

Representative Jack R. Draxler proposes the following substitute bill:

RETROFIT COMPRESSED NATURAL GAS VEHICLES

AMENDMENTS

2010 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jack R. Draxler

Senate Sponsor: Mark B. Madsen

LONG TITLE

General Description:

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

Highlighted Provisions:

This bill:

- ▶ requires certain inspections, emission standards, and certifications for retrofit compressed natural gas vehicles;
- ▶ requires compliance with applicable law;
- ▶ authorizes the Division of Air Quality to develop programs to coordinate amongst government and private entities to facilitate use of retrofit compressed natural gas vehicles;
- ▶ provides that a retrofit compressed natural gas vehicle in compliance with certain requirements satisfies fleet requirements;
- ▶ prohibits a retrofit compressed natural gas vehicle from receiving a clean fuel vehicle tax credit, unless it meets certain requirements; and
- ▶ makes technical changes.

Monies Appropriated in this Bill:

None



26 **Other Special Clauses:**

27 None

28 **Utah Code Sections Affected:**

29 AMENDS:

30 **19-2-105.3**, as last amended by Laws of Utah 2009, Chapter 183

31 **59-7-605**, as last amended by Laws of Utah 2008, Chapter 153

32 **59-10-1009**, as last amended by Laws of Utah 2008, Chapter 153

33 ENACTS:

34 **19-1-406**, Utah Code Annotated 1953



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

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

38 **19-1-406. Retrofit compressed natural gas vehicles -- Inspections, standards, and**
39 **certification -- Compliance with other law -- Programs to coordinate.**

40 (1) An owner of a retrofit compressed natural gas vehicle that is retrofit on or after July
41 1, 2010 may not operate the retrofit compressed natural gas vehicle before the owner has the
42 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 retrofit compressed natural gas vehicle is
49 registered; or

50 (ii) for the county in the state with the most lenient emissions standards, if the retrofit
51 compressed natural gas vehicle is registered in a county with no emissions standards.

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

55 (3) (a) After the owner of a retrofit compressed natural gas vehicle that is retrofit on or
56 after July 1, 2010, has the retrofit compressed natural gas vehicle inspected under Subsection

57 (1), the owner shall have the retrofit inspected for safety by a CSA America CNG Fuel System
58 Inspector:

59 (i) the sooner of:

60 (A) every three years after the retrofit; or

61 (B) every 36,000 miles after the retrofit; and

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

63 (b) An inspector at a state-required safety inspection shall verify that a retrofit
64 compressed natural gas vehicle is inspected in accordance with Subsection (3)(a).

65 (4) The owner of a compressed natural gas vehicle, and a person performing a retrofit
66 of a compressed natural gas vehicle, shall comply with any applicable federal law concerning a
67 retrofit compressed natural gas vehicle.

68 (5) (a) The Division of Air Quality may develop programs to coordinate amongst
69 government agencies and interested parties in the private sector to facilitate:

70 (i) testing to ensure compliance with emissions and anti-tampering standards
71 established in this section or by federal law; and

72 (ii) the retrofitting of vehicles to operate on compressed natural gas vehicles in a
73 manner that provides for:

74 (A) safety;

75 (B) compliance with applicable law; and

76 (C) potential improvement in the air quality of this state.

77 (b) In developing a program under this Subsection (6), the Division of Air Quality
78 shall:

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

80 (ii) consult with relevant federal, state, and local government agencies and other
81 interested parties.

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

83 **19-2-105.3. Clean fuel requirements for fleets.**

84 (1) As used in this section:

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

86 (b) "Clean fuel" means:

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

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

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

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

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

94 (ii) capable of being fueled or that are fueled at a central location.

95 (d) "Fleet" does not include motor vehicles that are:

96 (i) held for lease or rental to the general public;

97 (ii) held for sale or used as demonstration vehicles by motor vehicle dealers;

98 (iii) used by motor vehicle manufacturers for product evaluations or tests;

99 (iv) authorized emergency vehicles as defined in Section 41-6a-102;

100 (v) registered under Title 41, Chapter 1a, Part 2, Registration, as farm vehicles;

101 (vi) special mobile equipment as defined in Section 41-1a-102;

102 (vii) heavy duty trucks with a gross vehicle weight rating of more than 26,000 pounds;

103 (viii) regularly used by employees to drive to and from work, parked at the employees'
104 personal residences when they are not at their employment, and not practicably fueled at a
105 central location;

106 (ix) owned, operated, or leased by public transit districts; or

107 (x) exempted by board rule.

