

Funding and Incentives

15th Annual Advancing the Choice
Conference

*“Alternative Fuels Today
For a Greener Tomorrow”*

October 14, 2011

Government in Gridlock

- No significant action on energy, tax or funding legislation has taken place this year
- No significant action on energy, tax or funding legislation will take place until at least next year
- Review of Important Dates

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Government in Gridlock

- The groundswell in Congress is to cut the federal spending – not expand it.
- In August 2011 Legislation was passed that increased the Nation's Debt by some \$900 billion.
- Legislation also created a Deficit Reduction Committee (Super Committee)
- The Deficit Reduction Committee must come up with at least \$1.2 trillion in cuts in federal spending, with \$1.5 trillion a more desired outcome.

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Government in Gridlock

- Deficit Reduction Committee Key Dates:
 - Committee Recommendations due by November 23rd
 - Vote on December 23rd
 - Spending Cuts to go into effect on January 15th
- Continuing Resolution Expires on November 18th
 - Need another extension
- Debt Ceiling Extension expires in February 2012

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Available US NGV Tax Credits

- Fuel Use Credit.
 - 50 cents per gge goes to the seller of CNG/LNG when used as a transportation fuel
 - Expires on 12/31/2011
- Infrastructure Credit
 - The lesser of \$30,000 or 30 percent of the cost of a fueling station
 - \$1,000 for a home refueling unit
- Various State Incentives

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Available US EV Tax Credits

- A tax credit is available for the purchase of a new qualified plug-in electric drive motor vehicle. The minimum credit ranges from \$2,500 to \$7,500, based on each vehicle's traction battery capacity and the gross vehicle weight rating.

Available US EV Tax Credits

- The credit will begin to be phased out for each manufacturer in the second quarter following the calendar quarter in which a minimum of 200,000 qualified plug-in electric drive vehicles have been sold by that manufacturer for use in the U.S.
- This tax credit applies to vehicles acquired after December 31, 2009.

Available US EV Tax Credits

- Qualified plug-in electric vehicle conversions are also eligible for a tax credit for 10% of the conversion cost, not to exceed \$4,000.
 - Available through 12/31/2011
- Tax credit of up to 10% of the cost of qualified low-speed electric vehicles, electric motorcycles, and three-wheeled electric vehicles, not to exceed \$2,500.
 - Available through December 31, 2011.

NAT GAS Act of 2011

- On April 6th, the New Alternative Transportation to Give Americans Solutions (NAT GAS) Act of 2011 was introduced in House (HR 1380):
 - Would extend and expand incentives to accelerate the growth of the US NGV market
- Lead sponsors:
 - Reps. John Sullivan (R-OK), Dan Boren (D-OK), John Larson (D-CT) and Kevin Brady (R-TX)
- 183 co-sponsors today (9/27)

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NAT GAS Act of 2011

- A joint Subcommittee Hearing on the NAT GAS Act of 2011 was held in the House Ways and Means Committee on September 22, 2011
- Senate Bill has not yet been introduced, but we are working on it.

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NAT GAS Act of 2011

- Key provisions would address expiring tax credits and reestablish expired credits:
 - Fuel use
 - Vehicle purchases
 - Fueling infrastructure installation
 - Indian Tribes

NAT GAS Act of 2011

- Comparison to other Fuel or Vehicle credits
 - Fuel credit:
 - Ethanol, Biodiesel, Propane credits expire on 12/31/2011
 - Vehicle purchases
 - There is no HD Hybrid Vehicle tax credit
 - Fueling infrastructure installation
 - Credits expire on 12/31/2011

Fuel Tax Credit

- Extend the current 50 cents per gallon (or gasoline-gallon equivalent) natural gas excise tax credit (VETC) for five (5) years
 - Currently scheduled to expire after 12/31/2011
- Make Indian tribes eligible for the fuel tax credit
 - Currently not eligible

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Vehicle Tax Credit

- Establish a vehicle purchase income tax credit for dedicated, bi-fuel, and dual-fuel NGVs to be in place for five (5) years.
 - A credit for dedicated NGVs expired on 12/31/2010
- The tax credit would vary depending on the size (weight) of the vehicle, the incremental price of the vehicle and whether the vehicle was dedicated, bi-fuel or dual-fuel.

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Vehicle Tax Credit

- For dedicated vehicles, the tax credit would be 80 percent of the incremental price.
- For bi-fuel and dual-fuel vehicles, the tax credit would be 50 percent of the incremental price.

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Vehicle Tax Credit

- The maximum value of the tax credits provided would be as follows:

<u>Weight Class</u>	<u>Max. Credit</u>
Under 8,500 lbs.:	\$7,500
8,501-14,000 lbs.:	\$16,000
14,001-26,000 lbs.:	\$40,000
Over 26,000 lbs.:	\$64,000

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Vehicle Tax Credit

- Dual-fuel vehicles that cannot operate without natural gas and use no less than 90 percent natural gas would be treated as dedicated vehicles.
- Bi-fuel vehicles in which a minimum of 85 percent of the total range can be achieved with natural gas also would be treated as dedicated vehicles.

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Vehicle Tax Credit

- Allow the tax credit to be applied against alternative minimum tax provisions (for both individuals and businesses)
- Make the credit transferable (very important for the public sector)
- Amend the tax credit so that it applies in the case of sales to Indian tribes;

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Fueling Station Tax Credit

- Extend the refueling property income tax credit for five (5) years.
 - Currently scheduled to expire after 12/31/2011
- Increase the existing refueling property tax credit for the installation of natural gas fuel facilities from \$30,000 or 30 percent of the cost (whichever is less) to \$100,000 or 50 percent (whichever is less).

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Fueling Station Tax Credit

- Allow the alternative fuel infrastructure credit to be applied against the alternative minimum tax provisions.
- Make the credit transferable.

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Fueling Station Tax Credit

- Increase the current income tax credit for the installation of home refueling appliances for personal use from \$1,000 or 30 percent of the cost (whichever is less) to \$2,000 or 50 percent of the cost (whichever is less); and exempt the property from alternative minimum tax provisions.
- Amend the tax credit so that it applies in the case of sales to Indian tribes.

Options for Legislative Action

- Super Committee Proposed Legislation ?
- Tax Extenders Legislation ?
- Budget Omnibus bill ?
- Others ?

2012 Clean Cities Funding

- For 2012, the Administration requested increased funding for the Clean Cities program of \$229 *million*.
- The Administration wanted \$200 million of these budgeted amounts to be earmarked for EV-related activities.
- This would fundamentally change the character of the Clean Cities program.

2012 Clean Cities Funding

- Both the Senate and the House have finished consideration of their respective Energy and Water Development Appropriations bill for FY 2012 (HR 2354; H. Rept. 112-118 and S. Rept. 112-75).
- The House Appropriations bill removed the \$200 million earmark, and the Committee recommended \$26.5 million for the Clean Cities program

2012 Clean Cities Funding

- The Senate Report (S. Rept. 112-75) does not specify a specific funding level for the Clean Cities program.
- Report does contain language promoting the adoption and use of petroleum reduction technologies and practices by working with Clean Cities coalitions and their stakeholders on alternative fuel and electric drive advanced technology vehicles and related fueling/charging infrastructure.

2012 DERA Funding

- President Obama's FY 2012 budget request proposes to zero fund the DERA program;
- It would cut \$80 million for the program.
- House FY 2012 Interior and Environment Appropriations Bill (HR 2584; H. Rpt 112-151) includes \$30 million for DERA
 - \$19,9 million below the FY2011 enacted level.
- Senate has not yet acted on its FY 2012 Interior and Environment Appropriations Bill

2012 Highway Reauthorization

- SAFETEA-LU, was set to expire on September 30, but it has now been extended through March 31, 2012
- The bill extends federal transit and highway spending authority and federal motor fuels taxes for the same length of time.
- The extension does not make any program or policy changes.

2012 Highway Reauthorization

- Allows the House and Senate authorizing committees and the Administration time to reach an agreement on a longer term highway and transportation authorization bill

2012 Transportation Funding

- The Senate Appropriations Committee approved the FY 2012 Transportation, Housing and Urban Development, and Related Agencies Appropriations bill (THUD) (S. 1596; S. Rpt. 112-83).
- The Senate FY 2012 THUD Appropriations bill provides a total of \$10.629 billion for FTA programs compared to \$10.3 billion enacted for FY 2011.

2012 Transportation Funding

- In the House, the FY 2012 THUD Appropriations Subcommittee has marked up its version of the bill, but the bill has not yet gone to the full House Appropriations Committee.
- The House subcommittee bill, would provide a total of \$7.043 billion for FTA programs

2012 Funding Outlook

- The gridlock to cut federal spending has also spilled over into the efforts to keep the government running and to provide funds to pay for the Clean Cities, DERA, Highway, Bus and other programs.
- Current Continuing Resolution keeps the Federal Government funded through November 18th.
- Suggest you wait for a major Omnibus Budget bill in 2012 for a resolution.

Questions?

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