

1 **ENERGY EFFICIENT VEHICLE TAX CREDITS**

2 2014 GENERAL SESSION

3 STATE OF UTAH

4 **Chief Sponsor: V. Lowry Snow**

5 Senate Sponsor: J. Stuart Adams

7 **LONG TITLE**

8 **General Description:**

9 This bill addresses tax credits related to energy efficient vehicles.

10 **Highlighted Provisions:**

11 This bill:

- 12 ▶ addresses the amount of tax credit that may be claimed for the purchase of certain
- 13 energy efficient vehicles; and
- 14 ▶ makes technical and conforming changes.

15 **Money Appropriated in this Bill:**

16 None

17 **Other Special Clauses:**

18 This bill takes effect for a taxable year beginning on or after January 1, 2015.

19 **Utah Code Sections Affected:**

20 AMENDS:

21 **59-7-605**, as last amended by Laws of Utah 2013, Chapter 184

22 **59-10-1009**, as last amended by Laws of Utah 2013, Chapter 184

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

25 Section 1. Section **59-7-605** is amended to read:

26 **59-7-605. Definitions -- Tax credits related to energy efficient vehicles.**

27 (1) As used in this section:

28 (a) "Air quality standards" means that a vehicle's emissions are equal to or cleaner than

29 the standards established in ~~[(i) bin 2 in Table S04-1, of 40 C.F.R. 86.1811-04(c)(6); or (ii)~~

30 ~~for a new qualified plug-in electric drive motor vehicle, as defined in Section 30D, Internal~~
31 ~~Revenue Code,] bin 4 in Table S04-1, of 40 C.F.R. 86.1811-04(c)(6).~~

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

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

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

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

41 (B) as a result of the installation of conversion equipment on the motor vehicle, the
42 motor vehicle has reduced emissions; or

43 (ii) special mobile equipment on which conversion equipment has been installed has
44 reduced emissions.

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

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

49 (f) "OEM vehicle" has the same meaning as in Section [19-1-402](#).

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

52 (h) "Qualifying electric [~~or hybrid~~] vehicle" means a vehicle that:

53 (i) meets air quality standards;

54 (ii) is not fueled by natural gas;

55 (iii) is fueled by[~~:(A)~~] electricity only; [~~or~~] and

56 [~~(B) a combination of electricity and diesel fuel, gasoline, a mixture of gasoline and~~
57 ~~ethanol, or propane, and]~~

58 (iv) is an OEM vehicle except that the vehicle is fueled by a fuel described in
59 Subsection (1)(h)(iii).

60 (i) "Qualifying plug-in hybrid vehicle" means a vehicle that:

61 (i) meets air quality standards;

62 (ii) is not fueled by natural gas or propane;

63 (iii) has a battery capacity that meets or exceeds the battery capacity described in

64 Section 30D(b)(3), Internal Revenue Code; and

65 (iv) is fueled by a combination of electricity and:

66 (A) diesel fuel;

67 (B) gasoline; or

68 (C) a mixture of gasoline and ethanol.

69 [(†)] (j) "Reduced emissions" means:

70 (i) for purposes of a motor vehicle on which conversion equipment has been installed,
71 that the motor vehicle's emissions of regulated pollutants, when operating on a fuel listed in
72 Subsection (2)(d)(i) or (ii), is less than the emissions were before the installation of the
73 conversion equipment, as demonstrated by:

74 (A) certification of the conversion equipment by the federal Environmental Protection
75 Agency or by a state that has certification standards recognized by the board;

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

79 (C) for a retrofit natural gas vehicle that is retrofit in accordance with Section
80 19-1-406, testing that as a result of the retrofit, the retrofit natural gas vehicle satisfies the
81 emission standards applicable under Section 19-1-406; or

82 (D) any other test or standard recognized by board rule, made in accordance with Title
83 63G, Chapter 3, Utah Administrative Rulemaking Act; or

84 (ii) for purposes of special mobile equipment on which conversion equipment has been
85 installed, that the special mobile equipment's emissions of regulated pollutants, when operating

86 on fuels listed in Subsection (2)(d)(i) or (ii), is less than the emissions were before the
87 installation of conversion equipment, as demonstrated by:

88 (A) certification of the conversion equipment by the federal Environmental Protection
89 Agency or by a state that has certification standards recognized by the board; or

90 (B) any other test or standard recognized by board rule, made in accordance with Title
91 63G, Chapter 3, Utah Administrative Rulemaking Act.

