

Representative Jack R. Draxler proposes the following substitute bill:

**CERTIFICATION OF RETROFIT
COMPRESSED NATURAL GAS VEHICLES**

2010 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jack R. Draxler

Senate Sponsor: _____

LONG TITLE

General Description:

This bill addresses the retrofitting of vehicles to operate on compressed natural gas.

Highlighted Provisions:

This bill:

- ▶ provides for the Division of Air Quality to verify compliance with certain provisions concerning retrofit compressed natural gas vehicles;
- ▶ requires certain inspections, emission standards, and certifications for retrofit compressed natural gas vehicles;
- ▶ allows the Division of Air Quality to make rules in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, governing retrofit compressed natural gas vehicles;
- ▶ provides that a retrofit compressed natural gas vehicle in compliance with the new provisions satisfies certain fleet requirements;
- ▶ prohibits a vehicle certified under the bill's provisions from receiving a clean fuel vehicle tax credit, except in limited circumstances; and
- ▶ makes technical changes.

Monies Appropriated in this Bill:



26 None

27 **Other Special Clauses:**

28 None

29 **Utah Code Sections Affected:**

30 AMENDS:

31 **19-2-105.3**, as last amended by Laws of Utah 2009, Chapter 183

32 **59-7-605**, as last amended by Laws of Utah 2008, Chapter 153

33 **59-10-1009**, as last amended by Laws of Utah 2008, Chapter 153

34 ENACTS:

35 **19-1-406**, Utah Code Annotated 1953



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

38 Section 1. Section **19-1-406** is enacted to read:

39 **19-1-406. Retrofit compressed natural gas vehicles -- Inspections, standards, and**
40 **certification -- Rulemaking -- Compliance with other law.**

41 (1) The owner of a retrofit compressed natural gas vehicle that is retrofit after July 1,
42 2010 shall have the retrofit compressed natural gas vehicle:

43 (a) inspected and certified as safe in accordance with relevant standards, including the
44 National Fire Protection Association 52 Vehicular Gaseous Fuel Systems Code, by a CSA
45 America CNG Fuel System Inspector; and

46 (b) tested to ensure that the retrofit compressed natural gas vehicle satisfies the
47 emissions standards:

48 (i) if any, for the county in which the vehicle is registered; or

49 (ii) for the county in the state with the most lenient emissions standards, if the vehicle
50 is registered in a county with no emissions standards.

51 (2) A person who performs the retrofit on a retrofit compressed natural vehicle shall
52 certify to the owner of the retrofit compressed natural gas vehicle that the retrofit does not
53 tamper with, circumvent, or otherwise affect the vehicle's on-board diagnostic system, if any.

54 (3) The Division of Air Quality shall verify, by examining the inspection and
55 certification results of an inspection, test, or certification required by Subsections (1) and (2)
56 that a retrofit compressed natural gas vehicle complies with Subsections (1) and (2).

57 (4) The owner of a retrofit compressed natural gas vehicle shall have the retrofit
58 inspected for safety by a CSA America CNG Fuel System Inspector:

59 (a) at the time of the retrofit;

60 (b) every three years or 36,000 miles after the retrofit, whichever occurs sooner; and

61 (c) after any collision occurring at a speed of greater than five miles per hour.

62 (5) At any state-required safety inspection, the inspector shall verify that a retrofit
63 compressed natural gas vehicle has been inspected in accordance with Subsection (4).

64 (6) (a) The Division of Air Quality may make rules in accordance with Title 63G,
65 Chapter 3, Utah Administrative Rulemaking Act, to administer this section, including
66 provisions for testing to ensure compliance with emissions and anti-tampering standards
67 established in this section or by federal law.

68 (b) In making rules governing testing under Subsection (6)(a), the division shall:

69 (i) allow for testing using equipment widely available within the state, if possible;

70 (ii) consult with relevant state and federal agencies, and interested parties; and

71 (iii) ensure that, to the greatest extent consistent with law, the rules are designed to
72 encourage the inexpensive retrofit of vehicles to operate on compressed natural gas.

