

## MEMORANDUM

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**OKLAHOMA TAX COMMISSION**  
TAX POLICY AND RESEARCH

DATE: April 26, 2018

SUBJECT: Floor Substitute - HB 1532

TO: Joe Gappa, Deputy Director

FROM: Michael C. Kaufmann, Tax Policy Analyst

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The Floor Substitute for HB 1532 proposes to amend 68 O.S. § 2357.22, which relates to the Credit for Conversion of Motor Vehicles to Clean Burning Fuel. This amended measure proposes to 1) extend the sunset date; 2) change the credit calculation percentages for tax year 2019; 3) expand the credit to include electric vehicles and charging station infrastructure; 4) extend the carryover of unused credit period; and 5) impose a state wide cap of \$16 million effective for tax year 2019 and subsequent tax years.

Under current law a one-time income tax credit is allowed for investments in qualified clean-burning motor vehicle fuel property through tax year 2019. Depending on the type of property, the credit is either forty-five percent (45%) or seventy-five percent (75%) of the cost of the qualified clean-burning motor vehicle fuel property. In cases where no credit is previously claimed and a motor vehicle is purchased with “factory installed” clean-burning fuel equipment, and the taxpayer elects not to determine the exact investment cost, the credit is limited to ten percent (10%) of the motor vehicle purchase price up to One Thousand Five Hundred Dollars (\$1,500.00). Property directly related to the delivery of natural gas from a private home qualifies for a credit of the lesser of fifty percent (50%) of the cost of the property or Two Thousand Five Hundred Dollars (\$2,500.00). Any credit allowed but not used may be carried over for a period of five (5) years.

This measure proposes to:

- Extend the sunset date from tax year 2019 to tax year 2023.
- Extend the carryover period from five (5) to six (6) years.
- Impose a state wide cap of \$16 million effective for tax year 2019. If the amount of claims for credits allowed reaches eighty percent (80%) of the total annual limit, the Tax Commission will notify the Office of the State Secretary of Energy and Environment.
- Change the credit percentages for the infrastructure component; credits generated after December 31, 2018 will be reduced from 75% to 45%.
- Include electric vehicles in the definition of "qualified clean-burning motor vehicle fuel property".
- Amend the credit amount of the vehicle component; it will no longer be 45% of the cost of the qualified clean-burning motor vehicle property, but will now be based on the

weight of the vehicle as outlined below:

Vehicle Weight (lbs)	Maximum Credit Amount
Under 6,001	\$5,500
6,001 to 10,000	\$9,000
10,001 to 26,500	\$26,000
26,501 and above	\$50,000

The expenditure for tax year 2015 for this credit was \$15.2 million. There is no expectation that this amount will increase significantly in tax year 2017 which is the year the \$16 million cap is based. Therefore no short term impact is anticipated as a result of the cap.

For tax year 2019 it is expected that no change in income tax collections will occur.