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**CERTIFICATION OF RETROFIT
COMPRESSED NATURAL GAS VEHICLES**

2010 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jack R. Draxler

Senate Sponsor: _____

LONG TITLE

General Description:

This bill addresses the retrofitting of vehicles to operate on compressed natural gas.

Highlighted Provisions:

This bill:

- ▶ provides for the Division of Air Quality to certify retrofit compressed natural gas vehicles;
- ▶ requires certain inspection and emission standards for retrofit compressed natural gas vehicles;
- ▶ allows the Division of Air Quality to make rules in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, governing retrofit compressed natural gas vehicles;
- ▶ provides that a retrofit compressed natural gas vehicle in compliance with the new provisions satisfies certain fleet requirements;
- ▶ prohibits a vehicle certified under the bill's provisions from receiving a clean fuel vehicle tax credit, except in limited circumstances; and
- ▶ makes technical changes.

Monies Appropriated in this Bill:

None

Other Special Clauses:



28 None

29 **Utah Code Sections Affected:**

30 AMENDS:

31 **19-2-105.3**, as last amended by Laws of Utah 2009, Chapter 183

32 **59-7-605**, as last amended by Laws of Utah 2008, Chapter 153

33 **59-10-1009**, as last amended by Laws of Utah 2008, Chapter 153

34 ENACTS:

35 **19-1-406**, Utah Code Annotated 1953



37 *Be it enacted by the Legislature of the state of Utah:*

38 Section 1. Section **19-1-406** is enacted to read:

39 **19-1-406. Certification of retrofit compressed natural gas vehicles -- Inspections --**
40 **Emissions -- Rulemaking.**

41 (1) The Division of Air Quality may certify a retrofit compressed natural gas vehicle
42 for operation if:

43 (a) the retrofit is inspected and certified as safe in accordance with relevant standards,
44 including the National Fire Protection Association 52 Vehicular Gaseous Fuel Systems Code,
45 by a CSA America CNG Fuel System Inspector;

46 (b) the retrofit satisfies the emissions standards, if any, for the county in which the
47 vehicle is registered;

48 (c) the retrofit satisfies the emissions standards for the county in the state with the most
49 lenient emissions standards, if the vehicle is registered in a county with no emissions standards;
50 and

51 (d) the retrofit does not tamper with, circumvent, or otherwise effect the vehicle's
52 on-board diagnostic system, if any.

53 (2) The owner of a retrofit compressed natural gas vehicle shall have the retrofit
54 inspected for safety by a CSA America CNG Fuel System Inspector:

55 (a) at the time of the retrofit;

56 (b) every three years or 36,000 miles after the retrofit, whichever occurs sooner; and

57 (c) after any collision occurring at a speed of greater than five miles per hour.

58 (3) At any state-required safety inspection, the inspector shall verify that a retrofit

59 compressed natural gas vehicle has been inspected in accordance with Subsection (2).

60 (4) (a) The Division of Air Quality may make rules in accordance with Title 63G,
 61 Chapter 3, Utah Administrative Rulemaking Act, to administer this section, including
 62 provisions for testing to ensure compliance with emissions and anti-tampering standards
 63 established in this section or by federal law.

64 (b) In making rules governing testing under Subsection (4)(a), the division shall allow
 65 for testing using equipment widely available within the state, if possible.

66 Section 2. Section **19-2-105.3** is amended to read:

67 **19-2-105.3. Clean fuel requirements for fleets.**

68 (1) As used in this section:

69 (a) "1990 Clean Air Act" means the federal Clean Air Act as amended in 1990.

70 (b) "Clean fuel" means:

71 (i) propane, compressed natural gas, or electricity;

72 (ii) other fuel the Air Quality Board created in Title 19, Chapter 2, Air Conservation
 73 Act, determines annually on or before July 1 is at least as effective as fuels under Subsection
 74 (1)(b)(i) in reducing air pollution; and

75 (iii) other fuel that meets the clean fuel vehicle standards in the 1990 Clean Air Act.

76 (c) "Fleet" means 10 or more vehicles:

77 (i) owned or operated by a single entity as defined by board rule; and

78 (ii) capable of being fueled or that are fueled at a central location.

