

**CLEAN FUEL CONVERSION AMENDMENTS**

2016 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Stephen G. Handy**

Senate Sponsor: \_\_\_\_\_

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**LONG TITLE**

**General Description:**

This bill amends the Conversion to Alternative Fuel Grant Program.

**Highlighted Provisions:**

This bill:

- ▶ creates the Conversion to Alternative Fuel Grant Program Fund;
- ▶ authorizes the Department of Environmental Quality to make grants from the Conversion to Alternative Fuel Grant Program Fund to a person who installs conversion equipment on an eligible vehicle;
- ▶ extends tax credits for energy efficient vehicles; and
- ▶ makes technical changes.

**Money Appropriated in this Bill:**

This bill appropriates:

- ▶ to the Conversion to Alternative Fuel Grant Program Fund, as a one-time appropriation:
  - from the General Fund, \$500,000.

**Other Special Clauses:**

None

**Utah Code Sections Affected:**

AMENDS:

**19-1-403**, as last amended by Laws of Utah 2015, Chapter 381



- 28 [19-2-302](#), as enacted by Laws of Utah 2015, Chapter 381
- 29 [19-2-303](#), as enacted by Laws of Utah 2015, Chapter 381
- 30 [19-2-304](#), as enacted by Laws of Utah 2015, Chapter 381
- 31 [59-7-605](#), as last amended by Laws of Utah 2015, Chapters 381 and 439
- 32 [59-10-1009](#), as last amended by Laws of Utah 2015, Chapters 381 and 439

33 ENACTS:

34 [19-1-403.3](#), Utah Code Annotated 1953

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

37 Section 1. Section **19-1-403** is amended to read:

38 **19-1-403. Clean Fuels and Vehicle Technology Fund -- Contents -- Loans or**  
39 **grants made with fund money.**

40 (1) (a) There is created a revolving fund known as the Clean Fuels and Vehicle  
41 Technology Fund.

42 (b) The fund consists of:

- 43 (i) appropriations to the fund;
- 44 (ii) other public and private contributions made under Subsection (1)(c);
- 45 (iii) interest earnings on cash balances; and
- 46 (iv) all money collected for loan repayments and interest on loans.

47 (c) The department may accept contributions from other public and private sources for  
48 deposit into the fund.

49 (2) (a) The department may make a loan or a grant with money available in the fund  
50 for:

51 (i) [~~for~~] the conversion of a private sector business vehicle or a government vehicle to  
52 use a clean fuel, if certified by the Air Quality Board under Subsection [19-1-405\(1\)\(a\)](#); or

53 (ii) [~~for~~] the purchase of an OEM vehicle for use as a private sector business vehicle or  
54 government vehicle[~~; or~~].

55 [~~(iii) to a person who installs conversion equipment on an eligible vehicle, as described~~  
56 ~~in Sections [19-2-301](#) through [19-2-304](#).]~~

57 (b) The amount of a loan for any vehicle under Subsection (2)(a) may not exceed:

- 58 (i) the actual cost of the vehicle conversion;

59 (ii) the incremental cost of purchasing the OEM vehicle; or  
60 (iii) the cost of purchasing the OEM vehicle if there is no documented incremental  
61 cost.

62 (c) The amount of a grant for any vehicle under Subsection (2)(a) may not exceed:

63 (i) 50% of the actual cost of the vehicle conversion minus the amount of any tax credit  
64 claimed under Section 59-7-605 or 59-10-1009 for the vehicle for which a grant is requested;  
65 or

66 (ii) 50% of the incremental cost of purchasing an OEM vehicle minus the amount of  
67 any tax credit claimed under Section 59-7-605 or 59-10-1009 for the vehicle for which a grant  
68 is requested.

69 (d) (i) Subject to the availability of money in the fund, the department may make a loan  
70 or grant for the purchase of vehicle refueling equipment for a private sector business vehicle or  
71 a government vehicle.

72 (ii) The maximum amount loaned or granted per installation of refueling equipment  
73 may not exceed the actual cost of the refueling equipment.

74 (3) The department may:

75 (a) establish an application fee for a loan or grant from the fund by following the  
76 procedures and requirements of Section 63J-1-504; and

77 (b) reimburse itself for the costs incurred in administering the fund from:

78 (i) the fund; or

79 (ii) application fees established under Subsection (3)(a).

