

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** Ward L. Armstrong

2. **Bill Number** HB 2109

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Individual Income Tax; Credit for Diesel
Power to Natural Gas Power Truck
Conversion.

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create an individual income tax credit for taxpayers who convert or have converted their diesel-powered trucks to natural gas power. The amount of the credit would be equal to the cost of the conversion or \$3,500, whichever is less.

The bill would be effective for taxable years beginning on and after January 1, 2011.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation considers implementation of this bill as "routine," and does not require additional funding.

Revenue Impact

The negative impact on General Fund revenue is not known. Because the cost of converting a motor vehicle to natural gas currently exceeds \$3,500, taxpayers earning the credit would likely claim the maximum amount allowed. According to the Department of Motor Vehicles, there are approximately 860,000 heavy trucks and tractors, and 45,000 light duty diesel trucks registered in Virginia.

9. **Specific agency or political subdivisions affected:**

Department of Taxation

10. **Technical amendment necessary:** No.

11. Other comments:

Federal Law

The Energy Policy Act of 2005 established the Qualified Alternative Fuel Motor Vehicle Credit for individuals and businesses that purchased vehicles fueled entirely by compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, or any liquid at least 85% of the volume of which consists of methanol, and to certain "mixed-fuel" vehicles that use both alternative fuel and petroleum based-fuel. This credit expired December 31, 2010

The credit was based on a percentage of the "incremental cost" of that vehicle. Subject to certain limitation based on vehicle size, the incremental cost of any qualified alternative fuel motor vehicle was the excess of the manufacturer's suggested retail price (MSRP) of the qualified alternative fuel motor vehicle over the MSRP for a gasoline or diesel fuel motor vehicle of the same model.

Generally, the credit was equal to 50% of the incremental cost. However, an additional 30% credit was available if the vehicle received a Clean Air Act certificate certification or received an order certifying the vehicle as meeting the same requirements as vehicles which may be sold or leased in California.

In addition, the Alternative Fuel Vehicle Refueling Property Credit provides a federal income tax credit equal to 30% of the cost of installing new natural gas refueling equipment. A business can earn a maximum credit of \$30,000 for natural gas pumps and equipment. Individuals can earn up to a \$1,000 credit for home refueling appliances.

Currently, there are four natural gas fueling stations open to the public in Virginia. One is located in Northern Virginia. The other three are located in the Hampton Roads area.

Proposal

This bill would allow an individual income tax credit for any owner who converts a truck from diesel fuel to natural gas. The credit would be equal to the lesser of \$3,500 or the actual cost incurred to convert the truck. The credit would not be refundable. If the amount of the credit exceeds the tax liability for the taxable year, the excess may be carried over for the next three taxable years or until the credit is used.

The Department of Taxation would be required to establish guidelines regarding the information to include and the format for proving such truck was converted from diesel power to natural gas power.

cc : Secretary of Finance

Date: 1/20/2011dtm
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