79 (d) "Fleet" does not include motor vehicles that are:

80 (i) held for lease or rental to the general public;

81 (ii) held for sale or used as demonstration vehicles by motor vehicle dealers;

82 (iii) used by motor vehicle manufacturers for product evaluations or tests;

83 (iv) authorized emergency vehicles as defined in Section 41-6a-102;

84 (v) registered under Title 41, Chapter 1a, Part 2, Registration, as farm vehicles;

85 (vi) special mobile equipment as defined in Section 41-1a-102;

86 (vii) heavy duty trucks with a gross vehicle weight rating of more than 26,000 pounds;

87 (viii) regularly used by employees to drive to and from work, parked at the employees'
 88 personal residences when they are not at their employment, and not practicably fueled at a
 89 central location;

90 (ix) owned, operated, or leased by public transit districts; or

91 (x) exempted by board rule.

92 (2) (a) After evaluation of reasonably available pollution control strategies, and as part
93 of the state implementation plan demonstrating attainment of the national ambient air quality
94 standards, the board may by rule, subject to Subsection (2)(c), require fleets in specified
95 geographical areas to use clean fuels if the board determines fleet use of clean fuels is:

96 (i) necessary to demonstrate attainment of the national ambient air quality standards in
97 any area where they are required; and

98 (ii) reasonably cost effective when compared to other similarly beneficial control
99 strategies for demonstrating attainment of the national ambient air quality standards.

100 (b) State implementation plans developed prior to July 1, 1995, may require fleets to
101 use clean fuels no earlier than July 1, 1995, unless the board determines fleet use of clean fuels
102 is necessary prior to July 1, 1995, to demonstrate attainment of the national ambient air quality
103 standards in any area by an attainment date established by federal law.

104 (c) The board may not require more than 50% of those trucks in a fleet that are heavy
105 duty trucks having a gross vehicle weight rating of more than 8,500 pounds and not more than
106 26,000 pounds to convert to clean fuels under Subsection (2)(b).

107 (d) A vehicle retrofit to operate on compressed natural gas in accordance with Section
108 19-1-406 qualifies as a clean fuel vehicle under this section.

109 (3) (a) After evaluation of reasonably available pollution control strategies, and as part
110 of a state implementation plan demonstrating only maintenance of the national ambient air
111 quality standards, the board may by rule, subject to Subsection (3)(b), require fleets in specified
112 geographical areas to use clean fuels if the board determines fleet use of clean fuels is:

113 (i) necessary to demonstrate maintenance of the national ambient air quality standards
114 in any area where they are required; and

115 (ii) reasonably cost effective as compared with other similarly beneficial control
116 strategies for demonstrating maintenance of the national ambient air quality standards.

117 (b) Under Subsection (3)(a) the board may require no more than:

118 (i) 30% of a fleet to use clean fuels before January 1, 1998;

119 (ii) 50% of a fleet to use clean fuels before January 1, 1999; and

120 (iii) 70% of a fleet to use clean fuels before January 1, 2000.

121 (c) The board may not require more than 50% of those trucks in a fleet that are heavy
122 duty trucks having a gross vehicle weight rating of more than 8,500 pounds and not more than
123 26,000 pounds to convert to clean fuels under Subsection (3)(b).

124 (4) Rules the board makes under this section may include:

125 (a) dates by which fleets are required to convert to clean fuels under the provisions of
126 this section;

127 (b) definitions of fleet owners or operators;

128 (c) definitions of vehicles exempted from this section by rule;

129 (d) certification requirements for persons who install clean fuel conversion equipment,
130 including testing and certification standards regarding installers; and

131 (e) certification fees for installers, established under Section 63J-1-504.

132 (5) Implementation of this section and rules made under this section are subject to the
133 reasonable availability of clean fuel in the local market as determined by the board.

134 Section 3. Section **59-7-605** is amended to read:

135 **59-7-605. Definitions -- Tax credit -- Cleaner burning fuels.**

136 (1) As used in this section:

137 (a) "Air quality standards" means that a vehicle's emissions are equal to or cleaner than
138 the standards established in bin 2 in Table S04-1, of 40 C.F.R. 86.1811-04(c)(6).

139 (b) "Board" means the Air Quality Board created under Title 19, Chapter 2, Air
140 Conservation Act.