80 (4) (a) The fund balance may not exceed \$10,000,000.

81 (b) Interest on cash balances and repayment of loans in excess of the amount necessary  
82 to maintain the fund balance at \$10,000,000 shall be deposited in the General Fund.

83 (5) (a) Loans made from money in the fund shall be supported by loan documents  
84 evidencing the intent of the borrower to repay the loan.

85 (b) The original loan documents shall be filed with the Division of Finance and a copy  
86 shall be filed with the department.

87 Section 2. Section 19-1-403.3 is enacted to read:

88 **19-1-403.3. Conversion to Alternative Fuel Grant Program Fund -- Contents --**  
89 **Loans or grants made with fund money.**

90 (1) (a) There is created a revolving fund known as the Conversion to Alternative Fuel  
91 Grant Program Fund.

92 (b) The fund consists of:

93 (i) appropriations to the fund;

94 (ii) other public and private contributions made under Subsection (1)(c);

95 (iii) interest earnings on cash balances; and

96 (iv) all money collected for loan repayments and interest on loans.

97 (c) The department may accept contributions from other public and private sources for  
98 deposit into the fund.

99 (2) The department may make a grant with money available in the fund to a person  
100 who installs conversion equipment on an eligible vehicle, as described in Sections [19-2-301](#)  
101 through [19-2-304](#).

102 (3) The department may:

103 (a) establish an application fee for a loan or grant from the fund by following the  
104 procedures and requirements of Section [63J-1-504](#); and

105 (b) reimburse itself for the costs incurred in administering the fund from:

106 (i) the fund; or

107 (ii) application fees established under Subsection (3)(a).

108 (4) (a) The fund balance may not exceed \$10,000,000.

109 (b) Interest on cash balances and repayment of loans in excess of the amount necessary  
110 to maintain the fund balance at \$10,000,000 shall be deposited into the General Fund.

111 Section 3. Section **19-2-302** is amended to read:

112 **19-2-302. Definitions.**

113 As used in this part:

114 (1) "Air quality standards" means vehicle emission standards equal to or greater than  
115 the standards established in bin 4 in Table S04-1 of 40 C.F.R. 86.1811-04(c)(6).

116 (2) "Alternative fuel" means:

117 (a) propane, natural gas, or electricity; or

118 (b) other fuel that the board determines, by rule, to be:

119 (i) at least as effective in reducing air pollution as the fuels listed in Subsection (2)(a);

120 or

121 (ii) substantially more effective in reducing air pollution as the fuel for which the  
122 engine was originally designed.

123 (3) "Board" means the Air Quality Board.

124 (4) "Clean fuel grant" means a grant awarded under [~~Title 19, Chapter 1, Part 4, Clean~~  
125 ~~Fuels and Vehicle Technology Program Act,~~] this part from the Conversion to Alternative Fuel  
126 Grant Program Fund created in Section 19-1-403.3 for reimbursement for a portion of the  
127 incremental cost of an OEM vehicle or the cost of conversion equipment.

128 (5) "Conversion equipment" means equipment designed to:

129 (a) allow an eligible vehicle to operate on an alternative fuel; and

130 (b) reduce an eligible vehicle's emissions of regulated pollutants, as demonstrated by:

131 (i) certification of the conversion equipment by the Environmental Protection Agency  
132 or by a state or country that has certification standards that are recognized, by rule, by the  
133 board;

134 (ii) testing the eligible vehicle, before and after the installation of the equipment, in  
135 accordance with 40 C.F.R. Part 86, Control of Emissions from New and In-Use Highway  
136 Vehicles and Engines, using all fuel the motor vehicle is capable of using;

137 (iii) for a retrofit natural gas vehicle that is retrofit in accordance with Section  
138 19-1-406, satisfying the emission standards described in Section 19-1-406; or

139 (iv) any other test or standard recognized by board rule, made in accordance with Title  
140 63G, Chapter 3, Utah Administrative Rulemaking Act.

141 (6) "Cost" means the total reasonable cost of a conversion kit and the paid labor, if any,  
142 required to install it.

143 (7) "Director" means the director of the Division of Air Quality.

144 (8) "Division" means the Division of Air Quality, created in Subsection 19-1-105(1)(a).

145 (9) "Eligible vehicle" means a:

146 (a) commercial vehicle, as defined in Section 41-1a-102;

147 (b) farm tractor, as defined in Section 41-1a-102; or

148 (c) motor vehicle, as defined in Section 41-1a-102.

