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COMMITTEE REPORT

February 19, 2014

**S. 402**

Introduced by Senators Peeler, O’Dell, Reese, Pinckney and Campbell

S. Printed 2/19/14--S.

Read the first time February 20, 2013.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (S. 402) to amend Section 12‑6‑3377, Code of Laws of South Carolina, 1976, relating to tax credits for certain vehicles, so as to disallow the credit to certain vehicles, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, as and if amended, by striking all after the enacting words and inserting:

/ SECTION 1. A. Article 25, Chapter 6, Title 12 of the 1976 Code is amended by adding:

“Section 12‑6‑3378. (A) For taxable years beginning after December 31, 2014, a South Carolina resident taxpayer is allowed a nonrefundable tax credit against the income tax imposed pursuant to this chapter for the in‑state purchase or lease of a new qualified hybrid electric vehicle, new battery electric vehicle, or new qualified alternative fuel motor vehicle. In order to qualify for the credit, the original use of the vehicle must commence with the taxpayer and the vehicle must be acquired for use or lease by the taxpayer and not for resale.

(B) A qualified hybrid electric vehicle is a vehicle that:

(1) is a light duty vehicle listed in the hybrid electric vehicle section of the most recent edition of the United States Department of Energy Clean Cities Vehicle Buyer’s Guide or is a medium or heavy duty vehicle listed in the hybrid propulsion system manufacturers section of the U.S. Department of Energy Clean Cities Guide to Alternative Fuel and Advanced Medium and Heavy Duty Vehicles;

(2) draws propulsion energy from onboard sources of stored energy which are both (i) an internal combustion or heat engine using consumable fuel, and (ii) a rechargeable energy storage system; and

(3) does not have an external electrical plug connector that directly charges a battery or energy storage system.

(C) A qualified battery electric vehicle is a vehicle that is:

(1) manufactured primarily for use on public streets, roads, and highways and propelled by an electric motor which draws electricity from a battery which has a capacity of not less than four kilowatt hours and is capable of being recharged from an external source of electricity; and

(2) procured as a battery electric vehicle from an original equipment manufacturer or is converted to operate as a battery electric vehicle by a third party.

(D) A qualified alternative fuel vehicle is a vehicle that:

(1) operates on compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, or hydrogen fuel cell; and

(2) is procured as an alternative fuel motor vehicle from an original equipment manufacturer or is converted to operate on a qualified alternative fuel by a third party vendor who possesses a current and legal Certificate of Conformity from the Environmental Protection Agency’s Office of Transportation and Air Quality specific to the qualified alternative fuel vehicle.

(E) The credit allowed by this section:

(1) is equal to five hundred dollars for a new qualified vehicle with a gross vehicle weight rating up to 8,500 pounds;

(2) is equal to one thousand dollars for a new qualified vehicle with a gross vehicle weight rating greater than 8,500 pounds, but not more than 13,999 pounds;

(3) is equal to two thousand five hundred dollars for a new qualified vehicle with a gross vehicle weight rating greater than 13,999 pounds, but not more than 25,999 pounds; or

(4) is equal to five thousand dollars for a new qualified vehicle with a gross vehicle weight rating greater than 25,999 pounds.

(F) The credit allowed by this section may be carried forward for five years.

(G) The credit allowed by this section for all qualified hybrid electric vehicles and all qualified battery electric vehicles is not allowed for purchases or conversions made after December 31, 2017. The credit allowed for qualified alternative fuel vehicles is not allowed for purchases or conversion made after December 31, 2020.

(H) Notwithstanding the credit amount allowed pursuant to this section, for a tax year all claims made pursuant to this section for all qualified vehicles with a gross vehicle weight rating up to 8,500 pounds must not exceed nine hundred and fifty thousand dollars and must apply to eligible claimants on a first‑come, first served basis as determined by the Department of Revenue in a manner it prescribes until the total allowable credits for the tax year are exhausted.”

B. This SECTION takes effect upon approval by the Governor and only applies to purchases made after December 31, 2014.

SECTION 2. Section 1‑11‑220 of the 1976 Code, as last amended by Act 203 of 2008, is further amended by adding an appropriately lettered item at the end to read:

“( ) to promote the use of clean, domestic, and efficient fuels.”

SECTION 3. Section 1‑11‑310(H) of the 1976 Code, as added by Act 203 of 2008, is further amended to read:

“(H) Preference in purchasing state motor vehicles must be given to hybrid, plug‑in hybrid, ~~bio‑diesel~~ biodiesel, hydrogen, fuel cell, compressed natural gas, liquefied natural gas, liquefied petroleum gas, battery electric, or flex‑fuel vehicles when the performance, quality, and anticipated life cycle costs are comparable to other available motor vehicles.”

SECTION 4. Section 1‑11‑315 of the 1976 Code, as amended by an act bearing Ratification Number 124 of 2014, is amended to read:

“Section 1‑11‑315. ~~The Department of Administration, Division of General Services, Program of Fleet Management, shall determine the extent to which the state vehicle fleet can be configured to operate on alternative transportation fuels. This determination must be based on a thorough evaluation of each alternative fuel and the feasibility of using such fuels to power state vehicles. The state fleet must be configured in a manner that will serve as a model for other corporate and government fleets in the use of alternative transportation fuel. By March 1, 1993, the Program of Fleet Management must submit a plan to the General Assembly for the use of alternative transportation fuels for the state vehicle fleet that will enable the state vehicle fleet to serve as a model for corporate and other government fleets in the use of alternative transportation fuel. This plan must contain a cost/benefit analysis of the proposed changes.~~ The state fleet must be configured in a manner that will serve as a model for other government and private sector fleets in the use of alternative fuel vehicles and promote the use of clean, domestic, and efficient fuels. On or before January 1, 2015, the Program of Fleet Management shall establish a plan providing for the replacement of state‑owned or operated vehicles with vehicles that operate using hybrid, plug‑in hybrid, biodiesel, hydrogen, fuel cell, compressed natural gas, liquefied natural gas, liquefied petroleum gas, battery electric, or flex‑fuel, to the greatest extent practicable, considering available infrastructure, the location and use of vehicles, capital and operating costs, and potential for fuel savings. The plan must provide for a proposed timeline along with realistic goals and recommendations for implementation in South Carolina. The plan must contain a cost/benefit analysis of the proposed changes. The plan must be submitted to the General Assembly and the Governor.”

SECTION 5. Section 59‑67‑585 of the 1976 Code, as added by Act 79 of 2007, is amended to read:

“Section 59-67-585. The State Department of Education, when feasible, shall utilize biodiesel ~~fuel as an energy source to power the state school bus fleet~~, hybrid, plug‑in hybrid, hydrogen, fuel cell, compressed natural gas, liquefied natural gas, liquefied petroleum gas or flex‑fuel school buses when the performance, quality, and anticipated life cycle costs are comparable to other available school buses.”

SECTION 6. A. Section 12‑6‑3377 of the 1976 Code, as added by Act 312 of 2006, is repealed.

B. This SECTION takes effect January 1, 2015.

SECTION 7. Except as provided otherwise, this act takes effect upon approval by the Governor. /

Renumber sections to conform.

Amend title to conform.

Majority favorable. Minority unfavorable.

HUGH K. LEATHERMAN, SR. KEVIN L. BRYANT

For Majority. RAYMOND E. CLEARY III

For Minority.

**A** **BILL**

TO AMEND SECTION 12‑6‑3377, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO TAX CREDITS FOR CERTAIN VEHICLES, SO AS TO DISALLOW THE CREDIT TO CERTAIN VEHICLES AND TO PROVIDE THAT THE CREDIT EXPIRES WHEN THE SIMILAR FEDERAL CREDIT EXPIRES; BY ADDING SECTION 12‑6‑3378 SO AS TO PROVIDE A ONE THOUSAND DOLLAR TAX CREDIT FOR THE IN‑STATE PURCHASE OR LEASE OF A NEW QUALIFIED HYBRID ELECTRIC VEHICLE, NEW QUALIFIED BATTERY ELECTRIC VEHICLE, OR NEW QUALIFIED ALTERNATIVE FUEL MOTOR VEHICLE UNDER 8,500 GROSS VEHICLE WEIGHT RATING, TO PROVIDE A TEN PERCENT CREDIT FOR THE IN‑STATE PURCHASE OR LEASE OF A NEW QUALIFIED HYBRID ELECTRIC VEHICLE, NEW QUALIFIED BATTERY ELECTRIC VEHICLE, OR NEW QUALIFIED ALTERNATIVE FUEL MOTOR VEHICLE OVER 8,500 GROSS VEHICLE WEIGHT RATING, AND TO PROVIDE THE PROCESS BY WHICH THE CREDIT MAY BE CLAIMED; TO AMEND SECTION 1‑11‑220, AS AMENDED, RELATING TO THE FLEET MANAGEMENT PROGRAM, SO AS TO PROVIDE THAT THE PROGRAM SHALL SEEK TO PROMOTE THE USE OF CLEAN, DOMESTIC, AND EFFICIENT FUELS; TO AMEND SECTION 1‑11‑310, AS AMENDED, RELATING TO THE ACQUISITION OF THE STATE FLEET, SO AS TO ADD PREFERENCE FOR COMPRESSED NATURAL GAS, LIQUEFIED NATURAL GAS, LIQUEFIED PETROLEUM GAS, AND BATTERY ELECTRIC VEHICLES WHEN PRACTICAL; TO AMEND SECTION 1‑11‑315, RELATING TO THE FEASIBILITY OF USING ALTERNATIVE FUELS FOR THE STATE VEHICLE FLEET, SO AS TO REQUIRE THE DIVISION OF MOTOR VEHICLE MANAGEMENT TO PROVIDE A PLAN FOR THE REPLACEMENT OF STATE‑OWNED VEHICLES WITH VEHICLES USING ALTERNATIVE FUELS, AND TO REQUIRE THE DIVISION TO SUBMIT THE PLAN TO THE GENERAL ASSEMBLY AND GOVERNOR; AND TO AMEND SECTION 59‑67‑585, RELATING TO THE USE OF BIODIESEL FUEL IN THE STATE SCHOOL BUS FLEET, SO AS TO PROVIDE A PREFERENCE IN PURCHASING HYBRID, PLUG‑IN HYBRID, BIODIESEL, HYDROGEN, FUEL CELL, COMPRESSED NATURAL GAS, LIQUEFIED NATURAL GAS, LIQUEFIED PETROLEUM GAS, BATTERY ELECTRIC, OR FLEX‑FUEL SCHOOL BUSES WHEN PERFORMANCE, QUALITY, AND LIFE CYCLE COSTS ARE COMPARABLE TO OTHER SCHOOL BUSES.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. A. Section 12‑6‑3377 of the 1976 Code, as added by Act 312 of 2006, is amended to read:

“(A) A South Carolina resident taxpayer who is eligible for and claims the new qualified fuel cell motor vehicle credit~~, the new advanced lean burn technology motor vehicle credit, the new qualified hybrid motor vehicle credit based on the combined city/highway metric or standard set by~~ pursuant to federal Internal Revenue Code Section 30B, ~~and the new qualified alternative fuel motor vehicle credit allowed pursuant to Internal Revenue Code Section 30B~~ is allowed a credit against the income taxes imposed pursuant to this chapter in an amount equal to twenty percent of that federal income tax credit. The credit allowed by this section is nonrefundable and if the amount of the credit exceeds the taxpayer’s liability for the applicable taxable year, any unused credit may be carried forward and claimed in the five succeeding taxable years.

(B) The credit amount allowed by this section must be calculated without regard to the phaseout period limits of Internal Revenue Code Section 30B(f) ~~and for purposes of the credits allowed pursuant to this section, the provisions of Internal Revenue Code Section 30B are deemed permanent law~~. The credit allowed by this section expires when the federal credit expires.”

B. This SECTION applies to tax years beginning after 2013.

SECTION 2. Article 25, Chapter 6, Title 12 of the 1976 Code is amended by adding:

“Section 12‑6‑3378. (A) For taxable years beginning after December 31, 2013, a South Carolina resident taxpayer is allowed a nonrefundable tax credit against the income tax imposed pursuant to this chapter for the in‑state purchase or lease of a new qualified hybrid electric vehicle, new battery electric vehicle, or new qualified alternative fuel motor vehicle. In order to qualify for the credit, the original use of the vehicle must commence with the taxpayer and the vehicle must be acquired for use or lease by the taxpayer and not for resale.

(B) A qualified hybrid electric vehicle is a vehicle that:

(1) is a light duty vehicle listed in the hybrid electric vehicle section of the most recent edition of the United States Department of Energy Clean Cities Vehicle Buyer’s Guide or is a heavy duty vehicle with an onboard hybrid propulsion system listed in the hybrid propulsion system manufacturers section of the U.S. Department of Energy Clean Cities Guide to Alternative Fuel and Advanced Medium and Heavy Duty Vehicles;

(2) draws propulsion energy from onboard sources of stored energy which are both (i) an internal combustion or heat engine using consumable fuel, and (ii) a rechargeable energy storage system; and

(3) does not have an external electrical plug connector that directly charges a battery or energy storage system.

(C) A qualified battery electric vehicle is a vehicle that is:

(1) manufactured primarily for use on public streets, roads, and highways and propelled by an electric motor which draws electricity from a battery which has a capacity of not less than four kilowatt hours and is capable of being recharged from an external source of electricity; and

(2) procured as a battery electric vehicle from an original equipment manufacturer or is converted to operate as a battery electric vehicle by a third party.

(D) A qualified alternative fuel vehicle is a vehicle that:

(1) operates on compressed natural gas, liquefied natural gas, liquefied petroleum gas or hydrogen; and

(2) is procured as an alternative fuel motor vehicle from an original equipment manufacturer or is converted to operate on a qualified alternative fuel by a third party vendor who possesses a current and legal Certificate of Conformity from the Environmental Protection Agency’s Office of Transportation and Air Quality specific to the qualified alternative fuel vehicle.