141 (c) "Certified by the board" means that:

142 (i) a motor vehicle on which conversion equipment has been installed meets the
143 following criteria:

144 (A) before the installation of conversion equipment, the vehicle does not exceed the
145 emission cut points for a transient test driving cycle, as specified in 40 C.F.R. Part 51,
146 Appendix E to Subpart S, or an equivalent test for the make, model, and year of the vehicle;

147 (B) the motor vehicle's emissions of regulated pollutants, when operating on a fuel
148 listed in Subsection (2)(c)(i) or (ii), is less than the emissions were before the installation of
149 conversion equipment; and

150 (C) a reduction in emissions under Subsection (1)(c)(i)(B) is demonstrated by:

151 (I) certification of the conversion equipment by the federal Environmental Protection

152 Agency or by a state whose certification standards are recognized by the board;

153 (II) testing the motor vehicle, before and after installation of the conversion equipment,
154 in accordance with 40 C.F.R. Part 86, Control of Emissions from New and In-use Highway
155 Vehicles and Engines, using all fuel the motor vehicle is capable of using; or

156 (III) any other test or standard recognized by board rule, which may not include a
157 retrofit natural gas vehicle certified in accordance with Section 19-1-406, unless that vehicle
158 also satisfies Subsection (1)(c)(ii)(B)(I); or

159 (ii) special mobile equipment on which conversion equipment has been installed meets
160 the following criteria:

161 (A) the special mobile equipment's emissions of regulated pollutants, when operating
162 on fuels listed in Subsection (2)(d)(i) or (ii), is less than the emissions were before the
163 installation of conversion equipment; and

164 (B) a reduction in emissions under Subsection (1)(c)(ii)(A) is demonstrated by:

165 (I) certification of the conversion equipment by the federal Environmental Protection
166 Agency or by a state whose certification standards are recognized by the board; or

167 (II) any other test or standard recognized by board rule.

168 (d) "Clean fuel grant" means a grant awarded under Title 19, Chapter 1, Part 4, Clean
169 Fuels and Vehicle Technology Program Act, for reimbursement of a portion of the incremental
170 cost of an OEM vehicle or the cost of conversion equipment.

171 (e) "Conversion equipment" means equipment referred to in Subsection (2)(c) or (d).

172 (f) "Fuel economy standards" means that a vehicle's combined fuel economy, as
173 determined in 40 C.F.R. 600.209-95(d) is equal to or greater than:

174 (i) 31 miles per gallon for gasoline-fueled vehicles;
175 (ii) 36 miles per gallon for diesel-fueled vehicles;
176 (iii) 19 miles per gallon for vehicles fueled by a blend of 85% ethanol and 15%
177 gasoline;

178 (iv) 19 miles per gallon for liquified petroleum gas-fueled vehicles; or
179 (v) standards consistent with 40 C.F.R. 600.209-95(d) that are adopted by the Air
180 Quality Board by rule.

181 (g) "Incremental cost" has the same meaning as in Section 19-1-402.
182 (h) "OEM vehicle" has the same meaning as in Section 19-1-402.

183 (i) "Original purchase" means the purchase of a vehicle that has never been titled or
184 registered and has been driven less than 7,500 miles.

185 (j) "Special mobile equipment":

186 (i) means any mobile equipment or vehicle that is not designed or used primarily for
187 the transportation of persons or property; and

188 (ii) includes construction or maintenance equipment.

189 (2) For taxable years beginning on or after January 1, 2009, but beginning on or before
190 December 31, 2013, a taxpayer may claim a tax credit against tax otherwise due under this
191 chapter or Chapter 8, Gross Receipts Tax on Certain Corporations Not Required to Pay
192 Corporate Franchise or Income Tax Act, in an amount equal to:

193 (a) \$750 for the original purchase of a new vehicle that is not fueled by compressed
194 natural gas if the vehicle is registered in Utah and meets air quality and fuel economy
195 standards;

196 (b) for the purchase of a vehicle fueled by compressed natural gas that is registered in
197 Utah, the lesser of:

198 (i) \$2,500; or

199 (ii) 35% of the purchase price of the vehicle;

200 (c) 50% of the cost of equipment for conversion, if certified by the board, of a motor
201 vehicle registered in Utah minus the amount of any clean fuel grant received, up to a maximum
202 tax credit of \$2,500 per motor vehicle, if the motor vehicle is to:

203 (i) be fueled by propane, natural gas, or electricity;

204 (ii) be fueled by other fuel the board determines annually on or before July 1 to be at
205 least as effective in reducing air pollution as fuels under Subsection (2)(c)(i); or

206 (iii) meet the federal clean-fuel vehicle standards in the federal Clean Air Act
207 Amendments of 1990, 42 U.S.C. Sec. 7521 et seq.; and

208 (d) 50% of the cost of equipment for conversion, if certified by the board, of a special
209 mobile equipment engine minus the amount of any clean fuel grant received, up to a maximum
210 tax credit of \$1,000 per special mobile equipment engine, if the special mobile equipment is to
211 be fueled by:

212 (i) propane, natural gas, or electricity; or

213 (ii) other fuel the board determines annually on or before July 1 to be:

214 (A) at least as effective in reducing air pollution as the fuels under Subsection (2)(d)(i);
215 or

216 (B) substantially more effective in reducing air pollution than the fuel for which the
217 engine was originally designed.

