

Representative Stephen G. Handy proposes the following substitute bill:

CLEAN FUEL CONVERSION AMENDMENTS

2016 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Stephen G. Handy

Senate Sponsor: Todd Weiler

LONG TITLE

General Description:

This bill amends the Conversion to Alternative Fuel Grant Program.

Highlighted Provisions:

This bill:

- ▶ creates the Conversion to Alternative Fuel Grant Program Fund;
- ▶ authorizes the Department of Environmental Quality to make grants from the Conversion to Alternative Fuel Grant Program Fund to a person who installs conversion equipment on an eligible vehicle;
- ▶ repeals tax credits for conversion equipment for vehicles;
- ▶ extends tax credits for certain vehicles; and
- ▶ makes technical changes.

Money Appropriated in this Bill:

This bill appropriates:

- ▶ to the Conversion to Alternative Fuel Grant Program Fund, as a one-time appropriation:
 - from the General Fund, \$500,000.

Other Special Clauses:

This bill provides a special effective date.



26 **Utah Code Sections Affected:**

27 AMENDS:

28 **19-1-403**, as last amended by Laws of Utah 2015, Chapter 381

29 **19-2-302**, as enacted by Laws of Utah 2015, Chapter 381

30 **19-2-303**, as enacted by Laws of Utah 2015, Chapter 381

31 **19-2-304**, as enacted by Laws of Utah 2015, Chapter 381

32 **59-7-605**, as last amended by Laws of Utah 2015, Chapters 381 and 439

33 **59-10-1009**, as last amended by Laws of Utah 2015, Chapters 381 and 439

34 **63I-2-219**, as last amended by Laws of Utah 2015, Chapter 258

35 ENACTS:

36 **19-1-403.3**, Utah Code Annotated 1953



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

39 Section 1. Section **19-1-403** is amended to read:

40 **19-1-403. Clean Fuels and Vehicle Technology Fund -- Contents -- Loans or**
41 **grants made with fund money.**

42 (1) (a) There is created a revolving fund known as the Clean Fuels and Vehicle
43 Technology Fund.

44 (b) The fund consists of:

45 (i) appropriations to the fund;

46 (ii) other public and private contributions made under Subsection (1)(c);

47 (iii) interest earnings on cash balances; and

48 (iv) all money collected for loan repayments and interest on loans.

49 (c) The department may accept contributions from other public and private sources for
50 deposit into the fund.

51 (2) (a) The department may make a loan or a grant with money available in the fund
52 for:

53 (i) [~~for~~] the conversion of a private sector business vehicle or a government vehicle to
54 use a clean fuel, if certified by the Air Quality Board under Subsection **19-1-405(1)(a)**; or

55 (ii) [~~for~~] the purchase of an OEM vehicle for use as a private sector business vehicle or
56 government vehicle[~~; or~~].

57 ~~[(iii) to a person who installs conversion equipment on an eligible vehicle, as described~~
58 ~~in Sections 19-2-301 through 19-2-304.]~~

59 (b) The amount of a loan for any vehicle under Subsection (2)(a) may not exceed:

60 (i) the actual cost of the vehicle conversion;

61 (ii) the incremental cost of purchasing the OEM vehicle; or

62 (iii) the cost of purchasing the OEM vehicle if there is no documented incremental
63 cost.

64 (c) The amount of a grant for any vehicle under Subsection (2)(a) may not exceed:

65 (i) 50% of the actual cost of the vehicle conversion minus the amount of any tax credit
66 claimed under Section 59-7-605 or 59-10-1009 for the vehicle for which a grant is requested;
67 or

68 (ii) 50% of the incremental cost of purchasing an OEM vehicle minus the amount of
69 any tax credit claimed under Section 59-7-605 or 59-10-1009 for the vehicle for which a grant
70 is requested.

71 (d) (i) Subject to the availability of money in the fund, the department may make a loan
72 or grant for the purchase of vehicle refueling equipment for a private sector business vehicle or
73 a government vehicle.

74 (ii) The maximum amount loaned or granted per installation of refueling equipment
75 may not exceed the actual cost of the refueling equipment.

76 (3) The department may:

77 (a) establish an application fee for a loan or grant from the fund by following the
78 procedures and requirements of Section 63J-1-504; and

79 (b) reimburse itself for the costs incurred in administering the fund from:

80 (i) the fund; or

81 (ii) application fees established under Subsection (3)(a).

