



# Senate

General Assembly

**File No. 12**

February Session, 2008

Senate Bill No. 125

*Senate, March 11, 2008*

The Committee on Environment reported through SEN. MEYER of the 12th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

## **AN ACT CONCERNING CLEAN AND ALTERNATIVE FUEL VEHICLES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivisions (67) to (69), inclusive, of section 12-412 of the  
2 2008 supplement to the general statutes are repealed and the following  
3 is substituted in lieu thereof (*Effective from passage*):

4 (67) Sales of and the storage, use or other consumption, prior to July  
5 1, [2008] 2012, of a new motor vehicle which is exclusively powered by  
6 a clean alternative fuel. As used in this subdivision and subdivisions  
7 (68) and (69) of this section, "clean alternative fuel" shall mean natural  
8 gas, hydrogen or electricity when used as a motor vehicle fuel or  
9 propane when used as a motor vehicle fuel if such a vehicle meets the  
10 federal fleet emissions standards under the federal Clean Air Act or  
11 any emissions standards adopted by the Commissioner of  
12 Environmental Protection as part of the state's implementation plan  
13 under said act.

14 (68) Sales of and the storage, use or other consumption, prior to July  
15 1, [2008] 2012, of conversion equipment incorporated into or used in  
16 converting vehicles powered by any other fuel to either exclusive use  
17 of a clean alternative fuel or dual use of any other fuel and a clean  
18 alternative fuel, including, but not limited to, storage cylinders,  
19 cylinder brackets, regulated mixers, fill valves, pressure regulators,  
20 solenoid valves, fuel gauges, electronic ignitions and alternative fuel  
21 delivery lines.

22 (69) Sales of and the storage, use or other consumption, prior to July  
23 1, [2008] 2012, of equipment incorporated into or used in a compressed  
24 natural gas or hydrogen filling or electric recharging station for  
25 vehicles powered by a clean alternative fuel, including, but not limited  
26 to, compressors, storage cylinders, associated framing, tubing and  
27 fittings, valves, fuel poles and fuel delivery lines used for clean  
28 alternative fuel storage and filling facilities.

29 Sec. 2. Subdivision (2) of subsection (b) of section 12-587 of the 2008  
30 supplement to the general statutes is repealed and the following is  
31 substituted in lieu thereof (*Effective from passage*):

32 (2) Gross earnings derived from the first sale of the following  
33 petroleum products within this state shall be exempt from tax: (A) Any  
34 petroleum products sold for exportation from this state for sale or use  
35 outside this state; (B) the product designated by the American Society  
36 for Testing and Materials as "Specification for Heating Oil D396-69",  
37 commonly known as number 2 heating oil, to be used exclusively for  
38 heating purposes or to be used in a commercial fishing vessel, which  
39 vessel qualifies for an exemption pursuant to section 12-412 of the 2008  
40 supplement to the general statutes, as amended by this act; (C)  
41 kerosene, commonly known as number 1 oil, to be used exclusively for  
42 heating purposes, provided delivery is of both number 1 and number 2  
43 oil, and via a truck with a metered delivery ticket to a residential  
44 dwelling or to a centrally metered system serving a group of  
45 residential dwellings; (D) the product identified as propane gas, to be  
46 used exclusively for heating purposes; (E) bunker fuel oil, intermediate

47 fuel, marine diesel oil and marine gas oil to be used in any vessel  
48 having a displacement exceeding four thousand dead weight tons; (F)  
49 for any first sale occurring prior to July 1, [2008] 2012, propane gas to  
50 be used as a fuel for a motor vehicle; (G) for any first sale occurring on  
51 or after July 1, 2002, grade number 6 fuel oil, as defined in regulations  
52 adopted pursuant to section 16a-22c, to be used exclusively by a  
53 company which, in accordance with census data contained in the  
54 Standard Industrial Classification Manual, United States Office of  
55 Management and Budget, 1987 edition, is included in code  
56 classifications 2000 to 3999, inclusive, or in Sector 31, 32 or 33 in the  
57 North American Industrial Classification System United States  
58 Manual, United States Office of Management and Budget, 1997 edition;  
59 (H) for any first sale occurring on or after July 1, 2002, number 2  
60 heating oil to be used exclusively in a vessel primarily engaged in  
61 interstate commerce, which vessel qualifies for an exemption under  
62 section 12-412 of the 2008 supplement to the general statutes, as  
63 amended by this act; (I) for any first sale occurring on or after July 1,  
64 2000, paraffin or microcrystalline waxes; (J) for any first sale occurring  
65 prior to July 1, [2008] 2012, petroleum products to be used as a fuel for  
66 a fuel cell, as defined in subdivision (113) of section 12-412 of the 2008  
67 supplement to the general statutes, as amended by this act; (K) a  
68 commercial heating oil blend containing not less than ten per cent of  
69 alternative fuels derived from agricultural produce, food waste, waste  
70 vegetable oil or municipal solid waste, including, but not limited to,  
71 biodiesel or low sulfur dyed diesel fuel; or (L) for any first sale  
72 occurring on or after July 1, 2007, diesel fuel other than diesel fuel to be  
73 used in an electric generating facility to generate electricity.

