

Ocean State Clean Cities
Fall Meeting
New England Institute of Technology
Wednesday, September 30th

Presented by:
Paul C. Kerkhoven
NGV America

OVERVIEW

- Federal Tax Incentives
 - Alternative Fuel tax Credit
 - Vehicle Tax Credits
 - Fueling Station (Infrastructure) Tax Credit
- Status of Incentives
- Federal Funding Opportunities
- Other Opportunities to Pursue

TRANSPORTATION BILL

Alternative Fuel Tax Incentives

- Current federal excise tax rates imposed on alternative fuels.
 - Biodiesel \$0.244 per gallon
 - CNG \$0.183 per GGE
 - Ethanol \$0.183 per gallon
 - LPG \$0.183 per gallon
 - LNG \$0.243 per gallon
 - Liquefied Hydrogen \$0.184

(continued)

TRANSPORTATION BILL

Alternative Fuel Tax Incentives

- Federal excise taxes are offset with a Federal refundable excise tax credit that is paid to the seller, blender, or user of the alternative fuel
- Credit goes to the person otherwise liable for excise tax on fuel;
- If the seller is not liable for collecting tax, the user takes the tax credit

(continued)

TRANSPORTATION BILL

Alternative Fuel Tax Incentives

- Federal Excise Tax Credit for Alternative Fuels:
 - Biodiesel \$1.00 per gallon
 - CNG \$0.50 per GGE
 - Ethanol \$0.46 per gallon
 - LPG \$0.50 per gallon
 - LNG \$0.50 per gallon
 - Hydrogen \$0.50 per gallon

TRANSPORTATION BILL

Alternative Fuel Tax Incentives

- Expiration dates for the Federal excise tax credits are:
 - Biodiesel: 12/31/2009
 - CNG: 12/31/2009
 - Ethanol: 12/31/2010
 - LPG: 12/31/2009
 - LNG: 12/31/2009
 - Hydrogen: 09/30/2014

(continued)

TRANSPORTATION BILL

Alternative Fuel Tax Incentives

- To take tax credit must register with IRS
 - Form 637, “Application for Registration”
- For sales involving taxable fuel must first use credit against excise tax liability
 - Form 720, “Quarterly Excise Tax Return”
- Excess credit can be claimed using Schedule C of Form 720, or by filing Form 8849 with Schedule 3, or by filing Form 4136 at the end of the year

(continued)

TRANSPORTATION BILL

Alternative Fuel Tax Incentives

- Tax exempt entities also must register with IRS to claim credit
- File Form 8849 with Schedule 3 to claim credit
- Credit can be claimed as often as you want (e.g., weekly, monthly, quarterly)
- Credit for tax exempt entity will be a rebate check from the IRS

TRANSPORTATION BILL

Alternative Fuel Tax Incentives

- IRS Guidance & Forms:
 - Tax Credit Guidance - <http://www.irs.gov/pub/irs-drop/n-06-92.pdf> (released Sept. 30, 2006)
 - Publication 510; “Excise Taxes for 2009,” Instruction booklet includes information on the excise tax and tax credits for fuels.
 - IRS Forms & Publication Site – <http://www.irs.gov/formspubs/index.html>

TRANSPORTATION BILL

Alternative Fuel Tax Incentives

- For information on the Biodiesel Federal Excise Tax Credits see:
 - IRS Notice 2005-4
 - IRS Notice 2005-62
 - NBB Website: <http://www.biodiesel.org>

ENERGY BILL PROVISIONS

Vehicle Tax Incentives

- There are tax credits available to the BUYER of a new:
 - Alternative Fueled Vehicle
 - Hybrid Vehicle
 - Lean Burn Technology Vehicle
 - Fuel Cell Vehicle

(continued)

ENERGY BILL PROVISIONS

Tax Credit Values

<u>EPAct 2005 Qualifying Vehicles</u>	<u>Minimum</u>	<u>Maximum</u>
Fuel Cell Vehicles	\$8,000	\$40,000
Alternative Fuel Vehicles	\$2,500	\$32,000
Lean Burn Engine Vehicles	\$400	\$3,400
Hybrid Electric Vehicles (LDV)	\$400	\$3,400
Heavy Duty Hybrid	\$1,500	\$12,000

ENERGY BILL PROVISIONS

Expiration Dates

<u>EPAct 2005 Qualifying Vehicles</u>	<u>Expiration Date</u>
Heavy Duty Hybrid	12/31/2009
Alternative Fuel Vehicles	12/31/2010
Lean Burn Engine Vehicles*	12/31/2010
Hybrid Electric Vehicles (LDVs)*	12/31/2010
Fuel Cell Vehicles	12/31/2014

*Subject to earlier phase-out if sales exceed certain threshold.