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

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

85 (5) (a) Loans made from money in the fund shall be supported by loan documents
86 evidencing the intent of the borrower to repay the loan.

87 (b) The original loan documents shall be filed with the Division of Finance and a copy

88 shall be filed with the department.

89 Section 2. Section **19-1-403.3** is enacted to read:

90 **19-1-403.3. Conversion to Alternative Fuel Grant Program Fund -- Contents --**

91 **Grants made with fund money.**

92 (1) (a) There is created an expendable special revenue fund known as the Conversion
93 to Alternative Fuel Grant Program Fund.

94 (b) The fund consists of:

95 (i) appropriations to the fund;

96 (ii) other public and private contributions made under Subsection (1)(c);

97 (iii) fees established by the department, as described in Subsection (3)(a), and

98 deposited into the fund; and

99 (iv) interest earnings on cash balances.

100 (c) The department may accept contributions from other public and private sources for
101 deposit into the fund.

102 (2) The department may make a grant with money available in the fund to a person
103 who installs conversion equipment on an eligible vehicle, as described in Sections [19-2-301](#)
104 through [19-2-304](#).

105 (3) The department may:

106 (a) establish an application fee for a grant from the fund by following the procedures
107 and requirements of Section [63J-1-504](#); and

108 (b) reimburse itself for the costs incurred in administering the fund from:

109 (i) the fund; or

110 (ii) application fees established under Subsection (3)(a).

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

112 (b) Interest on cash balances in excess of the amount necessary to maintain the fund
113 balance at \$10,000,000 shall be deposited into the General Fund.

114 Section 3. Section **19-2-302** is amended to read:

115 **19-2-302. Definitions.**

116 As used in this part:

117 (1) "Air quality standards" means vehicle emission standards equal to or greater than
118 the standards established in bin 4 in Table S04-1 of 40 C.F.R. 86.1811-04(c)(6).

- 119 (2) "Alternative fuel" means:
- 120 (a) propane, natural gas, or electricity; or
- 121 (b) other fuel that the board determines, by rule, to be:
- 122 (i) at least as effective in reducing air pollution as the fuels listed in Subsection (2)(a);
- 123 or
- 124 (ii) substantially more effective in reducing air pollution as the fuel for which the
- 125 engine was originally designed.
- 126 (3) "Board" means the Air Quality Board.
- 127 (4) "Clean fuel grant" means a grant awarded under [~~Title 19, Chapter 1, Part 4, Clean~~
- 128 ~~Fuels and Vehicle Technology Program Act,~~] this part from the Conversion to Alternative Fuel
- 129 Grant Program Fund created in Section 19-1-403.3 for reimbursement for a portion of the
- 130 incremental cost of an OEM vehicle or the cost of conversion equipment.
- 131 (5) "Conversion equipment" means equipment designed to:
- 132 (a) allow an eligible vehicle to operate on an alternative fuel; and
- 133 (b) reduce an eligible vehicle's emissions of regulated pollutants, as demonstrated by:
- 134 (i) certification of the conversion equipment by the Environmental Protection Agency
- 135 or by a state or country that has certification standards that are recognized, by rule, by the
- 136 board;
- 137 (ii) testing the eligible vehicle, before and after the installation of the equipment, in
- 138 accordance with 40 C.F.R. Part 86, Control of Emissions from New and In-Use Highway
- 139 Vehicles and Engines, using all fuel the motor vehicle is capable of using;
- 140 (iii) for a retrofit natural gas vehicle that is retrofit in accordance with Section
- 141 19-1-406, satisfying the emission standards described in Section 19-1-406; or
- 142 (iv) any other test or standard recognized by board rule, made in accordance with Title
- 143 63G, Chapter 3, Utah Administrative Rulemaking Act.
- 144 (6) "Cost" means the total reasonable cost of a conversion kit and the paid labor, if any,
- 145 required to install it.
- 146 (7) "Director" means the director of the Division of Air Quality.
- 147 (8) "Division" means the Division of Air Quality, created in Subsection 19-1-105(1)(a).
- 148 (9) "Eligible vehicle" means a:
- 149 (a) commercial vehicle, as defined in Section 41-1a-102;

- 150 (b) farm tractor, as defined in Section [41-1a-102](#); or
- 151 (c) motor vehicle, as defined in Section [41-1a-102](#).

