

**SB 583**

**Relating to alternative fuel vehicles**

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Senate Bill 583 establishes the Alternative Fuel Vehicle Revolving Fund to make loans to public entities for the purchase of, or conversion to, alternative fuel vehicles. The Fund will be capitalized through an auction of \$3 million of an allowable \$20 million in tax credits for transportation projects. The revolving loan fund will be administered by the existing energy incentive program staff at the Oregon Department of Energy. Expenditure limitation in the amount of \$3 million is provided in the dash A8 amendment to enable the Department to make loans and administer the program, along with language that further defines criteria under which a tax credit for alternative fuel projects can be claimed.

The Capital Construction Subcommittee recommends Senate Bill 583 be amended and reported out do pass, as amended.

**77<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2013 Session  
BUDGET REPORT AND MEASURE SUMMARY**

**JOINT COMMITTEE ON WAYS AND MEANS**

**MEASURE: SB 583-B**

**Carrier – House: Rep. Read**

**Carrier – Senate: Sen. Starr**

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**Action:** Do Pass the A-Engrossed Measure as Amended and be Printed B-Engrossed

**Vote:**

House

Yeas:

Nays:

Exc:

Senate

Yeas:

Nays:

Exc:

**Prepared By:** Tamara Brickman, Department of Administrative Services

**Reviewed By:** Krista McDowell, Legislative Fiscal Office

**Meeting Date:** July 6, 2013

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Agency

Oregon Department of Energy

Biennium

2013-15

**Budget Summary\***

	2011-13 Legislatively Approved Budget <sup>(1)</sup>	2013-15 Current Service Level	2013-15 Committee Recommendation	Committee Change from 2011-13 Leg. Approved	
				\$ Change	% Change
<u>Oregon Business Development Department</u>					
Lottery Funds	\$ 0	\$ 0	\$ 3,000,000	\$ 3,000,000	100.0%
Total	\$ 0	\$ 0	\$ 3,000,000	\$ 3,000,000	100.0%

**Position Summary**

<u>Oregon Business Development Department</u>				
Authorized Positions	0	0	0	0
Full-time Equivalent (FTE) positions	0.00	0.00	0.00	0.00

<sup>(1)</sup> Includes adjustments through December 2012

\* Excludes Capital Construction expenditures

**Summary of Revenue Changes**

This bill establishes the Alternative Fuel Vehicle Revolving Fund (AVF), separate and distinct from the General Fund. The revenue is to be derived through the auction of \$3 million in tax credits that will be administered by the Oregon Department of Revenue; net proceeds will be deposited in the AVF fund.

**Summary of Capital Construction Subcommittee Action**

Senate Bill 583-B creates the Alternate Fuel Vehicle Fund (AFV), which is to be continuously appropriated to the Department to provide loans to public entities and tribes so they can convert existing gasoline or diesel powered vehicles to alternative fuel vehicles or purchase new alternative fuel vehicles, conversions having the priority. The Department is required to establish rules regarding loan procedures, terms and requirements. The bill authorizes the auction of \$3 million in tax credits that will be administered by the Oregon Department of Revenue; net proceeds will be deposited in the AFV fund. The Department’s administrative costs may be deducted from the fund, and Department of Revenue can charge up to 0.25 percent of proceeds to cover their administrative charges associated with the auction. The Department of Energy will then issue tax certificates. The bill also adds the acquisition of an alternative fuel vehicle fleet to the list of eligible transportation projects under ORS 469B.320, effective 91 days after session. The bill allows a tax credit for certified alternative fuel vehicle contributions made by the taxpayer during the tax

year that the contributions are made to the Alternative Fuel Vehicle Revolving Fund. Any unused portion of the tax credit issued under this program may be carried forward for three years.

The Subcommittee recommended additional Other Funds expenditure limitation of \$3 million to the Oregon Department of Energy for administering the program and making loans. This includes administrative costs of \$7,046 for Services and Supplies, and \$172,010 in Personal Services to ensure that existing staff, within the Department, are able to properly bill this program for the time spent implementing and administering it.

**DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION**

**SB 583-B**

**Oregon Department of Energy  
Tamara Brickman - 503-378-4709**

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
<u>SUBCOMMITTEE RECOMMENDATION</u>									
<u>Oregon Business Development Department</u>									
SCR 200 - Energy Development Services									
Personal Services	\$ 0	\$ 0	\$ 172,010	\$ 0	\$ 0	\$ 0	\$ 172,010	0	0.00
Services and Supplies	\$ 0	\$ 0	\$ 7,046	\$ 0	\$ 0	\$ 0	\$ 7,046		
Special Payments- Dist to Other Gov Units (6025)	\$ 0	\$ 0	\$ 2,820,944	\$ 0	\$ 0	\$ 0	\$ 2,820,944		
<b>SUBCOMMITTEE RECOMMENDATION</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,000,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,000,000</b>	<b>0</b>	<b>0.00</b>

**REVENUE IMPACT OF  
PROPOSED LEGISLATION**  
Seventy-Seventh Oregon Legislative  
Assembly  
2013 Regular Session  
Legislative Revenue Office

Bill Number: SB 583 - A8  
Revenue Area: Income Taxes  
Economist: Chris Allanach  
Date: 7/5/2013

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

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**Measure Description:** Makes two changes to the transportation projects tax credit. First, it adds the acquisition of an alternative fuel vehicle fleet to the definition of projects that are eligible for the tax credit. Second, it redirects \$3 million of transportation project tax credits to a credit that will be auctioned. The proceeds from this tax credit will be deposited into the Alternative Fuel Vehicle Revolving Fund, which is also created in this bill.

**Revenue Impact:** None

**Impact Explanation:** Under current law, there is a \$20 million biennial cap on tax credits to be issued by the Department of Energy for transportation projects. The May 2013 revenue forecast incorporates the assumption that these tax credits will be issued. Because this bill does not change the cap, there is no revenue impact. The addition of alternative fuel vehicle fleets to the definition of transportation projects and the redirection of the \$3 million in tax credits to the Alternative Fuel Vehicle Revolving Fund will change the nature of which tax credits will be issued but are not expected to change the amount of total tax credits issued.

**Creates, Extends, or Expands Tax Expenditure:** Yes  No

**PROPOSED AMENDMENTS TO  
A-ENGROSSED SENATE BILL 583**

1 On page 1 of the printed A-engrossed bill, line 2, after “vehicles;” delete  
2 the rest of the line and insert “creating new provisions; amending ORS  
3 315.336, 469B.320 and 469B.344 and section 54, chapter 730, Oregon Laws 2011;  
4 appropriating money; limiting expenditures; and prescribing an effective  
5 date.”.

6 On page 2, line 10, delete “or” and insert “and”.

7 In line 16, after “program” insert “and any other costs incurred by the  
8 department in carrying out the provisions of sections 1 to 7 of this 2013  
9 Act”.

10 On page 4, delete lines 13 and 14 and insert:

11 **“SECTION 10. During the biennium beginning July 1, 2013, the limit**  
12 **imposed under ORS 469B.344 (1)(a) on the total amount of potential tax**  
13 **credits for all transportation projects in this state shall be reduced by**  
14 **the total amount of potential tax credits auctioned under section 9 of**  
15 **this 2013 Act during the biennium beginning July 1, 2013.**

16 **“SECTION 11. Section 9 of this 2013 Act applies to tax years begin-**  
17 **ning on or after January 1, 2013, and before January 1, 2015.**

18 **“SECTION 12. Notwithstanding any other law limiting expenditures,**  
19 **the limitation on expenditures established by section 1, chapter**  
20 **\_\_\_\_\_, Oregon Laws 2013 (Enrolled House Bill 5011), for the biennium**  
21 **beginning July 1, 2013, as the maximum limit for payment of expenses**  
22 **from fees, moneys or other revenues, including Miscellaneous Re-**

1 **ceipts, but excluding lottery funds and federal funds, collected or re-**  
2 **ceived by State Department of Energy, is increased by \$3,000,000.**

3 **“SECTION 13.** ORS 469B.320, as amended by section 7, chapter 45,  
4 Oregon Laws 2012, is amended to read:

5 “469B.320. As used in ORS 315.336 and 469B.320 to 469B.347:

6 **“(1) ‘Acquisition of an alternative fuel vehicle fleet’ includes the**  
7 **replacement of two or more vehicles that are not used primarily for**  
8 **personal, family or household purposes, that are modified or acquired**  
9 **directly from the factory and that:**

