

1 **CLEAN AIR AND EFFICIENT VEHICLE TAX**

2 **INCENTIVES**

3 2008 GENERAL SESSION

4 STATE OF UTAH

5 **Chief Sponsor: Rosalind J. McGee**

6 Senate Sponsor: Gregory S. Bell

7

8 **LONG TITLE**

9 **General Description:**

10 This bill provides a tax credit for new vehicles meeting air quality and fuel economy
11 standards and exempts clean fuels from taxes on motor fuels and special fuels.

12 **Highlighted Provisions:**

13 This bill:

- 14 ▶ eliminates the clean fuel special tax;
- 15 ▶ defines terms;
- 16 ▶ provides a tax credit of \$1,000 for new vehicles meeting air quality and fuel
17 economy standards;
- 18 ▶ eliminates a provision excluding hybrid electric-gasoline vehicles from the tax
19 credit; and
- 20 ▶ makes technical changes.

21 **Monies Appropriated in this Bill:**

22 None

23 **Other Special Clauses:**

24 This bill takes effect on January 1, 2009.

25 **Utah Code Sections Affected:**

26 AMENDS:

27 **41-1a-418**, as last amended by Laws of Utah 2007, Chapters 173, 217, and 325



- 28 **41-6a-1508**, as renumbered and amended by Laws of Utah 2005, Chapter 2
- 29 **59-7-605**, as last amended by Laws of Utah 2007, Chapter 306
- 30 **59-10-1009**, as last amended by Laws of Utah 2007, Chapter 306
- 31 **59-13-103**, as last amended by Laws of Utah 1997, Chapter 271
- 32 **59-13-304**, as last amended by Laws of Utah 2005, First Special Session, Chapter 1
- 33 **59-13-314**, as last amended by Laws of Utah 2003, Chapter 7
- 34 **72-2-124**, as last amended by Laws of Utah 2006, Chapters 11 and 135



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

37 Section 1. Section **41-1a-418** is amended to read:

38 **41-1a-418. Authorized special group license plates.**

39 (1) The division shall only issue special group license plates in accordance with this
40 section through Section 41-1a-422 to a person who is specified under this section within the
41 categories listed as follows:

42 (a) disability special group license plates issued in accordance with Section 41-1a-420;

43 (b) honor special group license plates, as in a war hero, which plates are issued for a:

44 (i) survivor of the Japanese attack on Pearl Harbor;

45 (ii) former prisoner of war;

46 (iii) recipient of a Purple Heart;

47 (iv) disabled veteran; or

48 (v) recipient of a gold star award issued by the United States Secretary of Defense if
49 the recipient is the spouse, parent, or sibling of a servicemember killed;

50 (c) unique vehicle type special group license plates, as for historical, collectors value,
51 or other unique vehicle type, which plates are issued for a:

52 (i) special interest vehicle;

53 (ii) vintage vehicle;

54 (iii) farm truck; or

55 (iv) vehicle powered by clean fuel [~~and for which a current clean special fuel certificate~~
56 ~~is maintained as provided in Section 59-13-304~~] as defined in Section 59-13-102;

57 (d) recognition special group license plates, as in a public official or an emergency
58 service giver, which plates are issued for a:

- 59 (i) current member of the Legislature;
- 60 (ii) current member of the United States Congress;
- 61 (iii) current member of the National Guard;
- 62 (iv) licensed amateur radio operator;
- 63 (v) currently employed, volunteer, or retired firefighter;
- 64 (vi) emergency medical technician;
- 65 (vii) current member of a search and rescue team; or
- 66 (viii) current honorary consulate designated by the United States Department of State;

67 and

68 (e) support special group license plates, as for a contributor to an institution or cause,
69 which plates are issued for a contributor to:

- 70 (i) an institution's scholastic scholarship fund;
- 71 (ii) the Division of Wildlife Resources;
- 72 (iii) the Department of Veterans' Affairs;
- 73 (iv) the Division of Parks and Recreation;
- 74 (v) the Department of Agriculture and Food;
- 75 (vi) the Guardian Ad Litem Services Account and the Children's Museum of Utah;
- 76 (vii) the Boy Scouts of America;
- 77 (viii) spay and neuter programs through No More Homeless Pets in Utah;
- 78 (ix) the Boys and Girls Clubs of America;
- 79 (x) Utah public education; or
- 80 (xi) programs that provide support to organizations that create affordable housing for
81 those in severe need through the Division of Real Estate.