152 Section 4. Section **19-2-303** is amended to read:

153 **19-2-303. Grants and programs -- Conditions.**

154 (1) The director may make grants from the Conversion to Alternative Fuel Grant
155 Program Fund created in Section [19-1-403.3](#) to a person who installs conversion equipment on
156 an eligible vehicle as described in this part.

157 (2) A person who installs conversion equipment on an eligible vehicle:

- 158 (a) may apply to the division for a grant to offset the cost of installation; and
- 159 (b) shall pass along any savings on the cost of conversion equipment to the owner of
160 the eligible vehicle being converted in the amount of grant money received.

161 (3) As a condition for receiving the grant, a person who installs conversion equipment
162 shall agree to:

- 163 (a) provide information to the division about the eligible vehicle to be converted with
164 the grant proceeds;
- 165 (b) allow inspections by the division to ensure compliance with the terms of the grant;
166 and
- 167 (c) comply with the conditions for the grant.

168 (4) A grant issued under this section may not exceed the lesser of 50% of the cost of
169 the conversion system and associated labor, or \$2,500, per converted eligible vehicle.

170 Section 5. Section **19-2-304** is amended to read:

171 **19-2-304. Duties and authorities -- Rulemaking.**

172 (1) The board may, by following the procedures and requirements of Title 63G,
173 Chapter 3, Utah Administrative Rulemaking Act, make rules:

- 174 (a) specifying the amount of money to be dedicated annually for grants under this part;
- 175 (b) specifying criteria the director shall consider in prioritizing and awarding grants,
176 including a limitation on the types of vehicles that are eligible for funds;
- 177 (c) specifying the minimum qualifications of a person who:
 - 178 (i) installs conversion equipment on an eligible vehicle; and
 - 179 (ii) receives a grant from the division;
- 180 (d) specifying the terms of a grant; and

- 181 (e) requiring all grant applicants to apply on forms provided by the division.
182 (2) The division shall:
183 (a) administer ~~[funds]~~ the Conversion to Alternative Fuel Grant Program Fund to
184 encourage eligible vehicle owners to reduce emissions from eligible vehicles; and
185 (b) provide information about which conversion technology meets the requirements of
186 this part.
187 (3) The division may inspect vehicles for which a grant was made to ensure
188 compliance with the terms of the grant.

189 Section 6. Section **59-7-605** is amended to read:

190 **59-7-605. Definitions -- Tax credits related to energy efficient vehicles.**

- 191 (1) As used in this section:
192 (a) "Air quality standards" means that a vehicle's emissions are equal to or cleaner than
193 the standards established in bin 4 in Table S04-1, of 40 C.F.R. 86.1811-04(c)(6).
194 (b) "Board" means the Air Quality Board created under Title 19, Chapter 2, Air
195 Conservation Act.

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

197 ~~[(i) a motor vehicle on which conversion equipment has been installed meets the~~
198 ~~following criteria:]~~

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

203 ~~[(B) as a result of the installation of conversion equipment on the motor vehicle, the~~
204 ~~motor vehicle has reduced emissions; or]~~

205 ~~[(ii) special mobile equipment on which conversion equipment has been installed has~~
206 ~~reduced emissions.]~~

207 ~~[(d) "Clean fuel grant" means a grant awarded:]~~

208 ~~[(i) under Title 19, Chapter 1, Part 4, Clean Fuels and Vehicle Technology Program~~
209 ~~Act, for reimbursement of a portion of the incremental cost of an OEM vehicle or the cost of~~
210 ~~conversion equipment; or]~~

211 ~~[(ii) under Title 19, Chapter 2, Part 3, Conversion to Alternative Fuel Grant Program.]~~

212 ~~[(e) "Conversion equipment" means equipment described in Subsection (2)(d) or (e):]~~

213 ~~[(f)] (c) "OEM vehicle" [has] means the same [meaning] as that term is defined in~~

214 Section 19-1-402.

215 ~~[(g)] (d) "Original purchase" means the purchase of a vehicle that has never been titled~~
216 ~~or registered and has been driven less than 7,500 miles.~~