149 Section 4. Section **19-2-303** is amended to read:

150 **19-2-303. Grants and programs -- Conditions.**

151 (1) The director may make grants from the Conversion to Alternative Fuel Grant

152 Program Fund created in Section 19-1-403.3 to a person who installs conversion equipment on  
153 an eligible vehicle as described in this part.

154 (2) A person who installs conversion equipment on an eligible vehicle:

155 (a) may apply to the division for a grant to offset the cost of installation; and

156 (b) shall pass along any savings on the cost of conversion equipment to the owner of  
157 the eligible vehicle being converted in the amount of grant money received.

158 (3) As a condition for receiving the grant, a person who installs conversion equipment  
159 shall agree to:

160 (a) provide information to the division about the eligible vehicle to be converted with  
161 the grant proceeds;

162 (b) allow inspections by the division to ensure compliance with the terms of the grant;  
163 and

164 (c) comply with the conditions for the grant.

165 (4) A grant issued under this section may not exceed the lesser of 50% of the cost of  
166 the conversion system and associated labor, or \$2,500, per converted eligible vehicle.

167 Section 5. Section **19-2-304** is amended to read:

168 **19-2-304. Duties and authorities -- Rulemaking.**

169 (1) The board may, by following the procedures and requirements of Title 63G,  
170 Chapter 3, Utah Administrative Rulemaking Act, make rules:

171 (a) specifying the amount of money to be dedicated annually for grants under this part;

172 (b) specifying criteria the director shall consider in prioritizing and awarding grants,  
173 including a limitation on the types of vehicles that are eligible for funds;

174 (c) specifying the minimum qualifications of a person who:

175 (i) installs conversion equipment on an eligible vehicle; and

176 (ii) receives a grant from the division;

177 (d) specifying the terms of a grant; and

178 (e) requiring all grant applicants to apply on forms provided by the division.

179 (2) The division shall:

180 (a) administer [~~funds~~] the Conversion to Alternative Fuel Grant Program Fund to  
181 encourage eligible vehicle owners to reduce emissions from eligible vehicles; and

182 (b) provide information about which conversion technology meets the requirements of

183 this part.

184 (3) The division may inspect vehicles for which a grant was made to ensure  
185 compliance with the terms of the grant.

186 Section 6. Section **59-7-605** is amended to read:

187 **59-7-605. Definitions -- Tax credits related to energy efficient vehicles.**

188 (1) As used in this section:

189 (a) "Air quality standards" means that a vehicle's emissions are equal to or cleaner than  
190 the standards established in bin 4 in Table S04-1, of 40 C.F.R. 86.1811-04(c)(6).

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

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

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

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

200 (B) as a result of the installation of conversion equipment on the motor vehicle, the  
201 motor vehicle has reduced emissions; or

202 (ii) special mobile equipment on which conversion equipment has been installed has  
203 reduced emissions.

204 (d) "Clean fuel grant" means a grant awarded:

205 (i) under Title 19, Chapter 1, Part 4, Clean Fuels and Vehicle Technology Program  
206 Act, for reimbursement of a portion of the incremental cost of an OEM vehicle or the cost of  
207 conversion equipment; or

208 (ii) under Title 19, Chapter 2, Part 3, Conversion to Alternative Fuel Grant Program.

209 (e) "Conversion equipment" means equipment described in Subsection (2)(d) or (e).

210 (f) "OEM vehicle" has the same meaning as in Section [19-1-402](#).

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

213 (h) "Qualifying electric motorcycle" means a vehicle that:

- 214 (i) has a seat or saddle for the use of the rider;
- 215 (ii) is designed to travel with not more than three wheels in contact with the ground;
- 216 (iii) may lawfully be operated on a freeway, as defined in Section 41-6a-102;
- 217 (iv) is not fueled by natural gas;
- 218 (v) is fueled by electricity only; and
- 219 (vi) is an OEM vehicle except that the vehicle is fueled by a fuel described in

220 Subsection (1)(h)(v).

- 221 (i) "Qualifying electric vehicle" means a vehicle that:
- 222 (i) meets air quality standards;
- 223 (ii) is not fueled by natural gas;
- 224 (iii) is fueled by electricity only; and
- 225 (iv) is an OEM vehicle except that the vehicle is fueled by a fuel described in

226 Subsection (1)(i)(iii).

- 227 (j) "Qualifying plug-in hybrid vehicle" means a vehicle that:
- 228 (i) meets air quality standards;
- 229 (ii) is not fueled by natural gas or propane;
- 230 (iii) has a battery capacity that meets or exceeds the battery capacity described in

231 Section 30D(b)(3), Internal Revenue Code; and

- 232 (iv) is fueled by a combination of electricity and:
- 233 (A) diesel fuel;
- 234 (B) gasoline; or
- 235 (C) a mixture of gasoline and ethanol.