82 (2) Beginning January 1, 2003, the division may not issue a new type of special group
83 license plate unless the division receives:

- 84 (a) a start-up fee established under Section 63-38-3.2 for production and administrative
85 costs for providing the new special group license plates; or
- 86 (b) a legislative appropriation for the start-up fee provided under Subsection (2)(a).

87 (3) (a) A sponsoring organization that qualifies for tax-exempt status under Internal
88 Revenue Code Section 501(c)(3) may request the commission to authorize a new type of
89 special group license plate for the sponsoring organization. The sponsoring organization shall:

- 90 (i) collect a minimum of 200 applications; and
- 91 (ii) pay a start-up fee established under Section 63-38-3.2 for production and
- 92 administrative costs for providing the new type of special group license plates.
- 93 (b) If the provisions of Subsection (3)(a) are met, the commission shall approve the
- 94 request and the division shall:
 - 95 (i) design a license plate in accordance with Section 41-1a-419; and
 - 96 (ii) issue the new type of special group license plates.
- 97 Section 2. Section **41-6a-1508** is amended to read:
- 98 **41-6a-1508. Low-speed vehicle.**
- 99 (1) Except as otherwise provided in this section, a low-speed vehicle is considered a
- 100 motor vehicle for purposes of the Utah Code including requirements for:
 - 101 (a) traffic rules under Title 41, Chapter 6a, Traffic Code;
 - 102 (b) driver licensing under Title 53, Chapter 3, Uniform Driver License Act;
 - 103 (c) motor vehicle insurance under Title 41, Chapter 12a, Financial Responsibility of
 - 104 Motor Vehicle Owners and Operators Act;
 - 105 (d) vehicle registration, titling, odometer statements, vehicle identification numbers,
 - 106 license plates, and registration fees under Title 41, Chapter 1a, Motor Vehicle Act;
 - 107 (e) vehicle taxation under Title 59, Chapter 13, Motor and Special Fuel Tax Act, and
 - 108 fee in lieu of property taxes or in lieu fees under Section 59-2-405;
 - 109 (f) motor vehicle dealer licensing under Title 41, Chapter 3, Motor Vehicle Business
 - 110 Regulation Act;
 - 111 (g) motor vehicle safety inspection requirements under Section 53-8-205; and
 - 112 (h) safety belt requirements under Title 41, Chapter 6a, Part 18, Motor Vehicle Safety
 - 113 Belt Usage Act.
- 114 (2) (a) A low-speed vehicle shall comply with federal safety standards established in 49
- 115 C.F.R. 571.500 and shall be equipped with:
 - 116 (i) headlamps;
 - 117 (ii) front and rear turn signals, tail lamps, and stop lamps;
 - 118 (iii) turn signal lamps;
 - 119 (iv) reflex reflectors one on the rear of the vehicle and one on the left and right side and
 - 120 as far to the rear of the vehicle as practical;

