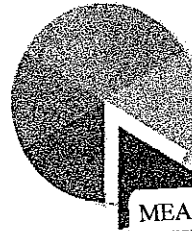


Testimony of Larry Scruggs

HB 3170-A, SB319-A Extending the tax credit for qualifying, repowered or retrofitted diesel engines.

May 3, 2011



**TAX
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MEASURE: HB 3170-A
EXHIBIT: H
Joint Committee on Tax Credits 76th Session
DATE: 05-03-2011 PAGES: 1
SUBMITTED BY: LARRY SCRUGGS

Co Chairs, Vice-Chairs, Members of the Committee.

My name is Larry Scruggs, I reside at 6942 N Villard Ave., Portland, OR 97217, and I come to you today representing the members of Tax Fairness Oregon.

House Bill 3170-A and Senate Bill 319-A would eliminate the sunset on tax credits for both the purchase of new diesel truck engines as well as the repowering and retrofitting of old diesel engines. These programs are intended to encourage the turnover of less efficient, more polluting diesel engines to new, more efficient, less polluting ones.

Both of these programs have seen less use than expected and do not appear to be effective or necessary for two reasons:

1. As the result of the court settlement with the EPA, all diesel engine manufacturers are required to meet strict emissions guidelines, so any new engine is necessarily more efficient than old models.
2. The necessity of replacing broken engines and the vastly increased fuel efficiency of newer engines are far more powerful incentives than this tax credit.

Let me give you another example of why we don't need this tax credit. If I have a typical MCI bus with a 144 gallon fuel tank, diesel costs \$4.50 per gallon, and I get 5 mpg, it costs me about \$648 to go about 720 miles. If I install a new engine that gets me 6 mpg, I get 864 miles for the same cost. I'm saving about \$108 per tank. If a new Detroit diesel costs \$6,000, I recover the cost of the new engine in 55 tanks, or for the average bus doing 700 miles per day, in about 3 months.

My question to you is why do we need to subsidize this retrofit when it will pay for itself in 90 days?

In the most recent Tax Expenditure Report, the Department of Environmental Quality stated in their evaluation of the new diesel engine tax credit that "The majority of new truck owners that have applied for this credit would have purchased the truck with or without the credit."

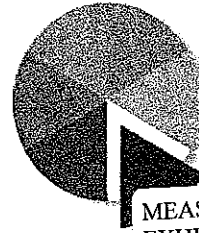
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Thank you for the opportunity to testify today.

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