

## AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An  
2 act relating to tax reform and State taxation by codifying  
3 and enumerating certain subjects of taxation and imposing  
4 taxes thereon; providing procedures for the payment,  
5 collection, administration and enforcement thereof; providing  
6 for tax credits in certain cases; conferring powers and  
7 imposing duties upon the Department of Revenue, certain  
8 employers, fiduciaries, individuals, persons, corporations  
9 and other entities; prescribing crimes, offenses and  
10 penalties," providing for a natural gas vehicle tax credit.

11 The General Assembly of the Commonwealth of Pennsylvania  
12 hereby enacts as follows:

13 Section 1. The act of March 4, 1971 (P.L.6, No.2), known as  
14 the Tax Reform Code of 1971, is amended by adding an article to  
15 read:

16 ARTICLE XIX-B

17 NATURAL GAS VEHICLE TAX CREDIT

18 Section 1901-B. Scope of article.

19 This article provides for a natural gas vehicle tax credit.

20 Section 1902-B. Definitions.

21 The following words and phrases when used in this article

1 shall have the meanings given to them in this section unless the  
2 context clearly indicates otherwise:

3 "Department." The Department of Revenue of the Commonwealth.

4 "Incremental cost." The difference between the cost of a  
5 natural gas vehicle and the cost of the same or similar motor  
6 vehicle, manufactured to operate exclusively on gasoline or  
7 diesel fuel.

8 "Internal Revenue Code." The Internal Revenue Code of 1986  
9 (Public Law 99-514, 26 U.S.C. § 1 et seq.).

10 "Natural gas vehicle." A motor vehicle that has a gross  
11 vehicle weight of at least 33,000 pounds, is produced by an  
12 original equipment manufacturer and operates:

13 (1) on 100% compressed natural gas fuel; or

14 (2) on 90% or more liquefied natural gas fuel and 10% or  
15 less on gasoline or diesel fuel.

16 "Original equipment manufacturer." An entity which  
17 originally manufactures a natural gas vehicle for sale.

18 "Pass-through entity." A partnership as defined in section  
19 301(n.0) or a Pennsylvania S corporation as defined in section  
20 301(n.1).

21 "Qualified expense." The expense paid by a taxpayer for a  
22 natural gas vehicle.

23 "Qualified tax liability." The liability for taxes imposed  
24 under Article III, IV or VI. The term shall not include any tax  
25 withheld by an employer from an employee under Article III.

26 "Secretary." The Secretary of Revenue of the Commonwealth.

27 "Tax credit." The natural gas vehicle tax credit established  
28 by this article.

29 "Taxpayer." An entity subject to tax under Article III, IV  
30 or VI. The term shall include the shareholder of a Pennsylvania

S corporation that receives a research and development tax credit.

Section 1903-B. Credit for purchase of natural gas vehicle.

(a) General rule.--A taxpayer who incurs a qualified expense in a taxable year may apply for a tax credit as provided in this article. By September 15, a taxpayer must submit an application to the department for a qualified expense incurred in the taxable year that ended in the prior calendar year.

(b) Amount.--A taxpayer that is qualified under subsection (a) shall receive a tax credit for the taxable year in the amount of, for each qualified expense, the lesser of 50% of the incremental cost of the natural gas vehicle or \$12,500.

(c) Notification from department.--By December 15 of the calendar year following the close of the taxable year during which the qualified expense was incurred, the department shall notify the taxpayer of the amount of the taxpayer's tax credit approved by the department.

Section 1904-B. Carryover, carryback, refund and assignment of credit.

(a) The following shall apply to tax credits:

(1) If the taxpayer cannot use the entire amount of the tax credit for the taxable year in which the tax credit is first approved, then the excess may be carried over to succeeding taxable years and used as a credit against the qualified tax liability of the taxpayer for those taxable years.

(2) Each time that the tax credit is carried over to a succeeding taxable year, it is to be reduced by the amount that was used as a credit during the immediately preceding taxable year.

1       (3) The tax credit may be carried over and applied to  
2       succeeding taxable years for no more than five taxable years  
3       following the first taxable year for which the taxpayer was  
4       entitled to claim the credit.

5       (4) A tax credit approved by the department for a  
6       qualified expense in a taxable year first shall be applied  
7       against the taxpayer's qualified tax liability for the  
8       current taxable year as of the date on which the tax credit  
9       was approved before the tax credit is applied against any tax  
10      liability under paragraph (1).

11      (5) A taxpayer may not carry back or obtain a refund of  
12      an unused tax credit.

13      (6) A taxpayer, upon application to and approval by the  
14      Department of Community and Economic Development, may sell or  
15      assign, in whole or in part, a tax credit granted to the  
16      taxpayer. The Department of Community and Economic  
17      Development shall establish guidelines for the approval of  
18      applications under this paragraph.

19      (7) The purchaser or assignee of a portion of a tax  
20      credit under paragraph (6) shall immediately claim the credit  
21      in the taxable year in which the purchase or assignment is  
22      made. The amount of the tax credit that a purchaser or  
23      assignee may use against any one qualified tax liability may  
24      not exceed 100% of the qualified tax liability for the  
25      taxable year. The purchaser or assignee may not carry over,  
26      carry back, obtain a refund of or assign the tax credit. The  
27      purchaser or assignee shall notify the department of the  
28      seller or assignor of the tax credit in compliance with  
29      procedures specified by the department.

30      Section 1905-B. Application of Internal Revenue Code.

1     The provisions of section 41 of the Internal Revenue Code and  
2     the regulations promulgated regarding those provisions shall  
3     apply to the department's interpretation and administration of  
4     the credit provided by this article. References to the Internal  
5     Revenue Code shall mean the sections of the Internal Revenue  
6     Code as existing on any date of interpretation of this article.  
7     However, if those sections of the Internal Revenue Code  
8     referenced in this article are repealed or terminated,  
9     references to the Internal Revenue Code shall mean those  
10    sections last having full force and effect. If, after repeal or  
11    termination, the Internal Revenue Code sections are revised or  
12    reenacted, references in this article to Internal Revenue Code  
13    sections shall mean those revised or reenacted sections.

14    Section 1906-B. (Reserved).

15    Section 1907-B. Time limitations.

16     A taxpayer is not entitled to a tax credit for qualified  
17     expenses incurred in taxable years ending after December 31,  
18     2020. The termination date in section 41(h) of the Internal  
19     Revenue Code does not apply to a taxpayer who is eligible for  
20     the tax credit under this article for the taxable year in which  
21     the qualified expense is incurred.

22    Section 1908-B. Limitation on credits.

23     (a) General rule.--The total amount of credits approved by  
24     the department shall not exceed:

25         (1) In fiscal year 2013-2014, \$30,000,000.

26         (2) In fiscal year 2014-2015, \$30,000,000.

27         (3) In fiscal year 2015-2016, \$30,000,000.

28     (b) Prorata distribution.--If the total amount of tax  
29     credits applied for by all taxpayers, exceeds the amount  
30     allocated for those tax credits, then the tax credit to be

1 received by each applicant shall be the product of the allocated  
2 amount multiplied by the quotient of the tax credit applied for  
3 by the applicant divided by the total of all tax credits applied  
4 for by all applicants, the algebraic equivalent of which is:

5 taxpayer's tax credit = amount allocated for those  
6 credits X (tax credit applied for by the applicant/total  
7 of all tax credits applied for by all applicants).

8 Section 2. This act shall take effect in 60 days.