ENERGY BILL PROVISIONS

Hybrid Vehicle Tax Incentives

- A Tax Credit generally goes to the Buyer of the Vehicle.
 - If the buyer is a non-tax paying entity and the seller discloses the value of the credit, the credit goes to the seller .
- Value of the Credit is based on:
 - For a Hybrid vehicle the amount of credit is based on fuel economy and life time fuel savings
 - For a new dedicated Alternative Fuel Vehicle the credit is based on the incremental cost of the vehicle and the emission standards.

ARRA, PL 111-5

Qualified Plug-In Electric Drive Motor Vehicle Tax Credit

- A tax credit is available for 14,000 GVW or less vehicles
 - Credit value – min. \$2,500 – max. \$7,500
 - Credits depends on traction battery capacity and GWWR
- Phase-out begins after 200,000 qualified plug-in EVs sold by that manufacturer for use in the U.S.
- Tax credit applies to vehicles acquired after 12/31/09 and expires 12/31/14
- Through 12/31/11 plug-in electric vehicle conversions eligible for a tax credit for 10% of the conversion cost, not to exceed \$4,000.

ENERGY BILL & ARRA PROVISIONS - Vehicle Tax Incentives

- A Tax Credit to the Buyer of a Hybrid, Dedicated Alternative Fuel, or Fuel Cell Vehicle:
 - Use IRS Form 8910 and instructions for “Alternative Motor Vehicle Credit” to claim the income tax credit
 - Use IRS Form 8834 and instructions for “Qualified Electric Vehicle Credit”

(continued)

ENERGY BILL PROVISIONS

Infrastructure Tax Incentives

- There is a Tax Credit for refueling equipment
 - Eligible fuels: CNG, LNG, LPG, Hydrogen, E85, or any biodiesel mixture of 20% or more
 - Tax credit is equal to the lesser of 50% or:
 - Up to \$50,000* in the case of each large station
 - Up to \$2,000* for home refueling appliance
- * For equipment acquired after 1/1/2009

(continued)

ENERGY BILL PROVISIONS

Infrastructure Tax Incentives

- Use IRS Form 8911 and Instructions for “Alternative Fuel Vehicle Refueling Property Credit,” to claim infrastructure tax credits
- If the buyer is tax exempt, the seller or installer can take the credit

Status of Incentives?

- As some of the vehicle and fuel credits expire on 12/31/2009, significant efforts are currently underway to extend and expand these credits
- What is their future?
- What is the current situation.

Status of Incentives

- Are trying to add these provisions to any legislative vehicle that has a tax title.
- This can be an energy or climate change bill, or even a health care bill. Free standing bill is another option.
- Congress would need to pass an “tax extenders” bill for programs that would otherwise expire by end of 2009.
 - VETC for CNG or biodiesel, or the HD hybrids credits
- It is and remains a very fluid situation

(continued)

Incentives: Proposed

- New Alternative Transportation to Give Americans Solutions Act of 2009 (NAT GAS Act):
 - HR 1835: Introduced in House on April 1, 2009
 - S. 1408: Introduced in the Senate on July 8, 2009
- Lead Sponsors:
 - House: Dan Boren (D-OK); John Larson (D-CT); John Sullivan (R-OK) – 87 cosponsors so far
 - Senate : Robert Menendez (D-NJ); Orrin Hatch (R-UT); Harry Reid (D-NV) – 2 cosponsor

(continued)

Incentives: Proposed

- Provisions include:
 - Extending the fuel, vehicle and infrastructure credits:
 - House: for 18 years
 - Senate: for 10 years
 - Making *dedicated* NGVs eligible for 80 percent credit
 - Making *bi-fuel* NGVs eligible for 50 percent credit
 - Increasing the allowable incremental cost limits:
 - For LDV, increase 150% (from \$5,000 to \$12,500)
 - For all other weight classes, increase by 100%

(continued)

Incentives: Proposed

- Increasing station from 50% or \$50,000 credit per CNG or LNG station to 50% or \$100,000
- Extending the home refueling credit (\$2,000)
- Allowing NGV and natural gas fueling infrastructure credits to count against the AMT provisions (for both business and personal use)
- Allowing the taxpayer to transfer to certain people their NGV or natural gas fueling infrastructure tax credits (under current law these credits are not transferrable)
- Providing OEM production incentives

Incentives: Proposed

- Heavy Duty Hybrid Truck Tax Incentives Act of 2009
 - HR 3367 introduced in the House of Representatives
 - Lead sponsor: Rep. Sander Levin (D-MI)

-

(continued)

Incentives: Proposed

- Extends and Expands the HD Hybrid tax credits
 - Extends the tax credits to: 12/31/2014
 - Maintains the maximum available power requirements
 - Doubles the incremental cost caps.
 - Creates a new HD gross vehicle weight category of 33,000
 - Maintains the cost percentage credits
 - Creates a new for 20-29% cost percentage credits category