- 121 (v) a parking brake;
- 122 (vi) a windshield that meets the standards under Section 41-6a-1635, including a
123 device for cleaning rain, snow, or other moisture from the windshield;
- 124 (vii) an exterior rearview mirror on the driver's side and either an interior rearview
125 mirror or an exterior rearview mirror on the passenger side;
- 126 (viii) a speedometer and odometer; and
- 127 (ix) braking for each wheel.
- 128 (b) A low-speed vehicle that complies with this Subsection (2) and Subsection (3) and
129 that is not altered from the manufacturer is considered to comply with equipment requirements
130 under Part 16, Vehicle Equipment.
- 131 (3) A person may not operate a low-speed vehicle that has been structurally altered
132 from the original manufacturer's design.
- 133 [~~(4)~~] A user of a low-speed vehicle shall obtain an annual clean special fuel tax
134 certificate for each low-speed vehicle as required under Section 59-13-304.]
- 135 [~~(5)~~] (4) A low-speed vehicle is exempt from a motor vehicle emissions inspection and
136 maintenance program requirements under Section 41-6a-1642.
- 137 [~~(6)~~] (5) (a) Except to cross a highway at an intersection, a low-speed vehicle may not
138 be operated on a highway with a posted speed limit of more than 35 miles per hour.
- 139 (b) In addition to the restrictions under Subsection [~~(6)~~] (5)(a), a highway authority,
140 may prohibit or restrict the operation of a low-speed vehicle on any highway under its
141 jurisdiction, if the highway authority determines the prohibition or restriction is necessary for
142 public safety.
- 143 [~~(7)~~] (6) A person may not operate a low-speed vehicle on a highway without
144 displaying on the rear of the low-speed vehicle, a slow-moving vehicle identification emblem
145 that complies with the Society of Automotive Engineers standard SAE J943.
- 146 [~~(8)~~] (7) A person who violates Subsection (2), (3), [~~(6)~~] (5), or [~~(7)~~] (6) is guilty of a
147 class C misdemeanor.
- 148 Section 3. Section **59-7-605** is amended to read:
- 149 **59-7-605. Definitions -- Tax credit -- Cleaner burning fuels.**
- 150 (1) As used in this section:
- 151 (a) "Air quality standards" means that a vehicle's emissions are equal to or cleaner than

152 the standards established in bin 2 in Table S04-1, of 40 C.F.R. 86.1811-04(c)(6).

153 [~~(a)~~] (b) "Board" means the Air Quality Board created under Title 19, Chapter 2, Air
154 Conservation Act.

155 [~~(b)~~] (c) "Certified by the board" means that:

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

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

161 (B) the motor vehicle's emissions of regulated pollutants, when operating on a fuel
162 listed in Subsection (2)[~~(a)(ii)(A)~~] (b)(i) or [~~(2)(a)(ii)(B)~~] (ii), is less than the emissions were
163 before the installation of conversion equipment; and

164 (C) a reduction in emissions under Subsection (1)[~~(b)~~] (c)(i)(B) is demonstrated by:

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

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

170 (III) any other test or standard recognized by board rule; or

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

173 (A) the special mobile equipment's emissions of regulated pollutants, when operating
174 on fuels listed in Subsection (2)[~~(a)(iii)(A)~~] (c)(i) or [~~(2)(a)(iii)(B)~~] (ii), is less than the
175 emissions were before the installation of conversion equipment; and

176 (B) a reduction in emissions under Subsection (1)[~~(b)~~] (c)(ii)(A) is demonstrated by:

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

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

180 [~~(c)~~] (d) "Clean fuel grant" means a grant awarded under Title 19, Chapter 1, Part 4,
181 Clean Fuels and Vehicle Technology Program Act, for reimbursement of a portion of the
182 incremental cost of an OEM vehicle or the cost of conversion equipment.

183 ~~[(d)]~~ (e) "Conversion equipment" means equipment referred to in Subsection
184 (2)~~[(a)(ii)]~~ (b) or ~~[(2)(a)(iii)]~~ (c).

185 ~~[(e)]~~ (f) "Electric-hybrid vehicle" is as defined in 42 U.S.C. Sec. 13435.

186 (g) "Fuel economy standards" means that a vehicle's combined fuel economy, as
187 determined in 40 C.F.R. 600.209-95(d) is equal to or greater than:

188 (i) 31 miles per gallon for gasoline-fueled vehicles;

189 (ii) 36 miles per gallon for diesel-fueled vehicles;

190 (iii) 19 miles per gallon for vehicles fueled by a blend of 85% ethanol and 15%

191 gasoline;

192 (iv) 19 miles per gallon for liquified petroleum gas-fueled vehicles;

193 (v) 26 miles per gallon for compressed natural gas-fueled vehicles; or

194 (vi) standards consistent with 40 C.F.R. 600.209-95(d) that are adopted by the Air

195 Quality Board by rule.

196 ~~[(f)]~~ (h) "Incremental cost" has the same meaning as in Section 19-1-402.