74 Sec. 3. Subsection (a) of section 12-264 of the general statutes is  
75 repealed and the following is substituted in lieu thereof (*Effective from*  
76 *passage*):

77 (a) Each (1) municipality, or department or agency thereof, or  
78 district manufacturing, selling or distributing gas to be used for light,  
79 heat or power, (2) company the principal business of which is  
80 manufacturing, selling or distributing gas or steam to be used for light,

81 heat or power, including each foreign municipal electric utility, as  
82 defined in section 12-59, and given authority to engage in business in  
83 this state pursuant to the provisions of section 16-246c\*, and (3)  
84 company required to register pursuant to section 16-258a shall pay a  
85 quarterly tax upon gross earnings from such operations in this state.  
86 Gross earnings from such operations under subdivisions (1) and (2) of  
87 this subsection shall include (A) all income classified as operating  
88 revenues by the Department of Public Utility Control in the uniform  
89 systems of accounts prescribed by said department for operations  
90 within the taxable quarter and, with respect to each such company, (B)  
91 all income classified in said uniform systems of accounts as income  
92 from merchandising, jobbing and contract work, (C) income from  
93 nonutility operations, (D) revenues from lease of physical property not  
94 devoted to utility operation, and (E) receipts from the sale of residuals  
95 and other by-products obtained in connection with the production of  
96 gas, electricity or steam. Gross earnings from such operations under  
97 subdivision (3) of this subsection shall be gross income from the sales  
98 of natural gas, provided gross income shall not include income from  
99 the sale of natural gas to an existing combined cycle facility comprised  
100 of three gas turbines providing electric generation services, as defined  
101 in section 16-1 of the 2008 supplement to the general statutes, with a  
102 total capacity of seven hundred seventy-five megawatts, for use in the  
103 production of electricity. Gross earnings of a gas company, as defined  
104 in section 16-1 of the 2008 supplement to the general statutes, shall not  
105 include income earned in a taxable quarter commencing prior to June  
106 30, [2008] 2012, from the sale of natural gas or propane as a fuel for a  
107 motor vehicle. No deductions shall be allowed from such gross  
108 earnings for any commission, rebate or other payment, except a refund  
109 resulting from an error or overcharge and those specifically mentioned  
110 in section 12-265. Gross earnings of a company as described in  
111 subdivision (2) of this subsection shall not include income earned in  
112 any taxable quarter commencing on or after July 1, 2000, from the sale  
113 of steam.

114 Sec. 4. Section 12-217i of the general statutes is repealed and the  
115 following is substituted in lieu thereof (*Effective July 1, 2008, and*

116 *applicable to income years commencing on or after January 1, 2008):*

117 (a) There shall be allowed a credit for any taxpayer against the tax  
118 imposed by this chapter, chapter 209, 210, 211 or 212 in any income  
119 year or calendar quarter, as the case may be, commencing prior to  
120 January 1, [2008] 2012, in an amount equal to ten per cent of the  
121 amount of expenditures paid or incurred during such income year or  
122 such quarter, as the case may be, for the incremental cost of purchasing  
123 a vehicle which is exclusively powered by a clean alternative fuel.