(continued)

Incentives: Proposed

- Clean Cities program is DOE's flagship transportation deployment program:
 - The program now has almost 90 coalitions with nearly 5700 stakeholders
 - DOE grants totaling \$43 million over the last 10 years were leveraged to more than \$1 billion
 - Established in 1993, the program was never authorized

(continued)

Incentives: Proposed

- The Clean Cities Program Authorization Act (HR 3488) was introduced on July 31st :
 - Lead sponsors: Rep. Steve Israel (D-NY) and Mark Kirk (R-IL)
 - Bill now has 32 cosponsors
- Senator Orrin Hatch (R-UT) will introduce Senate version shortly.
- Encourage you to contact your Senators and Representatives about these bills

Funding Opportunities

- Clean Cities Grants:
- The House and Senate Energy and Water Appropriations bills for FY 2010 both include \$25.5 million for the Clean Cities program
 - Up from \$4.4 million in FY2007

Funding Opportunities

- Congress has grouped the funding for four diesel emission reduction programs into one -- the Diesel Emission Reduction Program (DERA):
 - Clean School Bus Program
 - Diesel Emission Reduction Program
 - Diesel Truck Retrofit and Fleet Modernization
 - Idle Reduction

(continued)

Funding Opportunities

- FY 2010 APPROPRIATIONS for DERA
- \$75 million available for FY 2010
- Unknown how the funds will be distributed amongst the different programs
- EPA Regional offices will issue their own Requests for Applications (RFAs) soon
- Suggest that you work with your regional collaboratives
- <http://www.eastcoastdiesel.org/>

(continued)

Stimulus Package

- American Recovery & Reinvestment Act of 2009 (P.L. 111-5) provides billions in new federal funding for energy and transportation initiatives:
 - Federal Transit Administration – Capital Improvements - \$8.4 billion (applications were due July 1, 2009)
 - DOE Block Grants for Energy Efficiency & Conservation - \$3.2 billion
 - DOE Clean Cities Program - \$300 million (applications were due May 29, 2009)
 - Federal Fleet purchases - \$300 million
 - EPA Diesel Emission Reduction Program - \$300 million

(continued)

Stimulus Package

- \$300 million Clean Cities solicitation has been released
- \$5 million min/\$15 max award
- 25 geographically dispersed projects were funded
- Funding requests were submitted by state, local government, or a metropolitan transportation authority AND designated Clean Cities organization
- Matching funds – federal funding limited to 50% of overall project cost
- Alternative fuel vehicles and alternative fuel infrastructure qualify for funding

Stimulus Package

- 19 of 25 awards include NGV projects!
- Provides funding for 3,400 plus NGVs and 144 plus natural gas fueling stations
- NGV projects includes shuttle buses, taxis, school buses, biogas fueling stations, 600 LNG trucks, among other things

Stimulus Package

- \$300 million in new funding under ARRA for DERA projects; allocated as follows:
 - \$156 million - National Clean Diesel Program
 - \$30 million - SmartWay Finance Program
 - \$20 million - “emerging technologies” development
 - \$88 million – to states for diesel emission reductions
 - \$6 million – EPA administrative purposes
- Solicitations for competitive grants issued in March
- State funding notices for \$88 million went out in March
- Eligible applicants for competitive funds – diesel collaborative, state authorities, certain non-profit organizations
- EPA Solicitations here - <http://www.epa.gov/otaq/eparecovery/>

Stimulus Package

- Qualifying Clean Diesel projects
 - Repower
 - Retrofits
 - Vehicle replacements
 - Non-road cargo handling equipment, airport equipment
- Fueling infrastructure projects NOT allowed
- NG repower and replacements qualify
- Funding provided
 - 75% for engine repowers
 - 25% for replacements/50% for school buses @ 2010 std.
 - 100% for incremental cost of cleaner fuels

Stimulus Package

- Energy Efficiency and Conservation Block Grants (EECBG)
- \$3.2 billion in new funding – previously not funded
- DOE website - <http://www.eecbg.energy.gov/>
- Funding allocated by formula as follows:
 - 68 percent to city and county programs
 - 28 percent to state programs
 - 2 percent for DOE to provide for competitive grants
 - 2 percent for tribal programs

Stimulus Package

- Energy Efficiency and Conservation Block Grants (EECBG)
- Qualifying projects
 - Transportation programs that conserve energy
 - Projects involving capture of methane or other greenhouse gases

Other Funding Opportunities

- Highway bill:
 - CMAQ program funds
 - State Infrastructure Bank
 - Transit Bus funding
- Environmental penalties

(continued)

For more information please contact:

Paul C. Kerkhoven
Natural Gas Vehicles for America
400 N. Capitol St. NW; 4th floor
Washington, DC
20001
(202) 824-7363
pkerkhoven@ngvamerica.org