NGVAMERICA
Natural Gas Vehicles for America

2015 NGVAmerica Federal Legislative Issues Fact Sheet

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 effectively taxed at 170 percent of the rate of diesel on an energy equivalent basis. To spur the use of LNG as a transportation fuel for heavy duty trucks, the LNG highway excise tax should be per diesel gallon equivalent (DGE), not per gallon. Taxing LNG on a DGE basis will remove an artificial barrier that is a significant disincentive for the use of LNG. NGVAmerica is committed to ensuring that any effort to fix the LNG excise tax would also include an adjustment to the alternative fuel tax credit if extended (see below) so that it is applied on an energy equivalent basis.

In the U.S. Senate, Senators Michael Bennet (D-CO) and Richard Burr (R-NC) introduced S 344, while Senator Orrin Hatch (R-UT) has introduced S 917, which was reported out of the Senate Finance Committee on April 14, 2015 and placed on the Senate Legislative Calendar under General Orders. Calendar No. 50. Both of these bills change the taxation of LNG to be on a DGE basis and do not adjust the LNG fuel credit to be on a DGE basis. In the House of Representatives, Representatives Todd Young (R-IN), Mac Thornberry (R-TX), John Larson (D-CT) and Ron Kind (D-WI) have introduced HR 1665; Representative Mike Kelly (R-PA) has introduced HR 898 and, with Representative Ron Kind (D-WI), HR 2517. All of these bills change the taxation of LNG to be on a DGE basis; however, currently only HR 1665 adjusts the LNG fuel credit to be on a DGE basis but does not extend the fuel credit. HR 2517 is the only bill that would extend the fuel credit (for two years), but HR 2517 does not adjust the LNG fuel credit to be on a DGE basis.

Legislative opportunities where this legislation might be considered include: comprehensive tax reform, tax extenders legislation and reauthorization of the highway program.

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. The infrastructure credit went into effect after December 31, 2005 and the fuel credit after September 30, 2006, and both were available until December 31, 2014. To continue to accelerate the growth of NGVs and infrastructure facilities, NGVAmerica supports a five year extension of these incentives. If legislation for both the alternative fuel tax credit and the LNG highway tax inequity are addressed simultaneously by Congress, for equity purposes, both the alternative federal tax credit and LNG highway excise tax should be based on a DGE; NGVAmerica supports legislation to correct these inequities.

Extension of the tax credits are currently tied to comprehensive tax reform. Both the House and Senate tax writing Committees are busy preparing their respective proposals. NGVAmerica has submitted comments to these Committees for their consideration.

Federal Highway Excise Tax Penalty on a Heavy Duty Truck

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.

Efforts are underway for a complete repeal of Federal Highway Excise Tax (FET) on heavy trucks and tractors. NGVAmerica is working on a proposal that would exempt the incremental cost of natural gas trucks and other advanced technology trucks 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 extra weight of the natural gas tanks 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., Colorado, Ohio, Indiana and Virginia) have already passed legislation to correct this problem, but it is only for their intrastate highways. Congress should provide an interstate weight allowance to heavy duty natural gas trucks to level the playing field.

NGVAmerica has proposed to the Committees with jurisdiction over the nations' highway programs that Congress should provide for a weight allowance for heavy duty natural gas trucks on interstates.

Natural Gas Vehicle RD&D

Natural gas as a transportation fuel is becoming the alternative fuel of choice for high fuel-use fleets because of the stable fuel cost savings, coupled with expanding product offerings in the marketplace. Research is needed to expand the opportunity and to fully realize the significant petroleum reduction and economic benefits provided by using more domestic natural gas as a transportation fuel. Specifically, research and development is needed to reduce costs and improve efficiency and durability of technologies for advanced natural gas engine and vehicle technologies, fuel storage and fueling infrastructure.

NGVAmerica has urged the Congress to encourage the U.S. Department of Energy (DOE) to work with NGVAmerica in the pursuit of NGV RD&D activities. The following Report Language was included in both the FY 2016 House and Senate Energy and Water Appropriation Reports (H. Rept. 114-9; S. Rept. 114-54) accompanying the bills that would fund the U.S. DOE. "The Committee urges the Department to work with the natural gas vehicle industry to identify needs and develop solutions for additional engines and emissions control technologies in order to obtain the emission advantages when using natural gas in high efficiency engines." The House Committee furthermore urges the Department to support training and outreach, including to small repair shops, related to diesel to natural gas retrofits. The Senate report meanwhile also "directs the Secretary to work with heavy-duty vehicle and engine manufacturers to develop an emissions profile for heavy-duty, dual-fueled natural gas and diesel automobiles to help determine what, if any, emissions control technologies need to be installed on such vehicles to meet environmental regulations. The Committee expects the Secretary to seek the most cost-competitive options as it evaluates the control technology options available to these equipment manufacturers."

NGVAmerica joined with other alternative fuel groups to encourage increased funding for the Clean Cities program. The House report recommended $25.9 million for Outreach and Development, of which $24 million is for the Clean Cities program. The Senate report recommended $49 million for alternative fuel vehicle deployment through the Clean Cities program. Once the legislation is passed by their respective bodies, differences in the recommended funding levels need to be reconciled by a Conference Committee.

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