

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2001

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HOUSE BILL 1411

Short Title: Tax Incentives for Alternative Fuel Vehicles.

(Public)

Sponsors: Representatives Tolson; and Barefoot.

Referred to: Finance.

April 26, 2001

A BILL TO BE ENTITLED

AN ACT TO PROVIDE INCENTIVES TO INCREASE THE USE OF  
ALTERNATIVE FUEL VEHICLES IN PRIVATELY OWNED FLEETS.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 105-228.90(b) reads as rewritten:

"(b) Definitions. – The following definitions apply in this Article:

(1) ~~Charter school.~~—~~A nonprofit corporation that has a charter under G.S. 115C 238.29D to operate a charter school.~~

(1a) ~~City.~~—~~A city as defined by G.S. 160A 1(2). The term also includes an urban service district defined by the governing board of a consolidated city county, as defined by G.S. 160B 2(1).~~

(1b) ~~(See Editor's note) Code.~~—~~The Internal Revenue Code as enacted as of January 1, 2000, including any provisions enacted as of that date which become effective either before or after that date.~~

(1c) ~~County.~~—~~Any one of the counties listed in G.S. 153A 10. The term also includes a consolidated city county as defined by G.S. 160B 2(1).~~

(2) ~~Department.~~—~~The Department of Revenue.~~

(1) Alternative fuel. – Any of the following:

a. Electricity.

b. Natural gas either as compressed natural gas or liquefied natural gas.

c. Propane.

d. Hydrogen.

e. Ethanol or methanol either unmixed or in mixtures with gasoline that are seventy percent (70%) or more ethanol or methanol by volume.

f. Fuels derived from biological materials.

- 1           (2)    Alternative fuel vehicle. – A motor vehicle that has been developed for  
2           use, and is intended to be operated and propelled using, as fuel one or  
3           more alternative fuels. The term does not include any vehicle that can  
4           only be propelled using gasoline, reformulated gasoline, or diesel fuel.  
5           The term includes the following categories:  
6           a.     Bi-fuel vehicle. – A motor vehicle that can be propelled using  
7           alternative fuel and can be propelled using gasoline.  
8           b.     Dedicated vehicle. – A motor vehicle that can only be propelled  
9           using alternative fuel.  
10          c.     Flex vehicle. – A motor vehicle that can be propelled using fuel  
11          mixtures containing no more than fifteen percent (15%)  
12          gasoline.  
13          d.     Hybrid vehicle. – A motor vehicle that is propelled using an  
14          electric motor that in turn derives its energy from an engine  
15          combusting an alternative fuel, gasoline, or diesel fuel.  
16          (3)    Charter school. – A nonprofit corporation that has a charter under G.S.  
17          115C-238.29D to operate a charter school.  
18          (4)    City. – A city as defined by G.S. 160A-1(2). The term also includes an  
19          urban service district defined by the governing board of a consolidated  
20          city-county, as defined by G.S. 160B-2(1).  
21          (5)    Code. – The Internal Revenue Code as enacted as of January 1, 2000,  
22          including any provisions enacted as of that date which become  
23          effective either before or after that date.  
24          (6)    County. – Any one of the counties listed in G.S. 153A-10. The term  
25          also includes a consolidated city-county as defined by G.S. 160B-2(1).  
26          (7)    Department. – The Department of Revenue.  
27          (3) (8) Electronic Funds Transfer. – A transfer of funds initiated by using an  
28          electronic terminal, a telephone, a computer, or magnetic tape to  
29          instruct or authorize a financial institution or its agent to credit or debit  
30          an account.  
31          (4) (9) Reserved.  
32          (5) (10) Person. – An individual, a fiduciary, a firm, an association, a  
33          partnership, a limited liability company, a corporation, a unit of  
34          government, or another group acting as a unit. The term includes an  
35          officer or employee of a corporation, a member, a manager, or an  
36          employee of a limited liability company, and a member or employee of  
37          a partnership who, as officer, employee, member, or manager, is under  
38          a duty to perform an act in meeting the requirements of Subchapter I,  
39          V, or VIII of this Chapter or of Article 3 of Chapter 119 of the General  
40          Statutes.  
41          (6) (11) Secretary. – The Secretary of Revenue.  
42          (7) (12) Tax. – A tax levied under Subchapter I, V, or VIII of this Chapter or  
43          an inspection tax levied under Article 3 of Chapter 119 of the General  
44          Statutes. Unless the context clearly requires otherwise, the terms 'tax'

1 and 'additional tax' include penalties and interest as well as the  
2 principal amount.

3 ~~(8)~~ (13) Taxpayer. – A person subject to the tax or reporting requirements of  
4 Subchapter I, V, or VIII of this Chapter or of Article 3 of Chapter 119  
5 of the General Statutes."

6 **SECTION 2.** G.S. 105-187.6(a) is amended by adding a new subdivision to  
7 read:

8 "**§ 105-187.6. Exemptions from highway use tax.**

9 (a) Full Exemptions. – The tax imposed by this Article does not apply when a  
10 certificate of title is issued as the result of a transfer of a motor vehicle:

11 ...  
12 (9) That is an alternative fuel vehicle."