218 (3) A taxpayer shall provide proof of the purchase of an item for which a tax credit is
219 allowed under this section by:

220 (a) providing proof to the board in the form the board requires by rule;

221 (b) receiving a written statement from the board acknowledging receipt of the proof;

222 and

223 (c) retaining the written statement described in Subsection (3)(b).

224 (4) Except as provided by Subsection (5), the tax credit under this section is allowed
225 only:

226 (a) against any Utah tax owed in the taxable year by the taxpayer;

227 (b) in the taxable year in which the item is purchased for which the tax credit is
228 claimed; and

229 (c) once per vehicle.

230 (5) If the amount of a tax credit claimed by a taxpayer under this section exceeds the
231 taxpayer's tax liability under this chapter for a taxable year, the amount of the tax credit
232 exceeding the tax liability may be carried forward for a period that does not exceed the next
233 five taxable years.

234 (6) The tax credit provided by this section may be taken only once per vehicle.

235 Section 4. Section **59-10-1009** is amended to read:

236 **59-10-1009. Definitions -- Cleaner burning fuels tax credit.**

237 (1) As used in this section:

238 (a) "Air quality standards" means that a vehicle's emissions are equal to or cleaner than
239 the standards established in bin 2 in Table S04-1, of 40 C.F.R. 86.1811-04(c)(6).

240 (b) "Board" means the Air Quality Board created in Title 19, Chapter 2, Air
241 Conservation Act.

242 (c) "Certified by the board" means that:

243 (i) a motor vehicle on which conversion equipment has been installed meets the
244 following criteria:

245 (A) before the installation of conversion equipment, the vehicle does not exceed the
246 emission cut points for a transient test driving cycle, as specified in 40 C.F.R. Part 51,
247 Appendix E to Subpart S, or an equivalent test for the make, model, and year of the vehicle;

248 (B) the motor vehicle's emissions of regulated pollutants, when operating on fuels
249 listed in Subsection (2)(c)(i) or (ii), is less than the emissions were before the installation of
250 conversion equipment; and

251 (C) a reduction in emissions under Subsection (1)~~(d)~~(c)(i)(B) is demonstrated by:

252 (I) certification of the conversion equipment by the federal Environmental Protection
253 Agency or by a state whose certification standards are recognized by the board;

254 (II) testing the motor vehicle, before and after installation of the conversion equipment,
255 in accordance with 40 C.F.R. Part 86, Control Emissions from New and In-use Highway
256 Vehicles and Engines, using all fuels the motor vehicle is capable of using; or

257 (III) any other test or standard recognized by board rule~~[; or]~~, which may not include a
258 retrofit natural gas vehicle certified in accordance with Section 19-1-406, unless that vehicle
259 also satisfies Subsection (1)(c)(ii)(B)(D);

260 (ii) special mobile equipment on which conversion equipment has been installed meets
261 the following criteria:

262 (A) the special mobile equipment's emissions of regulated pollutants, when operating
263 on fuels listed in Subsection (2)(c)(i) or (ii), is less than the emissions were before the
264 installation of conversion equipment; and

265 (B) a reduction in emissions under Subsection (1)(c)(ii)(A) is demonstrated by:

266 (I) certification of the conversion equipment by the federal Environmental Protection
267 Agency or by a state whose certification standards are recognized by the board; or

268 (II) any other test or standard recognized by the board.

269 (d) "Clean fuel grant" means a grant a claimant, estate, or trust receives under Title 19,
270 Chapter 1, Part 4, Clean Fuels and Vehicle Technology Program Act, for reimbursement of a
271 portion of the incremental cost of the OEM vehicle or the cost of conversion equipment.

272 (e) "Conversion equipment" means equipment referred to in Subsection (2)(c) or (d).

273 (f) "Fuel economy standards" means that a vehicle's combined fuel economy, as
274 determined in 40 C.F.R. 600.209-95(d) is equal to or greater than:

275 (i) 31 miles per gallon for gasoline-fueled vehicles;

- 276 (ii) 36 miles per gallon for diesel-fueled vehicles;
- 277 (iii) 19 miles per gallon for vehicles fueled by a blend of 85% ethanol and 15%
- 278 gasoline;
- 279 (iv) 19 miles per gallon for liquified petroleum gas-fueled vehicles; or
- 280 (v) standards consistent with 40 C.F.R. 600.209-95(d) that are adopted by the Air
- 281 Quality Board by rule.
- 282 (g) "Incremental cost" has the same meaning as in Section 19-1-402.
- 283 (h) "OEM vehicle" has the same meaning as in Section 19-1-402.
- 284 (i) "Original purchase" means the purchase of a vehicle that has never been titled or
- 285 registered and has been driven less than 7,500 miles.
- 286 (j) "Special mobile equipment":
- 287 (i) means any mobile equipment or vehicle not designed or used primarily for the
- 288 transportation of persons or property; and
- 289 (ii) includes construction or maintenance equipment.
- 290 (2) For taxable years beginning on or after January 1, 2009, but beginning on or before
- 291 December 31, 2013, a claimant, estate, or trust may claim a nonrefundable tax credit against
- 292 tax otherwise due under this chapter in an amount equal to:
- 293 (a) \$750 for the original purchase of a new vehicle that is not fueled by compressed
- 294 natural gas if the vehicle is registered in Utah and meets air quality and fuel economy
- 295 standards;
- 296 (b) for the purchase of a vehicle fueled by compressed natural gas that is registered in
- 297 Utah, the lesser of:
- 298 (i) \$2,500; or
- 299 (ii) 35% of the purchase price of the vehicle;
- 300 (c) 50% of the cost of equipment for conversion, if certified by the board, of a motor
- 301 vehicle registered in Utah minus the amount of any clean fuel conversion grant received, up to
- 302 a maximum tax credit of \$2,500 per vehicle, if the motor vehicle:
- 303 (i) is to be fueled by propane, natural gas, or electricity;
- 304 (ii) is to be fueled by other fuel the board determines annually on or before July 1 to be
- 305 at least as effective in reducing air pollution as fuels under Subsection (2)(c)(i); or
- 306 (iii) will meet the federal clean fuel vehicle standards in the federal Clean Air Act

307 Amendments of 1990, 42 U.S.C. Sec. 7521 et seq.; and

308 (d) 50% of the cost of equipment for conversion, if certified by the board, of a special
309 mobile equipment engine minus the amount of any clean fuel conversion grant received, up to a
310 maximum tax credit of \$1,000 per special mobile equipment engine, if the special mobile
311 equipment is to be fueled by:

312 (i) propane, natural gas, or electricity; or

313 (ii) other fuel the board determines annually on or before July 1 to be:

314 (A) at least as effective in reducing air pollution as the fuels under Subsection (2)(d)(i);

315 or

316 (B) substantially more effective in reducing air pollution than the fuel for which the
317 engine was originally designed.

318 (3) A claimant, estate, or trust shall provide proof of the purchase of an item for which
319 a tax credit is allowed under this section by:

320 (a) providing proof to the board in the form the board requires by rule;

321 (b) receiving a written statement from the board acknowledging receipt of the proof;

322 and

323 (c) retaining the written statement described in Subsection (3)(b).

324 (4) Except as provided by Subsection (5), the tax credit under this section is allowed
325 only:

326 (a) against any Utah tax owed in the taxable year by the claimant, estate, or trust;

327 (b) in the taxable year in which the item is purchased for which the tax credit is
328 claimed; and

329 (c) once per vehicle.

330 (5) If the amount of a tax credit claimed by a claimant, estate, or trust under this
331 section exceeds the claimant's, estate's, or trust's tax liability under this chapter for a taxable
332 year, the amount of the tax credit exceeding the tax liability may be carried forward for a period
333 that does not exceed the next five taxable years.

334 (6) The tax credit provided by this section may be taken only once per vehicle.

Legislative Review Note
as of 12-21-09 10:45 AM

Office of Legislative Research and General Counsel

H.B. 70 - Certification of Retrofit Compressed Natural Gas Vehicles

Fiscal Note

2010 General Session

State of Utah

State Impact

Enactment of this bill will not require additional appropriations.

Individual, Business and/or Local Impact

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for individuals, businesses, or local governments.