92 ~~(j)~~ (k) "Special mobile equipment":

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

95 (ii) includes construction or maintenance equipment.

96 (2) For the taxable year beginning on or after January 1, ~~[2014]~~ 2015, but beginning on
97 or before December 31, ~~[2014]~~ 2015, a taxpayer may claim a tax credit against tax otherwise
98 due under this chapter or Chapter 8, Gross Receipts Tax on Certain Corporations Not Required
99 to Pay Corporate Franchise or Income Tax Act, in an amount equal to:

100 (a) (i) ~~[\$605]~~ for the original purchase of a new qualifying electric ~~[or hybrid]~~ vehicle
101 that is registered in this state~~;~~, the lesser of:

102 (A) \$1,500; or

103 (B) 35% of the purchase price of the vehicle; or

104 (ii) for the original purchase of a new qualifying plug-in hybrid vehicle that is
105 registered in this state, \$1,000;

106 (b) for the original purchase of a new vehicle fueled by natural gas or propane that is
107 registered in this state, the lesser of:

108 (i) ~~[\$2,500]~~ \$1,500; or

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

110 (c) 50% of the cost of equipment for conversion, if certified by the board, of a motor
111 vehicle registered in this state minus the amount of any clean fuel grant received, up to a
112 maximum tax credit of ~~[\$2,500]~~ \$1,500 per motor vehicle, if the motor vehicle is to:

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

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

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

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

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

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

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

125 or

126 (B) substantially more effective in reducing air pollution than the fuel for which the
127 engine was originally designed[-]; and

128 (e) for a lease of a vehicle described in Subsection (2)(a) or (b), an amount equal to the
129 product of:

130 (i) the amount of tax credit the taxpayer would otherwise qualify to claim under
131 Subsection (2)(a) or (b) had the taxpayer purchased the vehicle, except that the purchase price
132 described in Subsection (2)(a)(i)(B) or (2)(b)(ii) is considered to be the value of the vehicle at
133 the beginning of the lease; and

134 (ii) a percentage calculated by:

135 (A) determining the difference between the value of the vehicle at the beginning of the
136 lease, as stated in the lease agreement, and the value of the vehicle at the end of the lease, as
137 stated in the lease agreement; and

138 (B) dividing the difference determined under Subsection (2)(e)(ii)(A) by the value of
139 the vehicle at the beginning of the lease, as stated in the lease agreement.

140 (3) (a) The board shall:

141 (i) determine the amount of tax credit a taxpayer is allowed under this section; and

142 (ii) provide the taxpayer with a written certification of the amount of tax credit the
143 taxpayer is allowed under this section.

144 [~~(3)~~] (b) A taxpayer shall provide proof of the purchase or lease of an item for which a
145 tax credit is allowed under this section by:

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

147 [~~(b)~~] (ii) receiving a written statement from the board acknowledging receipt of the
148 proof; and

149 [~~(c)~~] (iii) retaining the written statement described in Subsection (3)(b)(ii).

150 (c) A taxpayer shall retain the written certification described in Subsection (3)(a)(ii).

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

153 (a) against a tax owed under this chapter or Chapter 8, Gross Receipts Tax on Certain
154 Corporations Not Required to Pay Corporate Franchise or Income Tax Act, in the taxable year
155 by the taxpayer;

156 (b) for the taxable year in which [~~an item~~] a vehicle described in Subsection (2)(a) or
157 (b) is purchased, a vehicle described in Subsection (2)(e) is leased, or conversion equipment
158 described in Subsection (2)(c) or (d) is installed; and

159 (c) once per vehicle.

160 (5) A taxpayer may not assign a tax credit under this section to another person.

161 [~~(5)~~] (6) If the amount of a tax credit claimed by a taxpayer under this section exceeds
162 the taxpayer's tax liability under this chapter or Chapter 8, Gross Receipts Tax on Certain
163 Corporations Not Required to Pay Corporate Franchise or Income Tax Act, for a taxable year,
164 the amount of the tax credit exceeding the tax liability may be carried forward for a period that
165 does not exceed the next five taxable years.