108 (2) (a) After evaluation of reasonably available pollution control strategies, and as part
109 of the state implementation plan demonstrating attainment of the national ambient air quality
110 standards, the board may by rule, subject to Subsection (2)(c), require fleets in specified
111 geographical areas to use clean fuels if the board determines fleet use of clean fuels is:

112 (i) necessary to demonstrate attainment of the national ambient air quality standards in
113 any area where they are required; and

114 (ii) reasonably cost effective when compared to other similarly beneficial control
115 strategies for demonstrating attainment of the national ambient air quality standards.

116 (b) State implementation plans developed prior to July 1, 1995, may require fleets to
117 use clean fuels no earlier than July 1, 1995, unless the board determines fleet use of clean fuels
118 is necessary prior to July 1, 1995, to demonstrate attainment of the national ambient air quality

119 standards in any area by an attainment date established by federal law.

120 (c) The board may not require more than 50% of those trucks in a fleet that are heavy
121 duty trucks having a gross vehicle weight rating of more than 8,500 pounds and not more than
122 26,000 pounds to convert to clean fuels under Subsection (2)(b).

123 (d) A vehicle retrofit to operate on compressed natural gas in accordance with Section
124 19-1-406 qualifies as a clean fuel vehicle under this section.

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

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

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

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

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

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

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

137 (c) The board may not require more than 50% of those trucks in a fleet that are heavy
138 duty trucks having a gross vehicle weight rating of more than 8,500 pounds and not more than
139 26,000 pounds to convert to clean fuels under Subsection (3)(b).

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

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

143 (b) definitions of fleet owners or operators;

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

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

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

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

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

151 **59-7-605. Definitions -- Tax credit -- Cleaner burning fuels.**

152 (1) As used in this section:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

201 (j) "Special mobile equipment":

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

204 (ii) includes construction or maintenance equipment.

205 (2) For taxable years beginning on or after January 1, 2009, but beginning on or before
206 December 31, 2013, a taxpayer may claim a tax credit against tax otherwise due under this
207 chapter or Chapter 8, Gross Receipts Tax on Certain Corporations Not Required to Pay
208 Corporate Franchise or Income Tax Act, in an amount equal to:

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

212 (b) for the purchase of a vehicle fueled by compressed natural gas that is registered in
213 Utah, the lesser of:

214 (i) \$2,500; or

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

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

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

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

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

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

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

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

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

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

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

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

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

238 and

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

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

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

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

245 (c) once per vehicle.

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

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

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

252 **59-10-1009. Definitions -- Cleaner burning fuels tax credit.**

253 (1) As used in this section:

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

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

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

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

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

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

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

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

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

273 (III) any other test or standard recognized by board rule, which may not include a

274 retrofit compressed natural gas vehicle that is retrofit in accordance with Section 19-1-406,
275 unless that motor vehicle also satisfies Subsection (1)(c)(i)(C)(I); or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

302 (j) "Special mobile equipment":

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

305 (ii) includes construction or maintenance equipment.

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

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

312 (b) for the purchase of a vehicle fueled by compressed natural gas that is registered in
313 Utah, the lesser of:

314 (i) \$2,500; or

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

316 (c) 50% of the cost of equipment for conversion, if certified by the board, of a motor
317 vehicle registered in Utah minus the amount of any clean fuel conversion grant received, up to
318 a maximum tax credit of \$2,500 per vehicle, if the motor vehicle:

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

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

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

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

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

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

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

331 or

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

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

- 336 (a) providing proof to the board in the form the board requires by rule;
- 337 (b) receiving a written statement from the board acknowledging receipt of the proof;
- 338 and
- 339 (c) retaining the written statement described in Subsection (3)(b).
- 340 (4) Except as provided by Subsection (5), the tax credit under this section is allowed
- 341 only:
- 342 (a) against any Utah tax owed in the taxable year by the claimant, estate, or trust;
- 343 (b) in the taxable year in which the item is purchased for which the tax credit is
- 344 claimed; and
- 345 (c) once per vehicle.
- 346 (5) If the amount of a tax credit claimed by a claimant, estate, or trust under this
- 347 section exceeds the claimant's, estate's, or trust's tax liability under this chapter for a taxable
- 348 year, the amount of the tax credit exceeding the tax liability may be carried forward for a period
- 349 that does not exceed the next five taxable years.
- 350 (6) The tax credit provided by this section may be taken only once per vehicle.