124 (b) There shall be allowed a credit for any taxpayer against the tax  
125 imposed by this chapter in any income year commencing on or after  
126 January 1, 1994, and prior to January 1, [2008] 2012, in an amount equal  
127 to fifty per cent of the amount of expenditures, other than those  
128 described in subsection (a) of this section, paid or incurred during such  
129 income year directly for (1) the construction of any filling station or  
130 improvements to any existing filling station in order to provide  
131 compressed natural gas, liquefied petroleum gas or liquefied natural  
132 gas; (2) the purchase and installation of conversion equipment  
133 incorporated into or used in converting vehicles powered by any other  
134 fuel to either exclusive use of clean alternative fuel or dual use of such  
135 other fuel and a clean alternative fuel, including, but not limited to,  
136 storage cylinders, cylinder brackets, regulated mixers, fill valves,  
137 pressure regulators, solenoid valves, fuel gauges, electronic ignitions  
138 and alternative fuel delivery lines, if such converted vehicles, after  
139 conversion, meet generally accepted standards, including, but not  
140 limited to, the standards set by the American Gas Association, the  
141 National Fire Protection Association, the American National Standards  
142 Institute, the American Society of Testing Materials or the American  
143 Society of Mechanical Engineers; or (3) the purchase and installation of  
144 equipment incorporated into or used in a compressed natural gas,  
145 liquefied petroleum gas or liquefied natural gas filling or electric  
146 recharging station for vehicles powered by a clean alternative fuel,  
147 including, but not limited to, compressors, storage cylinders,  
148 associated framing, tubing and fittings, valves and fuel poles and fuel  
149 delivery lines.

150 (c) If the amount of any credit provided in this section exceeds the  
151 amount of tax otherwise payable in the income year or calendar  
152 quarter, as the case may be, in which such expenditure was paid or  
153 incurred, the balance of any such credit remaining may be taken in any  
154 of the three succeeding income years or twelve succeeding calendar  
155 quarters, respectively. Any taxpayer allowed such a tax credit against  
156 the tax imposed under this chapter, chapter 209, 210, 211 or 212 shall  
157 not be allowed such credit under more than one of said chapters. As  
158 used in this section "clean alternative fuel" shall mean compressed  
159 natural gas, liquefied petroleum gas, liquefied natural gas or electricity  
160 when used as a motor vehicle fuel and "incremental cost" shall mean  
161 the difference between the purchase price of a vehicle which is  
162 exclusively powered by a clean alternative fuel and the manufacturer's  
163 suggested retail price of a comparably equipped vehicle which is not  
164 so powered.

165 Sec. 5. Section 12-458f of the general statutes is repealed and the  
166 following is substituted in lieu thereof (*Effective from passage*):

167 On and after July 1, 1994, and until July 1, [2008] 2012, compressed  
168 natural gas, liquefied petroleum gas and liquefied natural gas shall not  
169 be subject to the tax imposed under section 12-458 of the 2008  
170 supplement to the general statutes.

171 Sec. 6. Subdivision (115) of section 12-412 of the 2008 supplement to  
172 the general statutes is repealed and the following is substituted in lieu  
173 thereof (*Effective from passage*):

174 (115) On and after October 1, 2004, and prior to October 1, [2008]  
175 2012, the sale of any hybrid passenger car that has a United States  
176 Environmental Protection Agency estimated highway gasoline mileage  
177 rating of at least forty miles per gallon. For purposes of this  
178 subdivision, "hybrid passenger car" means a passenger car that draws  
179 acceleration energy from two onboard sources of stored energy, which  
180 are both an internal combustion or heat engine using combustible fuel  
181 and a rechargeable energy storage system and, for a passenger car or  
182 light truck with a model year of 2004 or later, is certified to meet or

183 exceed the tier II bin 5 low emission vehicle classification.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	12-412(67) to (69)
Sec. 2	<i>from passage</i>	12-587(b)(2)
Sec. 3	<i>from passage</i>	12-264(a)
Sec. 4	<i>July 1, 2008, and applicable to income years commencing on or after January 1, 2008</i>	12-217i
Sec. 5	<i>from passage</i>	12-458f
Sec. 6	<i>from passage</i>	12-412(115)

**ENV**      *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

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### **OFA Fiscal Note**

#### **State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 09 \$</b>	<b>FY 10 \$</b>
Department of Revenue Services	GF - Revenue Loss	See Below	See Below
Department of Transportation	TF - Revenue Loss	See Below	See Below

Note: GF=General Fund; TF=Transportation Fund

**Municipal Impact:** None

#### **Explanation**

The bill extends the sunset date for various tax credits and tax exemptions from July 1, 2008 to July 1, 2012 and results in the annualized fiscal impact from FY 09 to FY 12 indicated below.

Section 1 of the bill precludes a revenue gain of approximately \$50,000 to the sales and use tax for various exemptions related to motor vehicles (new and modified), that exclusively uses alternative fuel and for equipment incorporated into or used in an alternative fuel or recharging station.

Section 2 of the bill precludes a revenue gain of about \$300,000 to the petroleum gross earnings tax for sales of propane used as fuel in motor vehicles and for sales of petroleum products used to power fuel cells.

