

Funding Opportunities, Tax Credits and Other Incentives for Fleets:

Federal Tax Credits for AFVs

Southern California Clean Vehicle Technology Expo
October 10, 2006

2005 Energy and Highway Bills Approved By Congress

- HR 6: the Energy Policy Act of 2005
 - Includes income tax credit for alt fuel vehicle purchases and fueling infrastructure
- HR 3: “Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users” or “SAFETEA–LU”
 - Includes excise tax credit for natural gas and other alt fuel used

Fuel Use Tax Incentive

- An *excise* tax credit is paid to the *seller* of CNG and LNG:
 - 50 cents per GGE of CNG
 - 50 cents per liquid gallon of LNG
 - 55.6 cents per DGE of CNG
 - 84.6 cents per DGE of LNG
- Begins on October 1, 2006
 - Expires on September 30, 2009 (Lobbying already started)

(continued)

Fuel Use Tax Incentive

- Since this is *not* an income tax credit, non-profits (e.g., public agencies) benefit:
 - Acts like a rebate
- If there is no “seller”, the credit goes to the user
- The value of the excise tax credit is *offset* by an increase in the motor fuels excise tax rate for both CNG and LNG
 - But that doesn’t apply to public agencies

Vehicle Purchase Tax Incentive

- An *income* tax credit to the buyer of a new or converted dedicated alternative fuel vehicle:
 - 50 percent of the incremental cost of the vehicle
 - plus an additional 30 percent if the vehicle meets certain tighter emission standards.
- Tax credit goes to the seller if the buyer is a non-tax paying entity

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Vehicle Purchase Tax Incentives

- Credits range from \$2,500 to \$32,000 depending on the size of the vehicle
 - \$2,500-\$8,000: 8,500-14,000 lbs.
 - \$12,500-\$20,000: 14,000-26,000 lbs.
 - \$20,000-\$32,000: Over 26,000 lbs.
- The credit is effective for vehicles placed in service after December 31, 2005 and expires on December 31, 2010

Alt Fuel Infrastructure Tax Incentive

- An income tax credit equal to 30% of the cost of Alt fuel refueling equipment
 - Up to \$30,000 in the case of commercial stations
 - Up to \$1,000 for home refueling appliances
 - The credit is effective on purchases made after December 31, 2005 and expires on December 31, 2009
- Tax credit goes to the equipment seller if the buyer is a non-tax paying entity

Other Federal Alt Fuel Programs

- CMAQ
 - Federal grant program that sends billions of dollars through MPOs each year
 - Funding can be used for:
 - Alternative fuel vehicle purchase
 - Upgrades and modifications of facilities that go beyond routine maintenance
- DOE SEP

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Other Federal Alt Fuel Programs

- Diesel Emission Reductions Program
 - EPA program to make grants and loans to State and local government agencies and non-profit organizations for reducing emissions from diesel engines.
 - Repowers, retrofits and rebuilds are eligible.
- EPA Clean School Bus Program
- Congressional Earmarks

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