166 [~~(6)~~] (7) In accordance with any rules prescribed by the commission under Subsection
167 [~~(7)~~] (8), the commission shall transfer at least annually from the General Fund into the
168 Education Fund the amount by which the amount of tax credit claimed under this section for a
169 taxable year exceeds \$500,000.

170 ~~[(7)]~~ (8) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking
171 Act, the commission may make rules for making a transfer from the General Fund into the
172 Education Fund as required by Subsection ~~[(6)]~~ (7).

173 Section 2. Section **59-10-1009** is amended to read:

174 **59-10-1009. Definitions -- Tax credits related to energy efficient vehicles.**

175 (1) As used in this section:

176 (a) "Air quality standards" means that a vehicle's emissions are equal to or cleaner than
177 the standards established in ~~[(i) bin 2 in Table S04-1, of 40 C.F.R. 86.1811-04(c)(6), or (ii)~~
178 ~~for a new qualified plug-in electric drive motor vehicle, as defined in Section 30D, Internal~~
179 ~~Revenue Code,]~~ bin 4 in Table S04-1, of 40 C.F.R. 86.1811-04(c)(6).

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

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

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

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

189 (B) as a result of the installation of conversion equipment on the motor vehicle, the
190 motor vehicle has reduced emissions; or

191 (ii) special mobile equipment on which conversion equipment has been installed has
192 reduced emissions.

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

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

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

198 (g) "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) "Qualifying electric [~~or hybrid~~] vehicle" means a vehicle that:

201 (i) meets air quality standards;

202 (ii) is not fueled by natural gas;

203 (iii) is fueled by[~~:(A)~~] electricity only; [~~or~~] and

204 [~~(B) a combination of electricity and diesel fuel, gasoline, a mixture of gasoline and~~
205 ~~ethanol, or propane; and]~~

206 (iv) is an OEM vehicle except that the vehicle is fueled by a fuel described in
207 Subsection (1)(h)(iii).

208 (i) "Qualifying plug-in hybrid vehicle" means a vehicle that:

209 (i) meets air quality standards;

210 (ii) is not fueled by natural gas or propane;

211 (iii) has a battery capacity that meets or exceeds the battery capacity described in

212 Section 30D(b)(3), Internal Revenue Code; and

213 (iv) is fueled by a combination of electricity and:

214 (A) diesel fuel;

215 (B) gasoline; or

216 (C) a mixture of gasoline and ethanol.

217 [~~(†)~~] (j) "Reduced emissions" means:

218 (i) for purposes of a motor vehicle on which conversion equipment has been installed,
219 that the motor vehicle's emissions of regulated pollutants, when operating on a fuel listed in
220 Subsection (2)(d)(i) or (ii), is less than the emissions were before the installation of the
221 conversion equipment, as demonstrated by:

222 (A) certification of the conversion equipment by the federal Environmental Protection
223 Agency or by a state that has certification standards recognized by the board;

224 (B) testing the motor vehicle, before and after installation of the conversion equipment,
225 in accordance with 40 C.F.R. Part 86, Control of Emissions from New and In-use Highway

226 Vehicles and Engines, using all fuel the motor vehicle is capable of using;

227 (C) for a retrofit natural gas vehicle that is retrofit in accordance with Section
228 19-1-406, testing that as a result of the retrofit, the retrofit natural gas vehicle satisfies the
229 emission standards applicable under Section 19-1-406; or

230 (D) any other test or standard recognized by board rule, made in accordance with Title
231 63G, Chapter 3, Utah Administrative Rulemaking Act; or

232 (ii) for purposes of special mobile equipment on which conversion equipment has been
233 installed, that the special mobile equipment's emissions of regulated pollutants, when operating
234 on fuels listed in Subsection (2)(d)(i) or (ii), is less than the emissions were before the
235 installation of conversion equipment, as demonstrated by:

236 (A) certification of the conversion equipment by the federal Environmental Protection
237 Agency or by a state that has certification standards recognized by the board; or

238 (B) any other test or standard recognized by board rule, made in accordance with Title
239 63G, Chapter 3, Utah Administrative Rulemaking Act.

240 ~~(j)~~ (k) "Special mobile equipment":

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

243 (ii) includes construction or maintenance equipment.

