Notes from Oklahoma State Representative Blackwell on how the State's economy and commerce has benefited from the use of Compressed Natural Gas as a transportation fuel.

Compressed Natural Gas

Rep Gus Blackwell

In 2009 the State of Oklahoma took a giant step forward in the area of energy production. They set a goal to increase the amount of use of alternative energy. In this goal was the mechanism to increase drastically the use of CNG vehicles and thus the production of CNG.

If you aim at nothing you are sure to hit it. That has been the strategy of most states which is to simply hope that this technology increases on its own somehow. Unfortunately, the mechanics of supply and demand keep the normal markets of free enterprise from working in this arena.

To have CNG vehicles, one must have refueling stations. To have refueling stations, one must have customers with CMG vehicles. Which comes first? It is a dilemma that is difficult to break from a purely free market enterprise mindset.

Government allows limited monopolies on certain activities that are difficult for private business to enter into or be competitive in. Recognizing this fact, Oklahoma set out on an ambitious program to accelerate this process to help schools and government save money and thus use tax money more efficiently in the long run.

Oklahoma set a goal to increase alternative energy production to 15% by the year 2020. Part of this vision was the increased use of CNG vehicles by schools, government, and private business and everyday drivers.

To accomplish this we set forth a two prong approach using both tax credits and grants to help incentivize people to change their normal behavior. The state provided tax incentives in clean-burning motor vehicles and related property. This included home refueling stations.

The tax credit was 50% of the cost or $2,500, whichever was less for the conversion of a vehicle to CNG. This credit is set to expire in 2020. The credit for purchasing a vehicle that is already using CNG is $1500.

The state also provided grants for school and government vehicles to convert to CNG.

This is starting to be especially successful with schools throughout the state. The metro areas, especially Tulsa, have led the way in this effort.

The credit for locating a home refueling station is 75% of the cost and is a one-time credit. The success of the program in Oklahoma though is due more to the location of public refueling stations throughout the state.

In order to accomplish this, the state depended mostly on Oklahoma Natural Gas to put in stations to refuel throughout the state. ONG provides a rebate to customers to promote the use and incentivize its use.

A State Representative from Bartlesville has taken advantage of these programs. He bought a 2011 Honda Civic for about $18,000. The tax credit about paid for the difference in the cost of the vehicle over a comparable gas model.

His cost per mile is 2.7 cents and it costs about $1.00 a gallon to fill up. On a full tank he can go about 150 miles and makes the round trip to the Capitol and back for about $9.00. This compares to a normal gas cost of over $30.00 for the same trip.

With the abundance of natural gas, it only makes since for America to increase its energy independence from foreign oil by increasing its use of CNG vehicles. Oklahoma is leading the way in this endeavor and we would love to see our neighboring states join us in revolutionizing the way America drives.

One-Time Credit Against Income Tax for Investments in Qualified Clean-Burning Motor Vehicle Fuel Property

68 O.S. § 2357.22 (OSCN 2013) **This Statute Will Go Into Effect On: 11/01/2013**

A. For tax years beginning before January 1, 2020, there shall be allowed a one-time credit against the income tax imposed by Section 2355 of this title for investments in qualified clean-burning motor vehicle fuel property placed in service after December 31, 1990.

B. As used in this section, "qualified clean-burning motor vehicle fuel property" means:

1. Equipment installed to modify a motor vehicle which is propelled by gasoline or diesel fuel so that the vehicle may be propelled by a hydrogen fuel cell, compressed natural gas, liquefied natural gas or liquefied petroleum gas; provided, equipment installed on a vehicle propelled by a hydrogen fuel cell shall only be eligible for tax year 2010. The equipment covered by this paragraph must:

a. be new, not previously used to modify or retrofit any vehicle propelled by gasoline or diesel fuel and be installed by an alternative fuels equipment technician who is certified in accordance with the Alternative Fuels Technician Certification Act,

b. meet all Federal Motor Vehicle Safety Standards set forth in 49 CFR 571, or

c. for any commercial motor vehicle (CMV), follow the Federal Motor Carrier Safety Regulations or Oklahoma Intrastate Motor Carrier Regulations;