217 ~~[(h)] (e) "Qualifying electric motorcycle" means a vehicle that:~~

218 (i) has a seat or saddle for the use of the rider;

219 (ii) is designed to travel with not more than three wheels in contact with the ground;

220 (iii) may lawfully be operated on a freeway, as defined in Section 41-6a-102;

221 (iv) is not fueled by natural gas;

222 (v) is fueled by electricity only; and

223 (vi) is an OEM vehicle except that the vehicle is fueled by a fuel described in

224 Subsection (1)~~[(h)](e)(v).~~

225 ~~[(i)] (f) "Qualifying electric vehicle" means a vehicle that:~~

226 (i) meets air quality standards;

227 (ii) is not fueled by natural gas;

228 (iii) ~~[is fueled by electricity only]~~ draws propulsion energy from a battery with at least
229 10 kilowatt hours of capacity; and

230 (iv) is an OEM vehicle except that the vehicle is fueled by a fuel described in

231 Subsection (1)~~[(i)](f)(iii).~~

232 ~~[(j)] (g) "Qualifying plug-in hybrid vehicle" means a vehicle that:~~

233 (i) meets air quality standards;

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

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

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

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

238 (A) diesel fuel;

239 (B) gasoline; or

240 (C) a mixture of gasoline and ethanol.

241 ~~[(k) "Reduced emissions" means:]~~

242 ~~[(i) for purposes of a motor vehicle on which conversion equipment has been installed,~~

243 that the motor vehicle's emissions of regulated pollutants, when operating on a fuel listed in
 244 Subsection (2)(c)(i) or (ii), is less than the emissions were before the installation of the
 245 conversion equipment, as demonstrated by:]

246 [~~(A) certification of the conversion equipment by the federal Environmental Protection
 247 Agency or by a state that has certification standards recognized by the board;~~]

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

251 [~~(C) for a retrofit natural gas vehicle that is retrofit in accordance with Section
 252 [19-1-406](#), testing that as a result of the retrofit, the retrofit natural gas vehicle satisfies the
 253 emission standards applicable under Section [19-1-406](#); or]~~

254 [~~(D) any other test or standard recognized by board rule, made in accordance with Title
 255 63G, Chapter 3, Utah Administrative Rulemaking Act; or]~~

256 [~~(ii) for purposes of special mobile equipment on which conversion equipment has
 257 been installed, that the special mobile equipment's emissions of regulated pollutants, when
 258 operating on a fuel listed in Subsection (2)(c)(i) or (ii), is less than the emissions were before
 259 the installation of conversion equipment, as demonstrated by:]~~

260 [~~(A) certification of the conversion equipment by the federal Environmental Protection
 261 Agency or by a state that has certification standards recognized by the board; or]~~

262 [~~(B) any other test or standard recognized by board rule, made in accordance with Title
 263 63G, Chapter 3, Utah Administrative Rulemaking Act.]~~

264 [~~(I) "Special mobile equipment":]~~

265 [~~(i) means any mobile equipment or vehicle that is not designed or used primarily for
 266 the transportation of persons or property; and]~~

267 [~~(ii) includes construction or maintenance equipment.]~~

268 (2) For the taxable years beginning on or after January 1, 2015, but beginning on or
 269 before December 31, ~~[2016]~~ 2020, a taxpayer may claim a tax credit against tax otherwise due
 270 under this chapter or Chapter 8, Gross Receipts Tax on Certain Corporations Not Required to
 271 Pay Corporate Franchise or Income Tax Act, in an amount equal to:

272 (a) (i) for the original purchase of a new qualifying electric vehicle that is registered in
 273 this state, the lesser of:

274 (A) \$1,500; or
275 (B) 35% of the purchase price of the vehicle; or
276 (ii) for the original purchase of a new qualifying plug-in hybrid vehicle that is
277 registered in this state, \$1,000;
278 (b) for the original purchase of a new vehicle fueled by natural gas or propane that is
279 registered in this state, the lesser of:
280 (i) \$1,500; or
281 (ii) 35% of the purchase price of the vehicle;
282 (c) for the original purchase of a new qualifying electric motorcycle that is registered in
283 this state, the lesser of:
284 (i) \$750; or
285 (ii) 35% of the purchase price of the vehicle; and
286 ~~[(d) 50% of the cost of equipment for conversion, if certified by the board, of a motor~~
287 ~~vehicle registered in this state minus the amount of any clean fuel grant received, up to a~~
288 ~~maximum tax credit of \$1,500 per motor vehicle, if the motor vehicle is to:]~~
289 ~~[(i) be fueled by propane, natural gas, or electricity;]~~
290 ~~[(ii) be fueled by other fuel the board determines annually on or before July 1 to be at~~
291 ~~least as effective in reducing air pollution as fuels under Subsection (2)(d)(i); or]~~
292 ~~[(iii) meet the federal clean-fuel vehicle standards in the federal Clean Air Act~~
293 ~~Amendments of 1990, 42 U.S.C. Sec. 7521 et seq.;~~
294 ~~[(e) 50% of the cost of equipment for conversion, if certified by the board, of a special~~
295 ~~mobile equipment engine minus the amount of any clean fuel grant received, up to a maximum~~
296 ~~tax credit of \$1,000 per special mobile equipment engine, if the special mobile equipment is to~~
297 ~~be fueled by:]~~
298 ~~[(i) propane, natural gas, or electricity; or]~~
299 ~~[(ii) other fuel the board determines annually on or before July 1 to be:]~~
300 ~~[(A) at least as effective in reducing air pollution as the fuels under Subsection~~
301 ~~(2)(e)(i); or]~~
302 ~~[(B) substantially more effective in reducing air pollution than the fuel for which the~~
303 ~~engine was originally designed; and]~~
304 ~~[(f)]~~ (d) for a lease of a vehicle described in Subsection (2)(a), (b), or (c), an amount

305 equal to the product of:

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

310 (ii) a percentage calculated by:

311 (A) determining the difference between the value of the vehicle at the beginning of the
312 lease, as stated in the lease agreement, and the value of the vehicle at the end of the lease, as
313 stated in the lease agreement; and

314 (B) dividing the difference determined under Subsection (2)~~(f)~~(d)(ii)(A) by the value
315 of the vehicle at the beginning of the lease, as stated in the lease agreement.

316 (3) (a) The board shall:

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

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

320 (b) A taxpayer shall provide proof of the purchase or lease of an item for which a tax
321 credit is allowed under this section by:

322 (i) providing proof to the board in the form the board requires by rule;

323 (ii) receiving a written statement from the board acknowledging receipt of the proof;
324 and

325 (iii) retaining the written statement described in Subsection (3)(b)(ii).

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

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

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

332 (b) for the taxable year in which a vehicle described in Subsection (2)(a), (b), or (c) is
333 purchased[;] or a vehicle described in Subsection (2)(f) is leased~~[; or conversion equipment~~
334 ~~described in Subsection (2)(d) or (e) is installed~~]; and

335 (c) once per vehicle.

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

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

342 (7) In accordance with any rules prescribed by the commission under Subsection (8),
343 the commission shall transfer at least annually from the General Fund into the Education Fund
344 the amount by which the amount of tax credit claimed under this section for a taxable year
345 exceeds \$500,000.

346 (8) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
347 commission may make rules for making a transfer from the General Fund into the Education
348 Fund as required by Subsection (7).

349 Section 7. Section **59-10-1009** is amended to read:

350 **59-10-1009. Definitions -- Tax credits related to energy efficient vehicles.**

351 (1) As used in this section:

352 (a) "Air quality standards" means that a vehicle's emissions are equal to or cleaner than
353 the standards established in bin 4 in Table S04-1, of 40 C.F.R. 86.1811-04(c)(6).

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

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

357 [~~(i) a motor vehicle on which conversion equipment has been installed meets the~~
358 ~~following criteria:~~]

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

363 [~~(B) as a result of the installation of conversion equipment on the motor vehicle, the~~
364 ~~motor vehicle has reduced emissions; or]~~

365 [~~(ii) special mobile equipment on which conversion equipment has been installed has~~
366 ~~reduced emissions:]~~

367 ~~[(d) "Clean fuel grant" means a grant a claimant, estate, or trust receives under Title 19,~~
368 ~~Chapter 1, Part 4, Clean Fuels and Vehicle Technology Program Act or Title 19, Chapter 2,~~
369 ~~Part 3, Conversion to Alternative Fuel Grant Program, for reimbursement of a portion of the~~
370 ~~incremental cost of the OEM vehicle or the cost of conversion equipment.]~~