197 ~~[(g)]~~ (i) "OEM vehicle" has the same meaning as in Section 19-1-402.

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

200 ~~[(h)]~~ (k) "Special mobile equipment":

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

203 (ii) includes construction or maintenance equipment.

204 (2) ~~[(a) Except as provided in Subsection (2)(b), for]~~ For taxable years beginning on or
205 after January 1, ~~[2001]~~ 2009, but beginning on or before December 31, ~~[2010]~~ 2011, a taxpayer
206 may claim a tax credit against tax otherwise due under this chapter or Chapter 8, Gross
207 Receipts Tax on Certain Corporations Not Required to Pay Corporate Franchise or Income Tax
208 Act, in an amount equal to:

209 ~~[(i) 50% of the incremental cost of an OEM vehicle registered in Utah minus the~~
210 ~~amount of any clean fuel grant received, up to a maximum tax credit of \$3,000 per vehicle, if~~
211 ~~the vehicle:]~~

212 ~~[(A) is fueled by propane, natural gas, or electricity;]~~

213 ~~[(B) is fueled by other fuel the board determines annually on or before July 1 to be at~~

214 ~~least as effective in reducing air pollution as fuels under Subsection (2)(a)(i)(A); or]~~

215 ~~[(C) meets the clean-fuel vehicle standards in the federal Clean Air Act Amendments~~
 216 ~~of 1990, 42 U.S.C. Sec. 7521 et seq.;~~

217 (a) \$1,000 for the original purchase of a new vehicle if the vehicle meets air quality and
 218 fuel economy standards;

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

222 ~~[(A)] (i) be fueled by propane, natural gas, or electricity;~~

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

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

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

232 ~~[(A)] (i) propane, natural gas, or electricity; or~~

233 ~~[(B)] (ii) other fuel the board determines annually on or before July 1 to be:~~

234 ~~[(C)] (A) at least as effective in reducing air pollution as the fuels under Subsection~~
 235 ~~(2)[(a)(iii)(A)] (c)(i); or~~

236 ~~[(C)] (B) substantially more effective in reducing air pollution than the fuel for which~~
 237 ~~the engine was originally designed.~~

238 ~~[(b) Notwithstanding Subsection (2)(a), for taxable years beginning on or after January~~
 239 ~~1, 2006, a taxpayer may not claim a tax credit under this section with respect to an~~
 240 ~~electric-hybrid vehicle.]~~

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

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

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

245 and

246 (c) retaining the written statement described in Subsection (3)(b).

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

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

250 (b) in the taxable year in which the item is purchased for which the tax credit is
251 claimed; and

252 (c) once per vehicle.

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

257 Section 4. Section **59-10-1009** is amended to read:

258 **59-10-1009. Definitions -- Cleaner burning fuels tax credit.**

259 (1) As used in this section:

260 (a) "Air quality standards" means that a vehicle's emissions are equal to or cleaner than
261 the standards established in bin 2 in Table S04-1, of 40 C.F.R. 86.1811-04(c)(6).

262 ~~[(a)]~~ (b) "Board" means the Air Quality Board created in Title 19, Chapter 2, Air
263 Conservation Act.

264 ~~[(b)]~~ (c) "Certified by the board" means that:

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

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

270 (B) the motor vehicle's emissions of regulated pollutants, when operating on fuels
271 listed in Subsection (2)~~[(a)(ii)(A)]~~ (b)(i) or ~~[(2)(a)(ii)(B)]~~ (ii), is less than the emissions were
272 before the installation of conversion equipment; and

273 (C) a reduction in emissions under Subsection (1)~~[(b)]~~ (c)(i)(B) is demonstrated by:

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

276 (II) testing the motor vehicle, before and after installation of the conversion equipment,
277 in accordance with 40 C.F.R. Part 86, Control Emissions from New and In-use Highway
278 Vehicles and Engines, using all fuels the motor vehicle is capable of using; or

279 (III) any other test or standard recognized by board rule; or

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

282 (A) the special mobile equipment's emissions of regulated pollutants, when operating
283 on fuels listed in Subsection (2)[~~(a)(iii)(A)~~] (c)(i) or [~~(2)(a)(iii)(B)~~] (ii), is less than the
284 emissions were before the installation of conversion equipment; and