73 (7) The owner of a vehicle, and a person performing a retrofit of a compressed natural
74 gas vehicle, shall comply with any applicable federal law concerning a retrofit compressed
75 natural gas vehicle.

76 Section 2. Section **19-2-105.3** is amended to read:

77 **19-2-105.3. Clean fuel requirements for fleets.**

78 (1) As used in this section:

79 (a) "1990 Clean Air Act" means the federal Clean Air Act as amended in 1990.

80 (b) "Clean fuel" means:

81 (i) propane, compressed natural gas, or electricity;

82 (ii) other fuel the Air Quality Board created in Title 19, Chapter 2, Air Conservation
83 Act, determines annually on or before July 1 is at least as effective as fuels under Subsection
84 (1)(b)(i) in reducing air pollution; and

85 (iii) other fuel that meets the clean fuel vehicle standards in the 1990 Clean Air Act.

86 (c) "Fleet" means 10 or more vehicles:

87 (i) owned or operated by a single entity as defined by board rule; and

- 88 (ii) capable of being fueled or that are fueled at a central location.
- 89 (d) "Fleet" does not include motor vehicles that are:
 - 90 (i) held for lease or rental to the general public;
 - 91 (ii) held for sale or used as demonstration vehicles by motor vehicle dealers;
 - 92 (iii) used by motor vehicle manufacturers for product evaluations or tests;
 - 93 (iv) authorized emergency vehicles as defined in Section 41-6a-102;
 - 94 (v) registered under Title 41, Chapter 1a, Part 2, Registration, as farm vehicles;
 - 95 (vi) special mobile equipment as defined in Section 41-1a-102;
 - 96 (vii) heavy duty trucks with a gross vehicle weight rating of more than 26,000 pounds;
 - 97 (viii) regularly used by employees to drive to and from work, parked at the employees'
 - 98 personal residences when they are not at their employment, and not practicably fueled at a
 - 99 central location;
 - 100 (ix) owned, operated, or leased by public transit districts; or
 - 101 (x) exempted by board rule.
- 102 (2) (a) After evaluation of reasonably available pollution control strategies, and as part
- 103 of the state implementation plan demonstrating attainment of the national ambient air quality
- 104 standards, the board may by rule, subject to Subsection (2)(c), require fleets in specified
- 105 geographical areas to use clean fuels if the board determines fleet use of clean fuels is:
 - 106 (i) necessary to demonstrate attainment of the national ambient air quality standards in
 - 107 any area where they are required; and
 - 108 (ii) reasonably cost effective when compared to other similarly beneficial control
 - 109 strategies for demonstrating attainment of the national ambient air quality standards.
- 110 (b) State implementation plans developed prior to July 1, 1995, may require fleets to
- 111 use clean fuels no earlier than July 1, 1995, unless the board determines fleet use of clean fuels
- 112 is necessary prior to July 1, 1995, to demonstrate attainment of the national ambient air quality
- 113 standards in any area by an attainment date established by federal law.
- 114 (c) The board may not require more than 50% of those trucks in a fleet that are heavy
- 115 duty trucks having a gross vehicle weight rating of more than 8,500 pounds and not more than
- 116 26,000 pounds to convert to clean fuels under Subsection (2)(b).
- 117 (d) A vehicle retrofit to operate on compressed natural gas in accordance with Section
- 118 19-1-406 qualifies as a clean fuel vehicle under this section.

119 (3) (a) After evaluation of reasonably available pollution control strategies, and as part
120 of a state implementation plan demonstrating only maintenance of the national ambient air
121 quality standards, the board may by rule, subject to Subsection (3)(b), require fleets in specified
122 geographical areas to use clean fuels if the board determines fleet use of clean fuels is:

123 (i) necessary to demonstrate maintenance of the national ambient air quality standards
124 in any area where they are required; and

125 (ii) reasonably cost effective as compared with other similarly beneficial control
126 strategies for demonstrating maintenance of the national ambient air quality standards.