236 (k) "Reduced emissions" means:

- 237 (i) for purposes of a motor vehicle on which conversion equipment has been installed,
- 238 that the motor vehicle's emissions of regulated pollutants, when operating on a fuel listed in
- 239 Subsection (2)(e)(i) or (ii), is less than the emissions were before the installation of the
- 240 conversion equipment, as demonstrated by:

241 (A) certification of the conversion equipment by the federal Environmental Protection

242 Agency or by a state that has certification standards recognized by the board;

243 (B) testing the motor vehicle, before and after installation of the conversion equipment,

244 in accordance with 40 C.F.R. Part 86, Control of Emissions from New and In-use Highway



245 Vehicles and Engines, using all fuel the motor vehicle is capable of using;

246 (C) for a retrofit natural gas vehicle that is retrofit in accordance with Section  
247 19-1-406, testing that as a result of the retrofit, the retrofit natural gas vehicle satisfies the  
248 emission standards applicable under Section 19-1-406; or

249 (D) any other test or standard recognized by board rule, made in accordance with Title  
250 63G, Chapter 3, Utah Administrative Rulemaking Act; or

251 (ii) for purposes of special mobile equipment on which conversion equipment has been  
252 installed, that the special mobile equipment's emissions of regulated pollutants, when operating  
253 on a fuel listed in Subsection (2)(e)(i) or (ii), is less than the emissions were before the  
254 installation of conversion equipment, as demonstrated by:

255 (A) certification of the conversion equipment by the federal Environmental Protection  
256 Agency or by a state that has certification standards recognized by the board; or

257 (B) any other test or standard recognized by board rule, made in accordance with Title  
258 63G, Chapter 3, Utah Administrative Rulemaking Act.

259 (l) "Special mobile equipment":

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

262 (ii) includes construction or maintenance equipment.

263 (2) For the taxable years beginning on or after January 1, 2015, but beginning on or  
264 before December 31, ~~[2016]~~ 2020, a taxpayer may claim a tax credit against tax otherwise due  
265 under this chapter or Chapter 8, Gross Receipts Tax on Certain Corporations Not Required to  
266 Pay Corporate Franchise or Income Tax Act, in an amount equal to:

267 (a) (i) for the original purchase of a new qualifying electric vehicle that is registered in  
268 this state, the lesser of:

269 (A) \$1,500; or

270 (B) 35% of the purchase price of the vehicle; or

271 (ii) for the original purchase of a new qualifying plug-in hybrid vehicle that is  
272 registered in this state, \$1,000;

273 (b) for the original purchase of a new vehicle fueled by natural gas or propane that is  
274 registered in this state, the lesser of:

275 (i) \$1,500; or

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

277 (c) for the original purchase of a new qualifying electric motorcycle that is registered in  
278 this state, the lesser of:

279 (i) \$750; or

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

281 (d) 50% of the cost of equipment for conversion, if certified by the board, of a motor  
282 vehicle registered in this state minus the amount of any clean fuel grant received, up to a  
283 maximum tax credit of \$1,500 per motor vehicle, if the motor vehicle is to:

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

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

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

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

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

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

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

296 or

297 (B) substantially more effective in reducing air pollution than the fuel for which the  
298 engine was originally designed; and

299 (f) for a lease of a vehicle described in Subsection (2)(a), (b), or (c), an amount equal to  
300 the product of:

301 (i) the amount of tax credit the taxpayer would otherwise qualify to claim under  
302 Subsection (2)(a), (b), or (c) had the taxpayer purchased the vehicle, except that the purchase  
303 price described in Subsection (2)(a)(i)(B), (2)(b)(ii), or (2)(c)(ii) is considered to be the value  
304 of the vehicle at the beginning of the lease; and

305 (ii) a percentage calculated by:

306 (A) determining the difference between the value of the vehicle at the beginning of the

307 lease, as stated in the lease agreement, and the value of the vehicle at the end of the lease, as  
308 stated in the lease agreement; and

309 (B) dividing the difference determined under Subsection (2)(f)(ii)(A) by the value of  
310 the vehicle at the beginning of the lease, as stated in the lease agreement.