285 (B) a reduction in emissions under Subsection (1)[~~(b)~~] (c)(ii)(A) is demonstrated by:

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

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

289 [~~(c)~~] (d) "Clean fuel grant" means a grant a claimant, estate, or trust receives under
290 Title 19, Chapter 1, Part 4, Clean Fuels and Vehicle Technology Program Act, for
291 reimbursement of a portion of the incremental cost of the OEM vehicle or the cost of
292 conversion equipment.

293 [~~(d)~~] (e) "Conversion equipment" means equipment referred to in Subsection
294 (2)[~~(a)(ii)~~] (b) or [~~(2)(a)(iii)~~] (c).

295 [~~(e)~~] (f) "Electric-hybrid vehicle" is as defined in 42 U.S.C. Sec. 13435.

296 (g) "Fuel economy standards" means that a vehicle's combined fuel economy, as
297 determined in 40 C.F.R. 600.209-95(d) is equal to or greater than:

298 (i) 31 miles per gallon for gasoline-fueled vehicles;

299 (ii) 36 miles per gallon for diesel-fueled vehicles;

300 (iii) 19 miles per gallon for vehicles fueled by a blend of 85% ethanol and 15%
301 gasoline;

302 (iv) 19 miles per gallon for liquified petroleum gas-fueled vehicles;

303 (v) 26 miles per gallon for compressed natural gas-fueled vehicles; or

304 (vi) standards consistent with 40 C.F.R. 600.209-95(d) that are adopted by the Air
305 Quality Board by rule.

306 [~~(f)~~] (h) "Incremental cost" has the same meaning as in Section 19-1-402.

307 ~~[(g)]~~ (i) "OEM vehicle" has the same meaning as in Section 19-1-402.

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

310 ~~[(h)]~~ (k) "Special mobile equipment":

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

313 (ii) includes construction or maintenance equipment.

314 (2) ~~[(a) Except as provided in Subsection (2)(b), for]~~ For taxable years beginning on or
 315 after January 1, ~~[2001]~~ 2008, but beginning on or before December 31, ~~[2010]~~ 2011, a
 316 claimant, estate, or trust may claim a nonrefundable tax credit against tax otherwise due under
 317 this chapter in an amount equal to:

318 ~~[(i) 50% of the incremental cost of an OEM vehicle registered in Utah minus the~~
 319 ~~amount of any clean fuel grant received, up to a maximum tax credit of \$3,000 per vehicle, if~~
 320 ~~the vehicle:]~~

321 ~~[(A) is fueled by propane, natural gas, or electricity;]~~

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

324 ~~[(C) meets the clean-fuel vehicle standards in the federal Clean Air Act Amendments~~
 325 ~~of 1990, 42 U.S.C. Sec. 7521 et seq.];]~~

326 (a) \$1,000 for the original purchase of a new vehicle if the vehicle meets air quality and
 327 fuel economy standards;

328 ~~[(ii)]~~ (b) 50% of the cost of equipment for conversion, if certified by the board, of a
 329 motor vehicle registered in Utah minus the amount of any clean fuel conversion grant received,
 330 up to a maximum tax credit of \$2,500 per vehicle, if the motor vehicle:

331 ~~[(A)]~~ (i) is to be fueled by propane, natural gas, or electricity;

332 ~~[(B)]~~ (ii) is to be fueled by other fuel the board determines annually on or before July 1
 333 to be at least as effective in reducing air pollution as fuels under Subsection (2)~~[(a)(ii)(A)]~~

334 (b)(i); or

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

337 ~~[(iii)]~~ (c) 50% of the cost of equipment for conversion, if certified by the board, of a

338 special mobile equipment engine minus the amount of any clean fuel conversion grant
339 received, up to a maximum tax credit of \$1,000 per special mobile equipment engine, if the
340 special mobile equipment is to be fueled by:

341 [~~(A)~~] (i) propane, natural gas, or electricity; or

342 [~~(B)~~] (ii) other fuel the board determines annually on or before July 1 to be:

343 [~~(F)~~] (A) at least as effective in reducing air pollution as the fuels under Subsection

344 (2)[~~(a)(iii)(A)~~] (C)(i); or

345 [~~(H)~~] (B) substantially more effective in reducing air pollution than the fuel for which
346 the engine was originally designed.