2. A motor vehicle originally equipped so that the vehicle may be propelled by a hydrogen fuel cell, compressed natural gas, liquefied natural gas or liquefied petroleum gas but only to the extent of the portion of the basis of such motor vehicle which is attributable to the storage of such fuel, the delivery to the engine of such motor vehicle of such fuel, and the exhaust of gases from combustion of such fuel. A motor vehicle originally equipped so that the vehicle may be propelled by a hydrogen fuel cell shall only be eligible for tax year 2010;

3. Property, not including a building and its structural components, which is:

a. directly related to the delivery of compressed natural gas, liquefied natural gas or liquefied petroleum gas, or hydrogen, for commercial purposes or for a fee or charge, into the fuel tank of a motor vehicle propelled by such fuel including compression equipment and storage tanks for such fuel at the point where such fuel is so delivered but only if such property is not used to deliver such fuel into any other type of storage tank or receptacle and such fuel is not used for any purpose other than to propel a motor vehicle, or

b. a metered-for-fee, public access recharging system for motor vehicles propelled in whole or in part by electricity. The property covered by this paragraph must be new, and must not have been previously installed or used to refuel vehicles powered by compressed natural gas, liquefied natural gas or liquefied petroleum gas, hydrogen or electricity.

Any property covered by this paragraph which is related to the delivery of hydrogen into the fuel tank of a motor vehicle shall only be eligible for tax year 2010; or

4. Property which is directly related to the compression and delivery of natural gas from a private home or residence, for noncommercial purposes, into the fuel tank of a motor vehicle propelled by compressed natural gas. The property covered by this paragraph must be new and must not have been previously installed or used to refuel vehicles powered by natural gas.

C. As used in this section, "motor vehicle" means a motor vehicle originally designed by the manufacturer to operate lawfully and principally on streets and highways.

D. The credit provided for in subsection A of this section shall be as follows:

1. For the qualified clean-burning motor vehicle fuel property defined in paragraph 1 or 2 of subsection B of this section, fifty percent (50%) of the cost of the qualified clean-burning motor vehicle fuel property;

2. For qualified clean-burning motor vehicle fuel property defined in paragraph 3 of subsection B of this section, a per-location credit of seventy-five percent (75%) of the cost of the qualified clean-burning motor vehicle fuel property; and

3. For qualified clean-burning motor vehicle fuel property defined in paragraph 4 of subsection B of this section, a per-location credit of the lesser of fifty percent (50%) of the cost of the qualified clean-burning motor vehicle fuel property or Two Thousand Five Hundred Dollars ($2,500.00).

E. In cases where no credit has been claimed pursuant to paragraph 1 of subsection D of this section by any prior owner and in which a motor vehicle is purchased by a taxpayer with qualified clean-burning motor vehicle fuel property installed by the manufacturer of such motor vehicle and the taxpayer is unable or elects not to determine the exact basis which is attributable to such property, the taxpayer may claim a credit in an amount not exceeding the lesser of ten percent (10%) of the cost of the motor vehicle or One Thousand Five Hundred Dollars ($1,500.00).

F. If the tax credit allowed pursuant to subsection A of this section exceeds the amount of income taxes due or if there are no state income taxes due on the income of the taxpayer, the amount of the credit not used as an offset against the income taxes of a taxable year may be carried forward as a credit against subsequent income tax liability for a period not to exceed five (5) years.

G. A husband and wife who file separate returns for a taxable year in which they could have filed a joint return may each claim only one-half (1/2) of the tax credit that would have been allowed for a joint return.

H. The Oklahoma Tax Commission is herein empowered to promulgate rules by which the purpose of this section shall be administered, including the power to establish and enforce penalties for violations thereof.