10 **“(a) Use an alternative fuel, including electricity, biofuel, gasohol**  
11 **with at least 20 percent denatured alcohol content, hydrogen, Hythane,**  
12 **methane, methanol, natural gas, propane or any other fuel approved**  
13 **by the Director of the State Department of Energy as an alternative**  
14 **fuel; and**

15 **“(b) Produce lower exhaust emissions, or are more energy efficient,**  
16 **than equivalent vehicles fueled by gasoline or diesel.**

17 **“[(1)] (2) ‘Alternative fuel vehicle infrastructure project’ includes a facil-**  
18 **ity for mixing, storing, compressing or dispensing fuels for alternative fuel**  
19 **vehicles, and any other necessary and reasonable equipment.**

20 **“(3) ‘Alternative fuel vehicle project’ means:**

21 **“(a) The acquisition of an alternative fuel vehicle fleet; or**

22 **“(b) An alternative fuel vehicle infrastructure project.**

23 **“[(2)] (4) ‘Cost’ includes capital expenditures and core expenses such as**  
24 **vehicle repair, fuel, personnel and administrative expenses.**

25 **“[(3)] (5) ‘Transportation project’ means:**

26 **“(a) Transit services provided to members of the public by a public or**  
27 **nonprofit entity that receives state or federal funding for those services, or**  
28 **is the direct recipient of funding from an entity that receives state or federal**  
29 **funding for the services; or**

30 **“(b) An alternative fuel vehicle [*infrastructure*] project.**



1       **“SECTION 14.** ORS 315.336, as amended by section 6, chapter 45, Oregon  
2 Laws 2012, is amended to read:

3       “315.336. (1) A credit is allowed against the taxes otherwise due under  
4 ORS chapter 316 or, if the taxpayer is a corporation, under ORS chapter 317  
5 or 318, for a transportation project, based upon the certified cost of the  
6 project during the period for which the project is certified under ORS  
7 469B.320 to 469B.347.

8       “(2) The credit allowed for a project other than an alternative fuel vehicle  
9 [*infrastructure*] project shall be as follows:

10       “(a) For tax years beginning on or after January 1, 2011, and before Jan-  
11 uary 1, 2012, the maximum allowed credit shall be:

12       “(A) 35 percent of certified cost, if a preliminary certification is issued  
13 under ORS 469B.329 prior to July 1, 2011; or

14       “(B) 25 percent of certified cost, if a preliminary certification is issued  
15 under ORS 469B.329 on or after July 1, 2011, and before January 1, 2012.

16       “(b) For tax years beginning on or after January 1, 2012, and before Jan-  
17 uary 1, 2013, the maximum allowed credit shall be 25 percent of certified  
18 cost.

19       “(c) For tax years beginning on or after January 1, 2013, and before Jan-  
20 uary 1, 2014, the maximum allowed credit shall be 20 percent of certified  
21 cost.

22       “(d) For tax years beginning on or after January 1, 2014, and before Jan-  
23 uary 1, 2015, the maximum allowed credit shall be 15 percent of certified  
24 cost.

25       “(e) For tax years beginning on or after January 1, 2015, and before Jan-  
26 uary 1, 2016, the maximum allowed credit shall be 10 percent of certified  
27 cost.

28       “(3) The total amount of the credit allowable for an alternative fuel ve-  
29 hicle [*infrastructure*] project under this section may not exceed 35 percent  
30 of the certified cost of the project.

1       “(4)(a) Except as provided in paragraph (b) of this subsection, the credit  
2 allowed in each of the first two tax years in which the credit is claimed shall  
3 be 10 percent of the certified cost of the project, but may not exceed the tax  
4 liability of the taxpayer. The credit allowed in each of the succeeding three  
5 years shall be five percent of the certified cost, but may not exceed the tax  
6 liability of the taxpayer.

7       “(b) If the amount of the credit allowed under this section is less than  
8 35 percent of the certified cost of the project, the credit allowed in any tax  
9 year may not exceed five percent of the certified cost of the project, and may  
10 not exceed the tax liability of the taxpayer.

11       “(5) In order for a tax credit to be allowable under this section:

12       “(a) The project must be located in Oregon.

