

S. 1408 NAT GAS Act Fact Sheet

On July 8, 2009, Senators Robert Menendez (D-NJ) and Orrin Hatch (R-UT) were joined by Senate Majority Leader Harry Reid (D-NV) -- and introduced the New Alternative Transportation to Give Americans Solutions (NAT GAS) Act. The bill is driven by the need for America to quickly reduce its dependence on foreign oil while simultaneously reducing greenhouse gases and urban pollution. To achieve those goals, the bill's objective is to accelerate the production and use of more natural gas-fueled vehicles. The basic provisions of the bill are:

1. Extend for 10 years the alternative fuel credits for natural gas used as a vehicle fuel, the purchase of natural gas-fueled vehicle, and the installation of natural gas vehicle refueling property credit:

- a. These credits have only been in place since 2006, and, given the current depressed price of gasoline and diesel, have not yet had sufficient opportunity to stimulate market demand.
- b. Currently, the credits would expire as follows:
 - i. Alternative fuel credit: 12/31/09
 - ii. Natural gas fueled vehicle credit: 12/31/2010
 - iii. Natural gas vehicle refueling property credit: 12/31/2010

➤ ***Reason:*** *A long-term extension of these tax credits is critical to leveraging private investment dollars. Without a long-term commitment from the government, businesses cannot justify risking their precious investment dollars in new non-petroleum initiatives.*

2. Expand and modify the alternative fueled vehicle and refueling property tax credits as follows:

- a. Make all *dedicated* natural gas-fueled vehicles eligible for a credit equal to 80% of the vehicle's incremental cost. Only some dedicated natural gas vehicles currently can qualify for an 80% federal tax credit.
- b. Make all *bi-fuel* natural gas-fueled vehicles eligible for a credit equal to 50% of the vehicle's incremental cost. This is the first time bi-fuel vehicles would be eligible for a federal tax credit.
- c. Increase the allowable incremental cost limits to more accurately reflect the cost of producing or converting natural gas vehicles:
 - i. For light-duty vehicle, the purchase tax credit cap would be increased by to \$12,500 (currently \$5,000)
 - ii. For all other vehicle weight classes, the purchase tax credit cap would be doubled
- d. Increase the refueling property tax credit from \$50,000 to \$100,000 per station

➤ ***Reason:*** *Modifying the current tax credits for alternative fuel motor vehicles provides a greater incentive for consumers and fleets to buy natural gas vehicles and engines. In addition, the modified incremental cost limits more accurately reflect the incremental cost of new and converted natural gas vehicles.*

3. Allow the natural gas vehicle and natural gas fueling infrastructure credits to be transferred by the taxpayer back to the seller or to the lessor:
 - ***Reason:*** *These two provisions are critical to making the credits more useful. Many potential purchasers do not have sufficient tax liability to benefit from these tax credits. This is especially true for fleets that wish to purchase a large number of natural gas vehicles at one time.*
4. Allow state and local governmental entities to issue tax exempt bonds in order to finance natural gas vehicle projects:
 - ***Reason:*** *Municipalities are prime targets for switching away from petroleum fuels, but their tax exempt status prohibits them from benefiting from any federal tax incentives. Allowing state and local governmental entities to issue tax exempt bonds in order to finance natural gas vehicle projects creates an incentive for state and local governments to transition their fleets to natural gas fueled vehicles and trucks.*
5. Allow 100% of the cost of a natural gas vehicle manufacturing facility that is placed in service before January 1, 2015 to be expensed and to be treated as a deduction in the taxable year in which the facility was placed in service. This decreases to 50% after December 31, 2014 and is phased out by January 1, 2020:
 - ***Reason:*** *All major auto manufacturers make NGVs for markets outside of the U.S. This provision would incentivize them to increase manufacturing capacity, create jobs and sell these vehicles domestically.*
6. Require that when complying with mandatory federal fleet alternative fuel vehicle purchase requirements, federal agencies shall purchase dedicated alternative fuel vehicles unless the agency can show that alternative fuel is unavailable or that purchasing such vehicles would be impractical:
 - ***Reason:*** *According to the GSA, the federal government currently purchases about 65,000 vehicles a year for the federal fleet. Requiring the new vehicles purchased to be dedicated alternative fueled vehicles would show leadership by example and would provide a strong demand pull for NGVs – including any new natural gas-electric hybrid vehicles.*
7. Provide for grants for light- and heavy-duty natural gas engine development:
 - ***Reason:*** *To meet their full market potential, new, cleaner, more efficient light- and heavy-duty natural gas engine technologies need to be developed, be certified by EPA, and integrated into truck and bus chasses. Despite this need, the Department of Energy has long ago ceased funding critical natural gas vehicle research, development and demonstration.*