

NEW FEDERAL TAX INCENTIVES FURTHER IMPROVE NGV'S LIFE-CYCLE COST ADVANTAGE

Vehicle Tax Credit

Dedicated alternative fueled vehicles placed in service after December 31, 2005 qualify for up to 80% of the incremental cost. Credit value is on sliding scale based on vehicle weight.

- Light-Duty vehicles up to 8,500 lbs can qualify for up to \$4,000;
- Medium-Duty vehicles up to 14,000 lbs qualify up to \$8,000;
- Medium-Heavy-Duty vehicles up to 26,000 lbs qualify for up to \$20,000;
- Heavy-Duty vehicles over 26,000 lbs qualify for up to \$32,000.

Seller of vehicle can take credit if buyer is a tax exempt entity

- Tax exempt entities can negotiate with seller to capture value of tax credit
- This provision allows cities, municipalities and special district fleets like schools and other jurisdictional authorities to take advantage of incentives

Federal Motor Fuels Excise Tax Credit

New provision provides \$.50 excise tax credit per gallon of Liquefied Natural Gas (LNG) or gasoline-gallon-equivalent of Compressed Natural Gas (CNG), payable to the seller, or if no sale occurs before use (e.g. fleet operates its own station), user can take credit.

- Credit took effect October 1, 2006
- Full credit will be paid in form of "rebate" regardless of amount of excise tax paid.
- Entities that operate their own stations get full credit as users of fuel before sale. Those who purchase from fuel provider will benefit from lower fuel costs from seller.
- New measure increases CNG and LPG motor fuels excise tax to same as gasoline (\$.183) and LNG tax to same as diesel (\$.243), which offsets some benefit of the tax credit for tax paying entities.

Alternative Fueling Station Credit

Federal tax credit equal to 50% of refueling equipment placed into service that year, with maximum \$50,000 credit per year.

- Credit is in effect on equipment placed into service after December 31, 2005.
- The existing \$100,000 tax deduction for refueling equipment is repealed
- Measure also provides \$2,000 tax credit for home natural gas vehicle refueling appliance.