244 (2) For the taxable year beginning on or after January 1, ~~2014~~ 2015, but beginning on
245 or before December 31, ~~2014~~ 2015, a claimant, estate, or trust may claim a nonrefundable tax
246 credit against tax otherwise due under this chapter in an amount equal to:

247 (a) (i) ~~[\$605]~~ for the original purchase of a new qualifying electric ~~[or hybrid]~~ vehicle
248 that is registered in this state~~;~~, the lesser of:

249 (A) \$1,500; or

250 (B) 35% of the purchase price of the vehicle; or

251 (ii) for the original purchase of a new qualifying plug-in hybrid vehicle that is
252 registered in this state, \$1,000;

253 (b) for the original purchase of a new vehicle fueled by natural gas or propane that is

254 registered in this state, the lesser of:

255 (i) [~~\$2,500~~] \$1,500; or

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

257 (c) 50% of the cost of equipment for conversion, if certified by the board, of a motor
258 vehicle registered in this state minus the amount of any clean fuel conversion grant received, up
259 to a maximum tax credit of [~~\$2,500~~] \$1,500 per vehicle, if the motor vehicle:

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

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

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

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

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

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

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

272 or

273 (B) substantially more effective in reducing air pollution than the fuel for which the
274 engine was originally designed[-]; and

275 (e) for a lease of a vehicle described in Subsection (2)(a) or (b), an amount equal to the
276 product of:

277 (i) the amount of tax credit the claimant, estate, or trust would otherwise qualify to
278 claim under Subsection (2)(a) or (b) had the claimant, estate, or trust purchased the vehicle,
279 except that the purchase price described in Subsection (2)(a)(i)(B) or (2)(b)(ii) is considered to
280 be the value of the vehicle at the beginning of the lease; and

281 (ii) a percentage calculated by:

282 (A) determining the difference between the value of the vehicle at the beginning of the
283 lease, as stated in the lease agreement, and the value of the vehicle at the end of the lease, as
284 stated in the lease agreement; and

285 (B) dividing the difference determined under Subsection (2)(e)(ii)(A) by the value of
286 the vehicle at the beginning of the lease, as stated in the lease agreement.

287 (3) (a) The board shall:

288 (i) determine the amount of tax credit a claimant, estate, or trust is allowed under this
289 section; and

290 (ii) provide the claimant, estate, or trust with a written certification of the amount of
291 tax credit the claimant, estate, or trust is allowed under this section.

292 ~~[(3)]~~ (b) A claimant, estate, or trust shall provide proof of the purchase or lease of an
293 item for which a tax credit is allowed under this section by:

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

295 ~~[(b)]~~ (ii) receiving a written statement from the board acknowledging receipt of the
296 proof; and

297 ~~[(c)]~~ (iii) retaining the written statement described in Subsection (3)(b)(ii).

298 (c) A claimant, estate, or trust shall retain the written certification described in
299 Subsection (3)(a)(ii).

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

302 (a) against a tax owed under this chapter in the taxable year by the claimant, estate, or
303 trust;

304 (b) for the taxable year in which ~~[an item]~~ a vehicle described in Subsection (2)(a) or
305 (b) is purchased, a vehicle described in Subsection (2)(e) is leased, or conversion equipment
306 described in Subsection (2)(c) or (d) is installed; and

307 (c) once per vehicle.

308 (5) A claimant, estate, or trust may not assign a tax credit under this section to another
309 person.

310 [~~(5)~~] (6) If the amount of a tax credit claimed by a claimant, estate, or trust under this
311 section exceeds the claimant's, estate's, or trust's tax liability under this chapter for a taxable
312 year, the amount of the tax credit exceeding the tax liability may be carried forward for a period
313 that does not exceed the next five taxable years.

314 [~~(6)~~] (7) In accordance with any rules prescribed by the commission under Subsection
315 [~~(7)~~] (8), the commission shall transfer at least annually from the General Fund into the
316 Education Fund the amount by which the amount of tax credit claimed under this section for a
317 taxable year exceeds \$500,000.

318 [~~(7)~~] (8) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking
319 Act, the commission may make rules for making a transfer from the General Fund into the
320 Education Fund as required by Subsection [~~(6)~~] (7).

321 **Section 3. Effective date.**

322 This bill takes effect for a taxable year beginning on or after January 1, 2015.