311 (3) (a) The board shall:

312 (i) determine the amount of tax credit a taxpayer is allowed under this section; and

313 (ii) provide the taxpayer with a written certification of the amount of tax credit the  
314 taxpayer is allowed under this section.

315 (b) A taxpayer shall provide proof of the purchase or lease of an item for which a tax  
316 credit is allowed under this section by:

317 (i) providing proof to the board in the form the board requires by rule;

318 (ii) receiving a written statement from the board acknowledging receipt of the proof;

319 and

320 (iii) retaining the written statement described in Subsection (3)(b)(ii).

321 (c) A taxpayer shall retain the written certification described in Subsection (3)(a)(ii).

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

324 (a) against a tax owed under this chapter or Chapter 8, Gross Receipts Tax on Certain  
325 Corporations Not Required to Pay Corporate Franchise or Income Tax Act, in the taxable year  
326 by the taxpayer;

327 (b) for the taxable year in which a vehicle described in Subsection (2)(a), (b), or (c) is  
328 purchased, a vehicle described in Subsection (2)(f) is leased, or conversion equipment  
329 described in Subsection (2)(d) or (e) is installed; and

330 (c) once per vehicle.

331 (5) A taxpayer may not assign a tax credit under this section to another person.

332 (6) If the amount of a tax credit claimed by a taxpayer under this section exceeds the  
333 taxpayer's tax liability under this chapter or Chapter 8, Gross Receipts Tax on Certain  
334 Corporations Not Required to Pay Corporate Franchise or Income Tax Act, for a taxable year,  
335 the amount of the tax credit exceeding the tax liability may be carried forward for a period that  
336 does not exceed the next five taxable years.

337 (7) In accordance with any rules prescribed by the commission under Subsection (8),

338 the commission shall transfer at least annually from the General Fund into the Education Fund  
339 the amount by which the amount of tax credit claimed under this section for a taxable year  
340 exceeds \$500,000.

341 (8) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the  
342 commission may make rules for making a transfer from the General Fund into the Education  
343 Fund as required by Subsection (7).

344 Section 7. Section **59-10-1009** is amended to read:

345 **59-10-1009. Definitions -- Tax credits related to energy efficient vehicles.**

346 (1) As used in this section:

347 (a) "Air quality standards" means that a vehicle's emissions are equal to or cleaner than  
348 the standards established in bin 4 in Table S04-1, of 40 C.F.R. 86.1811-04(c)(6).

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

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

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

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

358 (B) as a result of the installation of conversion equipment on the motor vehicle, the  
359 motor vehicle has reduced emissions; or

360 (ii) special mobile equipment on which conversion equipment has been installed has  
361 reduced emissions.

362 (d) "Clean fuel grant" means a grant a claimant, estate, or trust receives under Title 19,  
363 Chapter 1, Part 4, Clean Fuels and Vehicle Technology Program Act or Title 19, Chapter 2,  
364 Part 3, Conversion to Alternative Fuel Grant Program, for reimbursement of a portion of the  
365 incremental cost of the OEM vehicle or the cost of conversion equipment.

366 (e) "Conversion equipment" means equipment described in Subsection (2)(d) or (e).

367 (f) "OEM vehicle" has the same meaning as in Section [19-1-402](#).

368 (g) "Original purchase" means the purchase of a vehicle that has never been titled or

369 registered and has been driven less than 7,500 miles.