Section 3 of the bill precludes a revenue gain of about \$75,000 to the public service company tax for the exemption of natural gas and propane sales used as fuel in motor vehicles.

Section 4 of the bill precludes a revenue gain of approximately \$500,000 to various taxes for the clean alternative fuels business tax credit.

Section 5 of the bill precludes a Transportation Fund revenue gain of approximately \$500,000 to the motor fuels tax for the exemption of compressed natural gas, liquefied natural gas, and liquid petroleum gas.

Section 6 of the bill will have no fiscal impact in FY 09 and FY 10 as it is redundant with an existing sales tax exemption to all high miles-per gallon vehicles; CGS Sec. 12-412(115), established in PA 07-242, An Act Concerning Electricity and Energy Efficiency, which sunsets July 1, 2010.

### ***The Out Years***

#### ***State Impact:***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

Section 6 of the bill will result in a revenue loss to the General Fund of approximately \$2 million in FY 11 and FY 12.

***Municipal Impact:*** None

**OLR Bill Analysis****SB 125*****AN ACT CONCERNING CLEAN AND ALTERNATIVE FUEL VEHICLES.*****SUMMARY:**

This bill extends, for four years, various tax exemptions and credits for the purchase of motor vehicles powered by clean alternative fuels, equipment used to convert them to such use, equipment used in filling and recharging stations, and the fuels themselves. It also extends by four years a tax exemption for petroleum products used as fuel in a fuel cell.

EFFECTIVE DATE: Upon passage, except for the tax credits, which are effective July 1, 2008 and applicable to income years starting on or after January 1, 2008.

**SALES TAX EXEMPTIONS**

The bill extends, from July 1, 2008 to July 1, 2012, the sales tax exemption for (1) new motor vehicles exclusively powered by a clean alternative fuel; (2) equipment incorporated in, or used to convert vehicles to either exclusive use of a clean alternative fuel or dual use of a clean alternative fuel and any other fuel; and (3) equipment incorporated or used in a compressed natural gas (CNG) or hydrogen filling, or electric recharging, stations for vehicles power by a clean alternative fuel. For purposes of these exemptions, a "clean alternative fuel" is natural gas, hydrogen, or electricity used as a motor vehicle fuel or propane used as a motor vehicle fuel if the vehicle meets federal emissions standards.

It extends, from October 1, 2008 to October 1, 2012, the sales tax exemption on the sale of a hybrid passenger car with an estimated federal highway mileage rating of at least 40 mpg.

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**PETROLEUM PRODUCTS GROSS EARNINGS TAX EXEMPTIONS**

The bill extends, from July 1, 2008 to July 1, 2012, the exemption for the first sale occurring before that date of propane used as a motor vehicle fuel and petroleum products used as fuel in a fuel cell.

**UTILITY COMPANIES TAX EXCLUSION**

Current law excludes from revenue subject to the utility companies gross earning tax any gas company income from the sale of natural gas or propane as a motor vehicle fuel earned in a taxable quarter starting before June 30, 2008. The bill extends this exemption to taxable quarters beginning before June 30, 2012.

**BUSINESS TAX CREDITS**

Current law provides credits against the corporation, air carrier, railroad, cable television system, and utility companies taxes of 10% of the incremental cost of clean alternative fuel vehicles a company purchase during an income year or calendar quarter that started before January 1, 2008. The bill extends the credit to income years or calendar quarters starting before January 1, 2012. Incremental cost is the difference in the purchase price of a clean alternative fuel-powered vehicle and the same vehicle using conventional power.

Current law provides a business tax credit of 50% of the amount spent during an income year starting before January 1, 2008 for (1) building or improving any filling station to provide CNG, liquefied petroleum gas, or liquefied natural gas; (2) buying and installing equipment to convert vehicles to either exclusive or dual use of a clean alternative fuel; and (3) buying and installing equipment incorporated or used in a CNG, liquefied petroleum gas, or liquefied natural gas filling or electric recharging station. The bill extends this credit to income years beginning before January 1, 2012.

For the purposes of this credit, a clean alternative fuel is CNG, liquefied petroleum gas, liquefied natural gas, or electricity used as a motor vehicle fuel.

**MOTOR VEHICLE FUELS TAX EXEMPTION**

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It extends, from July 1, 2008 to July 1, 2012, the exemption from this tax for CNG, liquefied petroleum gas, and liquefied natural gas.

**COMMITTEE ACTION**

Environment Committee

Joint Favorable

Yea 28 Nay 0 (02/29/2008)