13       “(b) The project must have received final certification from the Director  
14 of the State Department of Energy under ORS 469B.320 to 469B.347.

15       “(6) Any tax credit otherwise allowable under this section that is not used  
16 by the taxpayer in a particular year may be carried forward and offset  
17 against the taxpayer’s tax liability for the next succeeding tax year. Any  
18 credit remaining unused in that next succeeding tax year may be carried  
19 forward and used in the second succeeding tax year, and likewise, any credit  
20 not used in that second succeeding tax year may be carried forward and used  
21 in the third succeeding tax year, and likewise, any credit not used in that  
22 third succeeding tax year may be carried forward and used in the fourth  
23 succeeding tax year, and likewise, any credit not used in that fourth suc-  
24 ceeding tax year may be carried forward and used in the fifth succeeding tax  
25 year, but may not be carried forward for any tax year thereafter. Credits  
26 may be carried forward to and used in a tax year beyond the years specified  
27 in subsection (2) of this section only as provided in this subsection.

28       “(7) The credit allowed under this section is not in lieu of any depreci-  
29 ation or amortization deduction for the transportation project to which the  
30 taxpayer otherwise may be entitled for purposes of ORS chapter 316, 317 or

1 318 for such year.

2 “(8) The taxpayer’s adjusted basis for determining gain or loss may not  
3 be decreased by any tax credits allowed under this section.

4 “(9) The definitions in ORS 469B.320 apply to this section.

5 **“SECTION 15.** ORS 469B.344, as amended by section 10, chapter 45,  
6 Oregon Laws 2012, is amended to read:

7 “469B.344. (1)(a) The total amount of potential tax credits for all trans-  
8 portation projects in this state may not, at the time of preliminary certifi-  
9 cation under ORS 469B.329, exceed \$20 million for any biennium.

10 “(b) For each tax year, the Director of the State Department of Energy  
11 may allocate a percentage of the amount allowed in paragraph (a) of this  
12 subsection to alternative fuel vehicle [*infrastructure*] projects and a percent-  
13 age to transit services.

14 “(2) Notwithstanding ORS 315.336, in the event that the director receives  
15 applications for preliminary certification with a total amount of potential  
16 tax credits in excess of the limits set by the director pursuant to subsection  
17 (1)(b) of this section, the director shall allocate the issuance of preliminary  
18 certifications among applicants as follows:

19 “(a) If an excess of applications for credits for transit services is received,  
20 the director shall allocate the issuance of preliminary certifications among  
21 applicants for credits for transit services and proportionately reduce the  
22 amount of allowed credit, with no applicant receiving more than 20 percent  
23 of the amount established under subsection (1)(b) of this section for transit  
24 services.

25 “(b) The director may allocate the issuance of preliminary certifications  
26 among applicants for credits for alternative fuel vehicle [*infrastructure*]  
27 projects and may award credits for less than the amount otherwise allowed  
28 applicants.

29 “(c) If, after making any reductions required under paragraph (a) of this  
30 subsection, an unallocated amount remains, the director shall allocate this

1 additional amount among applicants affected by the percentage restriction  
2 in paragraph (a) of this subsection.

3 **“SECTION 16.** Section 54, chapter 730, Oregon Laws 2011, is amended to  
4 read:

5 **“Sec. 54.** (1) A taxpayer may not be allowed a credit for a transportation  
6 project, other than an alternative fuel vehicle [*infrastructure*] project, certi-  
7 fied under [*section 60 of this 2011 Act*] **ORS 469B.332** if the first tax year for  
8 which the credit would otherwise be allowed begins on or after January 1,  
9 2016.

10 **“(2)** A taxpayer may not be allowed a credit for an alternative fuel vehicle  
11 [*infrastructure*] project certified under [*section 60 of this 2011 Act*] **ORS**  
12 **469B.332** if the first tax year for which the credit would otherwise be allowed  
13 begins on or after January 1, 2018.

14 **“SECTION 17.** The amendments to **ORS 315.336, 469B.320 and**  
15 **469B.344 by sections 13 to 15 of this 2013 Act apply to tax years begin-**  
16 **ning on or after January 1, 2015.”.**

17 In line 15, delete “11” and insert “18”.  
18 \_\_\_\_\_