13 **SECTION 3.** G.S. 105-275 is amended by adding a new subdivision to read:

14 "**§ 105-275. Property classified and excluded from the tax base.**

15 The following classes of property are hereby designated special classes under  
16 authority of Article V, Sec. 2(2), of the North Carolina Constitution and shall not be  
17 listed, appraised, assessed, or taxed:

18 ...  
19 (5b) An alternative fuel vehicle as defined in G.S. 105-228.90."

20 **SECTION 4.** G.S. 105-449.106 reads as rewritten:

21 "**§ 105-449.106. Quarterly refunds for certain local governmental entities,  
22 nonprofit organizations, taxicabs, and special mobile equipment-  
23 equipment, and alternative fuel vehicles.**

24 (a) Government and Nonprofits. – A local governmental entity or a nonprofit  
25 organization listed below that purchases and uses motor fuel may receive a quarterly  
26 refund, for the excise tax paid during the preceding quarter, at a rate equal to the amount  
27 of the flat cents-per-gallon rate plus the variable cents-per-gallon rate in effect during  
28 the quarter for which the refund is claimed, less one cent (1¢) per gallon.

29 An application for a refund allowed under this subsection must be made in  
30 accordance with this Part and must be signed by the chief executive officer of the entity.  
31 The chief executive officer of a nonprofit organization is the president of the  
32 organization or another officer of the organization designated in the charter or bylaws of  
33 the organization.

34 Any of the following entities may receive a refund under this subsection:

- 35 (1) A county or a municipal corporation.  
36 (2) A private, nonprofit organization that transports passengers under  
37 contract with or at the express designation of a unit of local  
38 government.  
39 (3) A volunteer fire department.  
40 (4) A volunteer rescue squad.  
41 (5) A sheltered workshop recognized by the Department of Health and  
42 Human Services.

43 (b) Taxi. – A person who purchases and uses motor fuel in a taxicab, as defined  
44 in G.S. 20-87(1), while the taxicab is engaged in transporting passengers for hire, or in a

1 bus operated as part of a city transit system that is exempt from regulation by the North  
2 Carolina Utilities Commission under G.S. 62-260(a)(8), may receive a quarterly refund,  
3 for the excise tax paid during the preceding quarter, at a rate equal to the flat  
4 cents-per-gallon rate plus the variable cents-per-gallon rate in effect during the quarter  
5 for which the refund is claimed, less one cent (1¢) per gallon. An application for a  
6 refund must be made in accordance with this Part.

7 (c) Special Mobile Equipment. – A person who purchases and uses motor fuel to  
8 operate special mobile equipment off-highway may receive a quarterly refund, for the  
9 excise tax paid during the preceding quarter, at a rate equal to the flat cents-per-gallon  
10 rate plus the variable cents-per-gallon rate in effect during the quarter for which the  
11 refund is claimed, less the amount of sales and use tax due on the fuel under this  
12 Chapter, as determined in accordance with G.S. 105-449.107(c). An application for a  
13 refund must be made in accordance with this Part.

14 (d) Alternative Fuel Vehicles. – A person who purchases and uses motor fuel to  
15 operate an alternative fuel vehicle may receive a quarterly refund, for the excise tax paid  
16 during the preceding quarter, at a rate equal to the flat cents-per-gallon rate plus the  
17 variable cents-per-gallon rate in effect during the quarter for which the refund is  
18 claimed. An application for a refund must be made in accordance with this Part."

19 **SECTION 5.** Chapter 105 of the General Statutes is amended by adding a  
20 new Article to read:

21 "Article 3E.

22 "Alternative Fuel Vehicles Tax Credits.

23 "**§ 105-129.40. Credit for alternative fuel vehicles.**

24 Credit. – A taxpayer who purchases an alternative fuel vehicle and places it in  
25 service in this State is allowed a credit against the tax imposed by Article 4 of this  
26 Chapter. The credit allowed by this section is equal to the following:

- 27 (1) Fifty percent (50%) of the total purchase price or the total lease  
28 payment of a dedicated vehicle.
- 29 (2) Thirty percent (30%) of the total purchase price or the total lease  
30 payment of a bi-fuel vehicle or hybrid vehicle.
- 31 (3) Ten percent (10%) of the total purchase price or the total lease  
32 payment of a flex vehicle.

33 "**§ 105-129.41. Credit for alternative fuel vehicle fueling facilities.**

34 (a) Credit. – A taxpayer that constructs in this State a facility for refueling or  
35 recharging alternative fuel vehicles is allowed a credit against the tax imposed by  
36 Article 4 of this Chapter. The credit allowed by this section is equal to the following:

- 37 (1) For publicly accessible refueling or recharging facilities, one hundred  
38 percent (100%) of the purchase and installation costs of machinery and  
39 equipment for the facility.
- 40 (2) For private refueling or recharging facilities, fifty percent (50%) of the  
41 purchase and installation cost of machinery and equipment for the  
42 facility.

43 (b) