BILL SUMMARY
1st Session of the 52nd Legislature

Bill No.:	**HB 1949**
Version:	**PCS for HB 1949**
	(Request No. 6819)
Author:	**Speaker Benge**
Date:	**February 3, 2009**
Impact:	**Income Tax Collections**
	FY10: Minimal Decrease

Bill Summary

Research Analyst: Dusty Darr

This measure extends the duration of existing tax credits available for investments in qualified clean-burning and electric motor vehicle property and provides new credits for qualified hydraulic hybrid motor vehicle property. Hydrogen fuel cell vehicles have been added to the list of applicable qualified clean-burning motor vehicles, which includes compressed natural gas (CNG), liquefied natural gas (LNG) and liquefied petroleum gas (LPG) vehicles.

A 50% tax credit is available for originally equipped and converted qualified clean-burning and electric motor vehicle property. The measure also provides for a 75% tax credit for costs associated with entities investing in qualified clean-burning motor vehicle fuel property infrastructure, not including a building and its structural components, and a tax credit of up to $2,500.00 for individuals investing in property which is directly related to the noncommercial compression and delivery of natural gas from a private home or residence into the fuel tank of a CNG vehicle. A 50% tax credit is available for qualified hydraulic hybrid motor vehicle property not to exceed specified amounts for specified vehicle weight limits.

The one-time credits against the income tax will be extended to tax years beginning before January 1, 2015, and the carry forward for such credits has been increased from 3 to 5 years.

Fiscal Summary

Fiscal Analyst: Diane Thomas

The PCS for HB 1949 relates to income tax credits and modifies the Clean Burning Fuel Conversion Credit. The modification in the PCS for HB 1949 restores language used to help determine the amount of the income-tax credit when purchasing a new qualifying vehicle.

Fiscal Analysis

The modification from the Introduced version of HB 1949 and the PCS for HB 1949, does not change the original fiscal impact of a FY10 minimal fiscal impact.

Currently, vehicles that use or are converted to use an alternate fuel (such as methanol, M-85, compressed natural gas, liquefied natural gas or liquefied petroleum gas) or electric vehicles are eligible for an income tax credit. The credit is based on the cost of conversion or, in the case of vehicles originally propelled by a clean burning fuel, the cost of the portion of the motor vehicle

which is attributable to the storage, the delivery system to the engine and the exhaust of gases from combustion of the clean burning fuel. Property for the delivery of clean burning fuel is also eligible for the tax credit.

PCS for HB 1949 adds hydrogen powered vehicles, while eliminating vehicles propelled by methanol and M-85 as qualifiers for the credit. It changes the percentage of compressed natural gas from 50% to none for liquefied petroleum fuel eligibility. The measure also adds property to "fuel" electric and hydrogen vehicles as eligible for the credit. It also includes property that delivers compressed natural gas fueling installed in private residential properties for non-commercial purposes to the list of items eligible for the credit. Results are similar for electric fueling stations.

PCS for HB 1949 also provides a new tax credit structure for hydraulic hybrid motor vehicle property. The credit is 50% of the cost of clean burning fuel property subject to the following limits:

- Credit up to $6,000 for a motor vehicle having a manufacturer Gross Vehicle Weight Rating (GVWR) of 8,500 pounds or less;
- Credit up to $8,000 for a motor vehicle having a GVWR of 8,501 pounds to 26,000 pounds; and
- Credit up to $15,000 for a motor vehicle having a GVWR in excess of 26,000 pounds.

The measure is effective January 1, 2010, but provisions relating to the hydraulic hybrid motor vehicle property is available for assets placed in service on or after December 31, 2000. OTC believes this incentive would be available for tax year 2010, if the old assets were converted to hydraulic hybrids.

With respect to adding the hydrogen vehicle and fueling property, based on OTC's research most hydrogen fueling infrastructure is in California. Absent hydrogen fueling stations, OTC does not believe the demand for hydrogen vehicles will be significant in Oklahoma. Therefore, OTC anticipates no fiscal impact (FY09 through FY11) for adding hydrogen fuel vehicles to this credit.

OTC is aware that UPS is planning a pilot project for placing 7 hydraulic hybrid vans in service. Even assuming all seven were used in Oklahoma and qualify for the maximum credit, the anticipated fiscal impact will be minimal.

Long Term Fiscal Considerations

None

Fiscal Analysis Reviewed By:

Janice Buchanan

House Fiscal Director