

Summary of the Natural Gas Vehicles Provisions in the Kerry/Lieberman Energy and Climate Proposal

Overview:

The American Power Act legislation recently announced by Sens. John Kerry (D-MA) and Joe Lieberman (I-CT) includes several provisions (or modifications of provisions) that are also included in either the Nat Gas Act (S. 1408) and the Fueling America Act (S.1350). The following is a short summary of those provisions, which are included in the proposal in *TITLE IV – JOB PROTECTION AND GROWTH; Subtitle B -- Clean Energy Technology and Jobs; Part II – Transportation; Subpart B – Powering Vehicles with Natural Gas:*

- ∞ **Vehicle Tax Credits Extended:** Extends the tax credits for the purchase of an NGV for 10 years after the date of enactment of the legislation. For light-duty vehicles (less than 8501 GVWR), the credit would only be available to commercial fleets that (1) operate at least 10 motor vehicles and (2) purchase more than 2 NGVs.
- ∞ **Vehicle Tax Credit Values Increased:** Doubles the incremental cost caps for all weight classes:

Vehicle GVWR	Incremental Cost Cap
≤ 8,500	From \$5,000 to \$10,000
8,501-14,000	From \$10,000 to \$20,000
14,001-26,000	From \$25,000 to \$50,000
≥ 26,001	From \$40,000 to \$80,000

To earn an income tax credit of 80 percent of the incremental price, the vehicle (or, in case of a heavy-duty vehicle, the engine) would still need to meet the most stringent national emissions standard in place, short of the zero emission standard. For light-duty vehicles, this would be EPA’s Tier 2/Bin 2 standard. For heavy-duty vehicles, this would be EPA’s 2010 standard. If the vehicle or engine does not meet the applicable emission standard, it would earn 50 percent of the applicable incremental price.

- ∞ **Bi-Fuel Vehicles Now Qualify for the Credit:** Makes bi-fuel vehicles eligible for the vehicle tax credit for the first time. A bi-fueled vehicle is defined as a vehicle that is capable of operating for more than 175 miles on one tank of CNG or LNG. To qualify for a tax credit of 80 percent of the applicable incremental

cap, the vehicles must meet the Tier 2/ Bin2 standard on both fuels.

- ∞ **Mixed-Fuel Vehicles Definition Expanded:** Modifies the definition of mixed fuel vehicle to include a vehicle that (1) is capable of operating on CNG or LNG and (2) operates on not more than 35 percent petroleum-based fuel. Currently, only mixed fueled vehicles that can operate on at least a 75/25 natural gas/diesel mixture are eligible for a vehicle tax credit.
- ∞ **Transferability Expanded:** Leaves unchanged the current provision allowing the seller to claim a credit in the case of a sale to a tax exempt entity. Under the current law, if an NGV is sold to a tax exempt entity, the seller is treated as if he/she is the one placing the alternative fuel vehicle in service. The proposed change would permit the person who places a qualified NGV into service to transfer the vehicle acquisition credit to the seller, manufacturer or lessee if the taxpayer is unable to or does not want to claim the tax credit for acquiring an NGV.
- ∞ **Alternative Minimum Tax Waived:** Allows the NGV vehicle tax credit to be applied against the alternative minimum tax. Current law does not allow this, thus, limiting the value of the credit.
- ∞ **Natural Gas Vehicle Bonds Established:** Creates a “natural gas vehicle bond” program for government bodies. Specifically, it allows state and local governmental entities to issue tax credit bonds in order to finance NGV projects, including the purchase of vehicles and fueling infrastructure. The national limitation of the program is \$3 billion.
- ∞ **NGV Manufacturing Facilities Tax Credits Provided:** Provides tax credits for the construction of NGV manufacturing facilities:
 - Allows 100 percent of the cost of an NGV manufacturing facility that is placed in service before January 1, 2015 to be expensed and be treated as a deduction in the taxable year in which the facility was placed in service
 - Allows 50 percent of the cost to be expensed for a facility placed in service after December 31, 2014 and before January 1, 2020.
- ∞ **Federal Fleet Study Required:** Directs the Administrator of General Services, in consultation with EPA and Department of Energy, to conduct a study of how the Federal fleet could increase the number of light-, medium-, and heavy-duty natural gas and liquefied petroleum gas vehicles in the fleet, and report this study to Congress no later than 180 days after the date of enactment of this Act.