127 (b) Under Subsection (3)(a) the board may require no more than:

128 (i) 30% of a fleet to use clean fuels before January 1, 1998;

129 (ii) 50% of a fleet to use clean fuels before January 1, 1999; and

130 (iii) 70% of a fleet to use clean fuels before January 1, 2000.

131 (c) The board may not require more than 50% of those trucks in a fleet that are heavy
132 duty trucks having a gross vehicle weight rating of more than 8,500 pounds and not more than
133 26,000 pounds to convert to clean fuels under Subsection (3)(b).

134 (4) Rules the board makes under this section may include:

135 (a) dates by which fleets are required to convert to clean fuels under the provisions of
136 this section;

137 (b) definitions of fleet owners or operators;

138 (c) definitions of vehicles exempted from this section by rule;

139 (d) certification requirements for persons who install clean fuel conversion equipment,
140 including testing and certification standards regarding installers; and

141 (e) certification fees for installers, established under Section 63J-1-504.

142 (5) Implementation of this section and rules made under this section are subject to the
143 reasonable availability of clean fuel in the local market as determined by the board.

144 Section 3. Section **59-7-605** is amended to read:

145 **59-7-605. Definitions -- Tax credit -- Cleaner burning fuels.**

146 (1) As used in this section:

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

149 (b) "Board" means the Air Quality Board created under Title 19, Chapter 2, Air

150 Conservation Act.

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

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

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

157 (B) the motor vehicle's emissions of regulated pollutants, when operating on a fuel
158 listed in Subsection (2)(c)(i) or (ii), is less than the emissions were before the installation of
159 conversion equipment; and

160 (C) a reduction in emissions under Subsection (1)(c)(i)(B) is demonstrated by:

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

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

166 (III) any other test or standard recognized by board rule, which may not include a
167 retrofit natural gas vehicle certified in accordance with Section 19-1-406, unless that vehicle
168 also satisfies Subsection (1)(c)(i)(C)(I); or

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

171 (A) the special mobile equipment's emissions of regulated pollutants, when operating
172 on fuels listed in Subsection (2)(d)(i) or (ii), is less than the emissions were before the
173 installation of conversion equipment; and

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

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

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

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

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

182 (f) "Fuel economy standards" means that a vehicle's combined fuel economy, as

183 determined in 40 C.F.R. 600.209-95(d) is equal to or greater than:

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

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

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

187 gasoline;

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

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

190 Quality Board by rule.

191 (g) "Incremental cost" has the same meaning as in Section 19-1-402.

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

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

195 (j) "Special mobile equipment":

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

198 (ii) includes construction or maintenance equipment.

199 (2) For taxable years beginning on or after January 1, 2009, but beginning on or before

200 December 31, 2013, a taxpayer may claim a tax credit against tax otherwise due under this

201 chapter or Chapter 8, Gross Receipts Tax on Certain Corporations Not Required to Pay

202 Corporate Franchise or Income Tax Act, in an amount equal to:

203 (a) \$750 for the original purchase of a new vehicle that is not fueled by compressed

204 natural gas if the vehicle is registered in Utah and meets air quality and fuel economy

205 standards;

206 (b) for the purchase of a vehicle fueled by compressed natural gas that is registered in

207 Utah, the lesser of:

208 (i) \$2,500; or

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

210 (c) 50% of the cost of equipment for conversion, if certified by the board, of a motor

211 vehicle registered in Utah minus the amount of any clean fuel grant received, up to a maximum

212 tax credit of \$2,500 per motor vehicle, if the motor vehicle is to:

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

214 (ii) be 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)(c)(i); or

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

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

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

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

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

225 or

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

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

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

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

232 and

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

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

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

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

239 (c) once per vehicle.