371 ~~[(e) "Conversion equipment" means equipment described in Subsection (2)(d) or (e).]~~

372 ~~[(f) (c) "OEM vehicle" [has] means the same [meaning] as that term is defined in~~
373 ~~Section 19-1-402.~~

374 ~~[(g) (d) "Original purchase" means the purchase of a vehicle that has never been titled~~
375 ~~or registered and has been driven less than 7,500 miles.~~

376 ~~[(h) (e) "Qualifying electric motorcycle" means a vehicle that:~~

377 ~~(i) has a seat or saddle for the use of the rider;~~

378 ~~(ii) is designed to travel with not more than three wheels in contact with the ground;~~

379 ~~(iii) may lawfully be operated on a freeway, as defined in Section 41-6a-102;~~

380 ~~(iv) is not fueled by natural gas;~~

381 ~~(v) is fueled by electricity only; and~~

382 ~~(vi) is an OEM vehicle except that the vehicle is fueled by a fuel described in~~

383 ~~Subsection (1)[(h)](e)(v).~~

384 ~~[(i) (f) "Qualifying electric vehicle" means a vehicle that:~~

385 ~~(i) meets air quality standards;~~

386 ~~(ii) is not fueled by natural gas;~~

387 ~~(iii) [is fueled by electricity only] draws propulsion energy from a battery with at least~~
388 ~~10 kilowatt hours of capacity; and~~

389 ~~(iv) is an OEM vehicle except that the vehicle is fueled by a fuel described in~~

390 ~~Subsection (1)[(i)](f)(iii).~~

391 ~~[(j) (g) "Qualifying plug-in hybrid vehicle" means a vehicle that:~~

392 ~~(i) meets air quality standards;~~

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

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

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

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

397 ~~(A) diesel fuel;~~

398 (B) gasoline; or

399 (C) a mixture of gasoline and ethanol.

400 [~~(k) "Reduced emissions" means:~~]

401 [~~(i) for purposes of a motor vehicle on which conversion equipment has been installed;~~
402 ~~that the motor vehicle's emissions of regulated pollutants, when operating on a fuel listed in~~
403 ~~Subsection (2)(c)(i) or (ii), is less than the emissions were before the installation of the~~
404 ~~conversion equipment, as demonstrated by:]~~

405 [~~(A) certification of the conversion equipment by the federal Environmental Protection~~
406 ~~Agency or by a state that has certification standards recognized by the board;]~~

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

410 [~~(C) for a retrofit natural gas vehicle that is retrofit in accordance with Section~~
411 ~~19-1-406, testing that as a result of the retrofit, the retrofit natural gas vehicle satisfies the~~
412 ~~emission standards applicable under Section 19-1-406; or]~~

413 [~~(D) any other test or standard recognized by board rule, made in accordance with Title~~
414 ~~63G, Chapter 3, Utah Administrative Rulemaking Act; or]~~

415 [~~(i) for purposes of special mobile equipment on which conversion equipment has~~
416 ~~been installed, that the special mobile equipment's emissions of regulated pollutants, when~~
417 ~~operating on a fuel listed in Subsection (2)(c)(i) or (ii), is less than the emissions were before~~
418 ~~the installation of conversion equipment, as demonstrated by:]~~

419 [~~(A) certification of the conversion equipment by the federal Environmental Protection~~
420 ~~Agency or by a state that has certification standards recognized by the board; or]~~

421 [~~(B) any other test or standard recognized by board rule, made in accordance with Title~~
422 ~~63G, Chapter 3, Utah Administrative Rulemaking Act.]~~

423 [~~(l) "Special mobile equipment":]~~

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

426 [~~(ii) includes construction or maintenance equipment:]~~

427 (2) For the taxable years beginning on or after January 1, 2015, but beginning on or
428 before December 31, [2016] 2020, a claimant, estate, or trust may claim a nonrefundable tax

429 credit against tax otherwise due under this chapter in an amount equal to:

430 (a) (i) for the original purchase of a new qualifying electric vehicle that is registered in
431 this state, the lesser of:

432 (A) \$1,500; or

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

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

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

438 (i) \$1,500; or

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

440 (c) for the original purchase of a new qualifying electric motorcycle that is registered in
441 this state, the lesser of:

442 (i) \$750; or

443 (ii) 35% of the purchase price of the vehicle; and

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

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

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

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

452 [~~(e) 50% of the cost of equipment for conversion, if certified by the board, of a special
453 mobile equipment engine minus the amount of any clean fuel grant received, up to a maximum
454 tax credit of \$1,000 per special mobile equipment engine, if the special mobile equipment is to
455 be fueled by:]~~

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

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

458 [~~(A) at least as effective in reducing air pollution as the fuels under Subsection
459 (2)(e)(i); or]~~

460 ~~[(B) substantially more effective in reducing air pollution than the fuel for which the~~
461 ~~engine was originally designed; and]~~

462 ~~[(f)] (d)~~ for a lease of a vehicle described in Subsection (2)(a), (b), or (c), an amount
463 equal to the product of:

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

468 (ii) a percentage calculated by:

469 (A) determining the difference between the value of the vehicle at the beginning of the
470 lease, as stated in the lease agreement, and the value of the vehicle at the end of the lease, as
471 stated in the lease agreement; and

472 (B) dividing the difference determined under Subsection (2)~~[(f)](d)~~(ii)(A) by the value
473 of the vehicle at the beginning of the lease, as stated in the lease agreement.

474 (3) (a) The board shall:

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

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

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

481 (i) providing proof to the board in the form the board requires by rule;

482 (ii) receiving a written statement from the board acknowledging receipt of the proof;
483 and

484 (iii) retaining the written statement described in Subsection (3)(b)(ii).

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

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

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

491 (b) for the taxable year in which a vehicle described in Subsection (2)(a), (b), or (c) is
492 purchased[;] or a vehicle described in Subsection (2)(f) is leased[; ~~or conversion equipment~~
493 ~~described in Subsection (2)(d) or (e) is installed~~]; and

494 (c) once per vehicle.

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

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

501 (7) In accordance with any rules prescribed by the commission under Subsection (8),
502 the commission shall transfer at least annually from the General Fund into the Education Fund
503 the amount by which the amount of tax credit claimed under this section for a taxable year
504 exceeds \$500,000.

505 (8) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
506 commission may make rules for making a transfer from the General Fund into the Education
507 Fund as required by Subsection (7).

508 Section 8. Section **63I-2-219** is amended to read:

509 **63I-2-219. Repeal dates -- Title 19.**

510 (1) Subsection 19-1-403(2)(c)(i), the language that states "minus the amount of any tax
511 credit claimed under Section 59-7-605 or 59-10-1009" is repealed on January 1, 2017.

512 (2) Subsection 19-1-403(2)(c)(ii), the language that states "minus the amount of any
513 tax credit claimed under Section 59-7-605 or 59-10-1009" is repealed on January 1, 2017.

514 Section 9. **Appropriation.**

515 Under the terms and conditions of Title 63J, Chapter 1, Budgetary Procedures Act, for
516 the fiscal year beginning July 1, 2016, and ending June 30, 2017, the following sums of money
517 are appropriated from resources not otherwise appropriated, or reduced from amounts
518 previously appropriated, out of the funds or amounts indicated. These sums of money are in
519 addition to amounts previously appropriated for fiscal year 2017.

520 To the Department of Environmental Quality, Conversion to Alternative Fuel Grant
521 Program Fund

522 From General Fund, One-time \$500,000

523 Schedule of Programs:

524 Conversion to Alternative Fuel Grant Program Fund \$500,000

525 The Legislature intends that the appropriation under this section be used by the Division
526 of Air Quality to provide grants to an individual who installs conversion equipment on an
527 eligible vehicle, as described by Title 19, Chapter 2, Part 3, Conversion to Alternative Fuel
528 Grant Program. The Legislature intends that, under Section [63J-1-603](#), appropriations under
529 this section not lapse at the close of fiscal year 2017.

530 Section 10. **Effective date.**

531 (1) Except as provided in Subsection (2), this bill takes effect on May 10, 2016.

532 (2) The amendments to Sections [59-7-605](#) and [59-10-1009](#) take effect for a taxable
533 year beginning on or after January 1, 2017.