347 [~~(b) Notwithstanding Subsection (2)(a), for taxable years beginning on or after January~~
348 ~~1, 2006, a claimant, estate, or trust may not claim a tax credit under this section with respect to~~
349 ~~an electric-hybrid vehicle.]~~

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

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

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

354 and

355 (c) retaining the written statement described in Subsection (3)(b).

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

358 (a) against any Utah tax owed in the taxable year by the claimant, estate, or trust;

359 (b) in the taxable year in which the item is purchased for which the tax credit is
360 claimed; and

361 (c) once per vehicle.

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

366 Section 5. Section **59-13-103** is amended to read:

367 **59-13-103. List of clean fuels provided to tax commission -- Report to the**
368 **Legislature.**

369 (1) The Air Quality Board shall annually provide to the tax commission a list of fuels
370 that are clean fuels under Section 59-13-102.

371 (2) The Air Quality Board created under Section 19-2-103 shall in conjunction with the
372 State Tax Commission prepare and submit to the Legislature before January 1, 1995, a report
373 evaluating the impacts, benefits, and economic consequences of the clean fuel [certificate]
374 provisions of Sections 59-13-201 and 59-13-301.

375 Section 6. Section **59-13-304** is amended to read:

376 **59-13-304. Exemptions from Special Fuel Tax -- Inspection of clean fuel vehicles.**

377 [~~(1)(a) Except as provided in Subsection (4), a user of special fuel who owns a vehicle~~
378 ~~powered by a clean special fuel as defined under Section 59-13-102 shall pay a clean special~~
379 ~~fuel tax as provided under this section for use of clean special fuel.]~~

380 [~~(b) A user of special fuel who qualifies for the clean special fuel tax shall annually~~
381 ~~purchase from the commission a clean special fuel tax certificate for each vehicle owned or~~
382 ~~leased that is powered by a clean special fuel.]~~

383 [~~(c) Clean special fuel tax certificates are provided to encourage the use of clean fuels~~
384 ~~to reduce air pollution.]~~

385 [~~(2)(a) The fee for a clean special fuel tax certificate is:~~

386 [~~(i) 70/100 of the tax per gallon imposed under Subsection 59-13-201(1)(a), rounded up~~
387 ~~to the nearest dollar, for qualified motor vehicles as defined under Section 59-13-102; and]~~

388 [~~(ii) 36/100 of the tax per gallon imposed under Subsection 59-13-201(1)(a), rounded~~
389 ~~up to the nearest dollar, for other vehicles.]~~

390 (1) A vehicle that operates on clean fuel is exempt from the special fuel tax.

391 [~~(b)~~] (2) The commission may require each clean fuel vehicle to be inspected for safe
392 operation [before issuing the certificate].

393 [~~(c)~~] (3) Each clean fuel vehicle shall be equipped with an approved and properly
394 installed carburetion system if it is powered by a fuel that is gaseous at standard atmospheric
395 conditions.

396 [~~(3)(a) Beginning January 1, 2001 through December 31, 2010, there is imposed a~~
397 ~~surcharge of \$35 on each clean special fuel tax certificate issued under this section.]~~

398 [~~(b)(i) Until Subsection (3)(b)(ii) applies, surcharges imposed under Subsection (3)(a)~~
399 ~~shall be deposited into the Centennial Highway Fund Restricted Account created under Section~~

400 ~~72-2-118.]~~

401 ~~[(ii) When the highway general obligation bonds have been paid off and the highway~~
402 ~~projects completed that are intended to be paid from revenues deposited in the Centennial~~
403 ~~Highway Fund Restricted Account as determined by the Executive Appropriations Committee~~
404 ~~under Subsection 72-2-118(6)(d), the surcharge imposed under Subsection (3)(a) shall be~~
405 ~~deposited into the Transportation Investment Fund of 2005 created by Section 72-2-124.]~~