(E) The credit allowed by this section:

(1) is equal to one thousand dollars for qualified vehicles under 8,500 gross vehicle weight rating, except that the credit for an eligible vehicle conversion equals ten percent of the cost of the conversion or one thousand dollars, whichever is less; or

(2) available for ten percent or five thousand dollars, whichever is less, of the conversion costs or the incremental costs of a new qualified vehicle over 8,500 gross vehicle weight rating.

(F) Notwithstanding any other provision of this section, in order to qualify for the credit, the taxpayer must submit an application for the credit to the South Carolina Energy Office no later than the January thirty‑first immediately following the tax year in which the vehicle is purchased, leased, or converted. If the application is submitted prior to November first of the tax year in which the vehicle is purchased, leased, or converted, the State Energy Office shall notify the taxpayer whether the vehicle qualifies before the end of the tax year. If the application is submitted after November first of the tax year in which the vehicle is purchased, leased, or converted, the State Energy Office shall notify the taxpayer whether the vehicle qualifies by March first of the next year. A taxpayer may claim the credit for the taxable year in which the vehicle is purchased, leased, or converted.

(G) A taxpayer cannot claim this credit and the credit under Section 12‑6‑3377 for the same vehicle.

(H) The credit allowed by this section may be carried forward for five years.

(I) The credit allowed by this section is not allowed for purchases or conversions made after December 31, 2020.”

SECTION 3. Section 1‑11‑220 of the 1976 Code, as last amended by Act 203 of 2008, is further amended by adding an appropriately lettered item at the end to read:

“( ) to promote the use of clean, domestic, and efficient fuels.”

SECTION 4. Section 1‑11‑310(H) of the 1976 Code, as added by Act 203 of 2008, is further amended to read:

“(H) Preference in purchasing state motor vehicles must be given to hybrid, plug‑in hybrid, ~~bio‑diesel~~ biodiesel, hydrogen, fuel cell, compressed natural gas, liquefied natural gas, liquefied petroleum gas, battery electric, or flex‑fuel vehicles when the performance, quality, and anticipated life cycle costs are comparable to other available motor vehicles.”

SECTION 5. Section 1‑11‑315 of the 1976 Code, as added by Act 449 of 1992, is amended to read:

“Section 1‑11‑315. ~~The State Budget and Control Board Division of Motor Vehicle Management shall determine the extent to which the state vehicle fleet can be configured to operate on alternative transportation fuels. This determination must be based on a thorough evaluation of each alternative fuel and the feasibility of using such fuels to power state vehicles. The state fleet must be configured in a manner that will serve as a model for other corporate and government fleets in the use of alternative transportation fuel. By March 1, 1993, the Division of Motor Vehicle Management must submit a plan to the General Assembly for the use of alternative transportation fuels for the state vehicle fleet that will enable the state vehicle fleet to serve as a model for corporate and other government fleets in the use of alternative transportation fuel. This plan must contain a cost/benefit analysis of the proposed changes.~~ The state fleet must be configured in a manner that will serve as a model for other government and private sector fleets in the use of alternative fuel vehicles and promote the use of clean, domestic, and efficient fuels. On or before January 1, 2014, the State Budget and Control Board’s Fleet Management Office shall establish a plan providing for the replacement of state‑owned or operated vehicles with vehicles that operate using hybrid, plug‑in hybrid, biodiesel, hydrogen, fuel cell, compressed natural gas, liquefied natural gas, liquefied petroleum gas, battery electric, or flex‑fuel, to the greatest extent practicable, considering available infrastructure, the location and use of vehicles, capital and operating costs, and potential for fuel savings. The plan must provide for a proposed timeline along with realistic goals and recommendations for implementation in South Carolina. The plan must contain a cost/benefit analysis of the proposed changes. The plan must be submitted to the General Assembly and the Governor.”

SECTION 6. Section 59‑67‑585 of the 1976 Code, as added by Act 79 of 2007, is amended to read:

“Section 59-67-585. The State Department of Education~~, when feasible,~~ shall ~~utilize biodiesel fuel as an energy source to power the state school bus fleet~~ provide a preference in purchasing for the state school bus fleet to hybrid, plug‑in hybrid, biodiesel, hydrogen, fuel cell, compressed natural gas, liquefied natural gas, liquefied petroleum gas, battery electric, or flex‑fuel school buses when the performance, quality, and anticipated life cycle costs are comparable to other available school buses.”

SECTION 7. This act takes effect upon approval by the Governor.

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