2014 NGVAmerica Federal Legislative Issues

Alternative Fuel Infrastructure Tax Credit and the Alternative Fuel Tax Credit

EPAct 2005, (PL 109–58) provided for an income tax credit for natural gas refueling infrastructure, while SAFETEA-LU, (PL 109–59) provided a 50-cent tax credit per gasoline gallon equivalent (GGE) of compressed natural gas (CNG) and per gallon of liquefied natural gas (LNG) when sold for use as a motor vehicle fuel. These credits went into effect after December 31, 2005 and were available until December 31, 2013. In the event that Congress addresses these issues during consideration of a comprehensive tax reform package, NGVAmerica supports (1) extending the fuel tax credit, (2) increasing the infrastructure credit amount for business property from its current levels of 30 percent or $30,000, whichever is less, to 30 percent or $100,000, whichever is less, per station and (3) retaining the current $1,000 credit for home refueling appliances. NGVAmerica supports extending all three credits for five years. In the event that no comprehensive legislation including these credits is passed, NGVAmerica supports reinstating the fuel and infrastructure tax credits in tax extenders legislation.

LNG Tax Inequity

LNG competes with diesel fuel as a transportation fuel for use in heavy duty trucks. The federal highway excise tax on both diesel and LNG is set at 24.3 cents *per gallon*. However, LNG has less energy *per gallon* than diesel fuel. Since the excise tax is based on volume, not energy content, LNG is taxed at 170 percent of the rate of diesel on an energy equivalent basis. Given that the LNG change may properly be viewed as a clarification in treatment or as a technical tax correction, NGVAmerica recommends that this provision be addressed as soon as possible. The current tax treatment of LNG is a disincentive to investment in new LNG trucks and fueling stations, and should be removed to encourage capital investments. If legislation for both the alternative fuel tax credit (described above), and the LNG highway tax inequity get addressed simultaneously by Congress, for equity purposes, both the alternative federal tax credit and the LNG highway tax should be based on a diesel gallon equivalent (DGE). NGVAmerica supports the following legislation to correct the inequity: S. 1103 and H.R. 2202.

Federal Highway Excise Tax Penalty

Current law imposes a 12 percent Federal Highway Excise Tax (FET) on heavy trucks and tractors. Because natural gas trucks cost more to buy than comparable diesel trucks, the FET imposes a much higher tax payment on a natural gas truck than on a comparable diesel truck, making the economics unacceptable to many fleets. Congress should do away with this tax or, at a minimum, amend Section 4051 of the code so that the incremental cost of natural gas trucks and other advanced technology trucks is exempted from the tax.

Weight Penalty for the Interstate Operation of a CNG or LNG Heavy Duty Truck

Despite the positive attributes of operating a CNG or LNG heavy duty truck, the added weight of natural gas tank(s) means that a fully loaded natural gas truck might not be allowed to carry the same amount of freight as a diesel truck given the weight limits on federal highways. This could cause a revenue loss of up to 2–3 percent due to reduced payload. Some states (i.e., Ohio and Indiana) have already passed legislation to correct this problem, but it is only for their intrastate highways. Congress should provide an interstate weight exemption to heavy duty natural gas trucks to level the playing field. NGVAmerica supports the following legislation to correct this problem: H.R. 3940.