406 ~~[(4) A governmental entity identified in Subsection 59-13-301(9) that owns or leases a~~
407 ~~vehicle powered by a special fuel that qualifies as a clean special fuel is exempt from the clean~~
408 ~~special fuel tax imposed under this section.]~~

409 Section 7. Section **59-13-314** is amended to read:

410 **59-13-314. Special fuel user permit required before registration of vehicle.**

411 Before registering any motor vehicle which is operated by special fuels, the registered
412 owner or lessee of the vehicle shall obtain~~[(+)]~~ a valid special fuel user permit for the current
413 year if required under Section 59-13-303~~[; or]~~.

414 ~~[(2) a valid clean special fuel tax certificate for the current year if required under~~
415 ~~Section 59-13-304.]~~

416 Section 8. Section **72-2-124** is amended to read:

417 **72-2-124. Transportation Investment Fund of 2005.**

418 (1) There is created a special revenue fund entitled the Transportation Investment Fund
419 of 2005.

420 (2) The fund consists of monies generated from the following sources:

- 421 (a) any voluntary contributions received for the maintenance, construction,
- 422 reconstruction, or renovation of state and federal highways; and
- 423 (b) appropriations made to the fund by the Legislature.

424 (3) When the highway general obligation bonds have been paid off and the highway
425 projects completed that are intended to be paid from revenues deposited in the Centennial
426 Highway Fund Restricted Account as determined by the Executive Appropriations Committee
427 under Subsection 72-2-118(6)(d), the fund shall also consist of monies generated from the
428 following sources:

- 429 (a) registration fees designated under Subsection 41-1a-1201(6)(a); and
- 430 ~~[(b) the clean special fuel tax certificate surcharge under Subsection 59-13-304(3);~~

431 and]

432 [~~(e)~~] (b) the sales and use tax amounts provided for in Section 59-12-103.

433 (4) (a) The fund shall earn interest.

434 (b) All interest earned on fund monies shall be deposited into the fund.

435 (5) (a) Except as provided in Subsections (5)(b) and (c), the executive director may use
436 fund monies only to pay the costs of maintenance, construction, reconstruction, or renovation
437 to state and federal highways prioritized by the Transportation Commission through the
438 prioritization process for new transportation capacity projects adopted under Section 72-1-304.

439 (b) The executive director may use fund monies deposited into the fund in fiscal year
440 2006 only to pay the costs of maintenance, construction, reconstruction, or renovation to state
441 and federal highways prioritized by the Transportation Commission.

442 (c) The executive director may use fund monies to exchange for an equal or greater
443 amount of federal transportation funds to be used as provided in Subsection (5)(a).

444 Section 9. **Effective date.**

445 This bill takes effect on January 1, 2009.

Legislative Review Note
as of 12-27-07 10:32 AM

Office of Legislative Research and General Counsel

H.B. 106 - Clean Air and Efficient Vehicle Tax Incentives

Fiscal Note

2008 General Session

State of Utah

State Impact

Enactment of this bill would increase the Education Fund by \$147,500 in FY 2009 and by \$354,000 in FY 2010. There is a potential decrease in Transportation Fund revenues of \$71,300 in FY 2009 and by \$151,200 in FY 2010. There is a potential increase in sales tax revenue as clean fuels become subject to the sales tax.

	<u>FY 2008</u> <u>Approp.</u>	<u>FY 2009</u> <u>Approp.</u>	<u>FY 2010</u> <u>Approp.</u>	<u>FY 2008</u> <u>Revenue</u>	<u>FY 2009</u> <u>Revenue</u>	<u>FY 2010</u> <u>Revenue</u>
Uniform School Fund	\$0	\$0	\$0	\$0	\$147,500	\$354,000
Transportation Fund	\$0	\$0	\$0	\$0	(\$71,300)	(\$151,200)
Total	\$0	\$0	\$0	\$0	\$76,200	\$202,800

Individual, Business and/or Local Impact

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for local governments. Certain individuals and businesses would receive potential tax credits.
