

HCS SS SB 40 -- TAX INCENTIVES FOR ALTERNATIVE FUELS

SPONSOR: Ridgeway (Ervin)

COMMITTEE ACTION: Voted "do pass" by the Special Committee on Utilities by a vote of 10 to 1.

This substitute authorizes various tax incentives to promote the production and consumption of alternative fuels. In its main provisions, the substitute:

(1) Authorizes an income tax credit for the owner of a qualified vehicle refueling property who installs alternative fuel compatible equipment. The tax credit will not exceed the lesser of \$20,000 or 20% of the cost of the equipment. The cumulative credit amounts will not exceed \$2 million for taxable year 2008, \$1 million for 2009, and \$1 million for 2010. The credit is nonrefundable, but may be carried over for two years and is transferable;

(2) Authorizes an income tax deduction, beginning January 1, 2008, for taxpayers who purchase qualified hybrid vehicles. The deduction will be the lesser of \$1,500 or 10% of the purchase price of the vehicle and must be taken in the taxable year in which the vehicle is purchased;

(3) Authorizes a tax credit for the purchase of E-85 gasoline equal to 25 cents per gallon in 2008, 20 cents per gallon in 2009 and 2010, and 15 cents per gallon in 2011. The tax credit may not exceed \$500 per taxpayer per year, and the total amount of the tax credits will be capped at \$500,000 per year. The tax credit is refundable; and

(4) Creates a rebuttable presumption that the raw materials used by automobile manufacturers are 25% recovered materials.

The provisions of the substitute regarding the income tax credit for qualified vehicle refueling property will expire three years from the effective date. The provisions of the substitute regarding the tax credit for E-85 gasoline will expire four years from the effective date.

FISCAL NOTE: Estimated Cost on General Revenue Fund of \$0 in FY 2008, Could Exceed \$2,993,748 in FY 2009, and Could Exceed \$1,997,608 in FY 2010. No impact on Other State Funds in FY 2008, FY 2009, and FY 2010.

PROPOSERS: Supporters say that the bill provides needed incentives to use alternative fuels. It will encourage the production and use of alternative fuel vehicles.

Testifying for the bill were Senator Ridgeway; Associated Industries of Missouri; General Motors Corporation; and DaimlerChrysler.

OPPONENTS: There was no opposition voiced to the committee.