

Bill Proposed to Encourage Purchase or Use of Motor Vehicles Using Alternative Forms of Fuel

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The General Assembly is considering a bill that is intended to encourage the acquisition and use of motor vehicles propelled by alternative forms of motor fuel. H.B. 336 provides for the treatment of compressed natural gas used to propel motor vehicles on the public highways as motor fuel for purposes of the motor fuel tax, the motor fuel gross receipts tax, and the commercial activity tax. It also creates a number of credits and exclusions related to the purchase of, or conversion of existing vehicles to, alternative fuel vehicles, including the income tax, the commercial activity tax, and the sales tax. It also provides for a grant program to encourage public and nonprofit organizations to encourage the use of such vehicles.

Compressed Natural Gas as a Motor Fuel:

R.C. Chapter 5735 imposes a tax on each gallon of motor vehicle fuel purchased or used on the public highways in Ohio. The bill would amend the Chapter to include within its scope, compressed natural gas (“CNG”), with the tax being imposed based upon prescribed gallon equivalents, depending on the manner of delivery of the CNG. In addition, the tax is phased. The tax is 7 cents per gallon for the first three years after the law becomes effective; 14 cents per gallon for the next two years; and the full rate of 28 cents per gallon after five years.

Because compressed natural gas would be taxed under the bill as motor fuel, receipts from its sale would no longer subject to the commercial activity tax (“CAT”). Instead, the receipts from its initial sale in the state would be subject to the motor fuel receipts tax imposed by R.C. Chapter 5736.

Sales Tax Exemption for Electric Plug-In Vehicles:

Proposed R.C. 5739.02(H) would provide a sales tax credit for the purchase or lease of a “qualified plug-in electric drive vehicle.” The proposed credit is up to \$500, but may not exceed the sales tax otherwise due on the transaction. The credit is limited to one vehicle per year for individuals, and up to 10 vehicles per year for businesses.

Credits for Alternative Fuel Vehicles

A nonrefundable credit against either the personal income tax, or the CAT, for the purchase of new alternative fuel vehicles, or for the conversion of traditional fuel vehicles into alternative fuel vehicles, is proposed. The credit is the lesser of 50% of the adjusted purchase price of the new vehicle or the cost of the conversion parts and equipment, or \$5,000, \$10,000 or \$25,000 depending on the gross vehicle rating of the vehicle. The credit would be claimed in the year the vehicle is purchased or the conversion is accomplished, and any excess credit may be carried forward indefinitely. If the taxpayer is an equity investor in a pass-through entity that purchases or converts the motor vehicle, then the taxpayer may claim a proportionate share of the credit for income tax purposes. The credit sunsets after 5 years.

Gaseous Fuel Vehicle Conversion Program

Lastly, the bill would establish the Gaseous Fuel Vehicle Conversion Program. The purpose of the program is to promote the conversion of public and nonprofit motor vehicle fleets to cleaner fuels. Under the program the director of environmental protection may make grants to assist public entities and nonprofit organizations to convert vehicles to operate on gaseous fuel, or to purchase vehicles that operate on gaseous fuel. “Gaseous fuel” means compressed natural gas, liquefied natural gas, or liquid petroleum. The maximum grant amount is \$500,000 per eligible entity.