designed or used primarily for the  
291 transportation of persons or property[~~, including~~]; and

292 (ii) includes construction or maintenance equipment.

293 (2) For [tax] taxable years beginning on or after January 1, [1997, and ending] 2001, but  
294 beginning on or before December 31, [2001, there is allowed] 2005, a taxpayer may claim a credit  
295 against tax otherwise due under this chapter in an amount equal to:

296 (a) [~~20%, up to a maximum of \$500 per vehicle,~~] 50% of the incremental cost of [new  
297 motor vehicles being] an OEM vehicle registered in Utah [and for the first time that] minus the  
298 amount of any clean fuel grant received, up to a maximum tax credit of \$3,000 per vehicle, if the  
299 vehicle:

300 (i) [~~are]~~ is fueled by propane, natural gas, or electricity;

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

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

305 (b) [~~20%, up to a maximum of \$400,~~] 50% of the cost of equipment for conversion, if  
306 certified by the board, of a motor vehicle registered in Utah [~~to]~~ minus the amount of any clean

307 fuel conversion grant received, up to a maximum tax credit of \$2,500 per vehicle, if the motor  
 308 vehicle:

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

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

312 (iii) will meet the federal clean fuel vehicle standards ~~[under Subsection (2)(a)(iii)]~~ in the  
 313 federal Clean Air Act Amendments of 1990, Title II, 42 U.S.C. Sec. 7521 et seq.; and

314 (c) ~~[20%, up to a maximum of \$500,]~~ 50% of the cost of equipment for conversion, if  
 315 certified by the board, of a special ~~[fuel]~~ mobile equipment engine minus the amount of any clean  
 316 fuel conversion grant received, up to a maximum tax credit of \$1,000 per special mobile  
 317 equipment engine, if the special mobile equipment is to be fueled by:

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

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

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

321 or

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

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

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

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

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

330 (4) ~~[This]~~ Except as provided by Subsection (5), this credit is allowed only:

331 (a) against any Utah tax owed in the taxable year by the taxpayer; ~~[and]~~

332 (b) in the taxable year in which the item is purchased for which the credit is claimed~~[-]~~;

333 and

334 (c) once per vehicle.

335 (5) If the amount of a tax credit claimed by a taxpayer under this section exceeds the  
 336 taxpayer's tax liability under this chapter for a taxable year, the amount of the credit exceeding the  
 337 liability may be carried forward for a period that does not exceed the next five taxable years.

338 Section 6. **Effective date.**

339 This act takes effect on January 1, 2001.

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**Legislative Review Note**  
**as of 1-26-00 4:09 PM**

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

**Office of Legislative Research and General Counsel**