370 (h) "Qualifying electric motorcycle" means a vehicle that:

371 (i) has a seat or saddle for the use of the rider;

372 (ii) is designed to travel with not more than three wheels in contact with the ground;

373 (iii) may lawfully be operated on a freeway, as defined in Section 41-6a-102;

374 (iv) is not fueled by natural gas;

375 (v) is fueled by electricity only; and

376 (vi) is an OEM vehicle except that the vehicle is fueled by a fuel described in

377 Subsection (1)(h)(v).

378 (i) "Qualifying electric vehicle" means a vehicle that:

379 (i) meets air quality standards;

380 (ii) is not fueled by natural gas;

381 (iii) is fueled by electricity only; and

382 (iv) is an OEM vehicle except that the vehicle is fueled by a fuel described in

383 Subsection (1)(i)(iii).

384 (j) "Qualifying plug-in hybrid vehicle" means a vehicle that:

385 (i) meets air quality standards;

386 (ii) is not fueled by natural gas or propane;

387 (iii) has a battery capacity that meets or exceeds the battery capacity described in

388 Section 30D(b)(3), Internal Revenue Code; and

389 (iv) is fueled by a combination of electricity and:

390 (A) diesel fuel;

391 (B) gasoline; or

392 (C) a mixture of gasoline and ethanol.

393 (k) "Reduced emissions" means:

394 (i) for purposes of a motor vehicle on which conversion equipment has been installed,

395 that the motor vehicle's emissions of regulated pollutants, when operating on a fuel listed in

396 Subsection (2)(e)(i) or (ii), is less than the emissions were before the installation of the

397 conversion equipment, as demonstrated by:

398 (A) certification of the conversion equipment by the federal Environmental Protection

399 Agency or by a state that has certification standards recognized by the board;

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

403 (C) for a retrofit natural gas vehicle that is retrofit in accordance with Section  
404 19-1-406, testing that as a result of the retrofit, the retrofit natural gas vehicle satisfies the  
405 emission standards applicable under Section 19-1-406; or

406 (D) any other test or standard recognized by board rule, made in accordance with Title  
407 63G, Chapter 3, Utah Administrative Rulemaking Act; or

408 (ii) for purposes of special mobile equipment on which conversion equipment has been  
409 installed, that the special mobile equipment's emissions of regulated pollutants, when operating  
410 on a fuel listed in Subsection (2)(e)(i) or (ii), is less than the emissions were before the  
411 installation of conversion equipment, as demonstrated by:

412 (A) certification of the conversion equipment by the federal Environmental Protection  
413 Agency or by a state that has certification standards recognized by the board; or

414 (B) any other test or standard recognized by board rule, made in accordance with Title  
415 63G, Chapter 3, Utah Administrative Rulemaking Act.

416 (l) "Special mobile equipment":

417 (i) means any mobile equipment or vehicle not designed or used primarily for the  
418 transportation of persons or property; and

419 (ii) includes construction or maintenance equipment.

420 (2) For the taxable years beginning on or after January 1, 2015, but beginning on or  
421 before December 31, ~~[2016]~~ 2020, a claimant, estate, or trust may claim a nonrefundable tax  
422 credit against tax otherwise due under this chapter in an amount equal to:

423 (a) (i) for the original purchase of a new qualifying electric vehicle that is registered in  
424 this state, the lesser of:

425 (A) \$1,500; or

426 (B) 35% of the purchase price of the vehicle; or

427 (ii) for the original purchase of a new qualifying plug-in hybrid vehicle that is  
428 registered in this state, \$1,000;

429 (b) for the original purchase of a new vehicle fueled by natural gas or propane that is  
430 registered in this state, the lesser of:

- 431 (i) \$1,500; or
- 432 (ii) 35% of the purchase price of the vehicle;
- 433 (c) for the original purchase of a new qualifying electric motorcycle that is registered in  
434 this state, the lesser of:
- 435 (i) \$750; or
- 436 (ii) 35% of the purchase price of the vehicle;
- 437 (d) 50% of the cost of equipment for conversion, if certified by the board, of a motor  
438 vehicle registered in this state minus the amount of any clean fuel grant received, up to a  
439 maximum tax credit of \$1,500 per vehicle, if the motor vehicle:
- 440 (i) is to be fueled by propane, natural gas, or electricity;
- 441 (ii) is to be fueled by other fuel the board determines annually on or before July 1 to be  
442 at least as effective in reducing air pollution as fuels under Subsection (2)(d)(i); or
- 443 (iii) will meet the federal clean fuel vehicle standards in the federal Clean Air Act  
444 Amendments of 1990, 42 U.S.C. Sec. 7521 et seq.;
- 445 (e) 50% of the cost of equipment for conversion, if certified by the board, of a special  
446 mobile equipment engine minus the amount of any clean fuel grant received, up to a maximum  
447 tax credit of \$1,000 per special mobile equipment engine, if the special mobile equipment is to  
448 be fueled by:
- 449 (i) propane, natural gas, or electricity; or
- 450 (ii) other fuel the board determines annually on or before July 1 to be:
- 451 (A) at least as effective in reducing air pollution as the fuels under Subsection (2)(e)(i);  
452 or
- 453 (B) substantially more effective in reducing air pollution than the fuel for which the  
454 engine was originally designed; and
- 455 (f) for a lease of a vehicle described in Subsection (2)(a), (b), or (c), an amount equal to  
456 the product of:
- 457 (i) the amount of tax credit the claimant, estate, or trust would otherwise qualify to  
458 claim under Subsection (2)(a), (b), or (c) had the claimant, estate, or trust purchased the  
459 vehicle, except that the purchase price described in Subsection (2)(a)(i)(B), (2)(b)(ii), or  
460 (2)(c)(ii) is considered to be the value of the vehicle at the beginning of the lease; and
- 461 (ii) a percentage calculated by:

462 (A) determining the difference between the value of the vehicle at the beginning of the  
463 lease, as stated in the lease agreement, and the value of the vehicle at the end of the lease, as  
464 stated in the lease agreement; and

465 (B) dividing the difference determined under Subsection (2)(f)(ii)(A) by the value of  
466 the vehicle at the beginning of the lease, as stated in the lease agreement.

467 (3) (a) The board shall:

468 (i) determine the amount of tax credit a claimant, estate, or trust is allowed under this  
469 section; and

470 (ii) provide the claimant, estate, or trust with a written certification of the amount of  
471 tax credit the claimant, estate, or trust is allowed under this section.

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

474 (i) providing proof to the board in the form the board requires by rule;

475 (ii) receiving a written statement from the board acknowledging receipt of the proof;

476 and

477 (iii) retaining the written statement described in Subsection (3)(b)(ii).

478 (c) A claimant, estate, or trust shall retain the written certification described in  
479 Subsection (3)(a)(ii).

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

482 (a) against a tax owed under this chapter in the taxable year by the claimant, estate, or  
483 trust;

484 (b) for the taxable year in which a vehicle described in Subsection (2)(a), (b), or (c) is  
485 purchased, a vehicle described in Subsection (2)(f) is leased, or conversion equipment  
486 described in Subsection (2)(d) or (e) is installed; and

487 (c) once per vehicle.

488 (5) A claimant, estate, or trust may not assign a tax credit under this section to another  
489 person.

490 (6) If the amount of a tax credit claimed by a claimant, estate, or trust under this  
491 section exceeds the claimant's, estate's, or trust's tax liability under this chapter for a taxable  
492 year, the amount of the tax credit exceeding the tax liability may be carried forward for a period



493 that does not exceed the next five taxable years.

494 (7) In accordance with any rules prescribed by the commission under Subsection (8),  
495 the commission shall transfer at least annually from the General Fund into the Education Fund  
496 the amount by which the amount of tax credit claimed under this section for a taxable year  
497 exceeds \$500,000.

498 (8) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the  
499 commission may make rules for making a transfer from the General Fund into the Education  
500 Fund as required by Subsection (7).

501 Section 8. **Appropriation.**

502 Under the terms and conditions of Title 63J, Chapter 1, Budgetary Procedures Act, for  
503 the fiscal year beginning July 1, 2016, and ending June 30, 2017, the following sums of money  
504 are appropriated from resources not otherwise appropriated, or reduced from amounts  
505 previously appropriated, out of the funds or amounts indicated. These sums of money are in  
506 addition to amounts previously appropriated for fiscal year 2017.

507 To the Department of Environmental Quality, Conversion to Alternative Fuel Grant  
508 Program Fund

509 From General Fund, One-time \$500,000

510 Schedule of Programs:

511 Conversion to Alternative Fuel Grant Program Fund \$500,000

512 The Legislature intends that the appropriation under this section be used by the Division  
513 of Air Quality to provide grants to an individual who installs conversion equipment on an  
514 eligible vehicle, as described by Title 19, Chapter 2, Part 3, Conversion to Alternative Fuel  
515 Grant Program. The Legislature intends that, under Section [63J-1-603](#), appropriations under  
516 this section not lapse at the close of fiscal year 2017.

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**Legislative Review Note**  
**Office of Legislative Research and General Counsel**