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

243 five taxable years.

244 (6) The tax credit provided by this section may be taken only once per vehicle.

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

246 **59-10-1009. Definitions -- Cleaner burning fuels tax credit.**

247 (1) As used in this section:

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

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

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

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

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

258 (B) the motor vehicle's emissions of regulated pollutants, when operating on fuels
259 listed in Subsection (2)(c)(i) or (ii), is less than the emissions were before the installation of
260 conversion equipment; and

261 (C) a reduction in emissions under Subsection (1)~~(d)~~(c)(i)(B) is demonstrated by:

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

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

267 (III) any other test or standard recognized by board rule~~[-or]~~, which may not include a
268 retrofit natural gas vehicle certified in accordance with Section 19-1-406, unless that vehicle
269 also satisfies Subsection (1)(c)(i)(C)(I);

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

272 (A) the special mobile equipment's emissions of regulated pollutants, when operating
273 on fuels listed in Subsection (2)(c)(i) or (ii), is less than the emissions were before the

274 installation of conversion equipment; and

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

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

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

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

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

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

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

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

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

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

290 (v) standards consistent with 40 C.F.R. 600.209-95(d) that are adopted by the Air
291 Quality Board by rule.

292 (g) "Incremental cost" has the same meaning as in Section 19-1-402.

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

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

296 (j) "Special mobile equipment":

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

299 (ii) includes construction or maintenance equipment.

300 (2) For taxable years beginning on or after January 1, 2009, but beginning on or before
301 December 31, 2013, a claimant, estate, or trust may claim a nonrefundable tax credit against
302 tax otherwise due under this chapter in an amount equal to:

303 (a) \$750 for the original purchase of a new vehicle that is not fueled by compressed
304 natural gas if the vehicle is registered in Utah and meets air quality and fuel economy

305 standards;

306 (b) for the purchase of a vehicle fueled by compressed natural gas that is registered in

307 Utah, the lesser of:

308 (i) \$2,500; or

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

310 (c) 50% of the cost of equipment for conversion, if certified by the board, of a motor

311 vehicle registered in Utah minus the amount of any clean fuel conversion grant received, up to

312 a maximum tax credit of \$2,500 per vehicle, if the motor vehicle:

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

314 (ii) is to be fueled by other fuel the board determines annually on or before July 1 to be

315 at least as effective in reducing air pollution as fuels under Subsection (2)(c)(i); or

316 (iii) will meet the federal clean fuel vehicle standards in the federal Clean Air Act

317 Amendments of 1990, 42 U.S.C. Sec. 7521 et seq.; and

318 (d) 50% of the cost of equipment for conversion, if certified by the board, of a special

319 mobile equipment engine minus the amount of any clean fuel conversion grant received, up to a

320 maximum tax credit of \$1,000 per special mobile equipment engine, if the special mobile

321 equipment is to be fueled by:

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

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

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

325 or

326 (B) substantially more effective in reducing air pollution than the fuel for which the

327 engine was originally designed.

328 (3) A claimant, estate, or trust shall provide proof of the purchase of an item for which

329 a tax credit is allowed under this section by:

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

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

332 and

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

334 (4) Except as provided by Subsection (5), the tax credit under this section is allowed

335 only:

- 336 (a) against any Utah tax owed in the taxable year by the claimant, estate, or trust;
- 337 (b) in the taxable year in which the item is purchased for which the tax credit is
- 338 claimed; and
- 339 (c) once per vehicle.
- 340 (5) If the amount of a tax credit claimed by a claimant, estate, or trust under this
- 341 section exceeds the claimant's, estate's, or trust's tax liability under this chapter for a taxable
- 342 year, the amount of the tax credit exceeding the tax liability may be carried forward for a period
- 343 that does not exceed the next five taxable years.
- 344 (6) The tax credit provided by this section may be taken only once per vehicle.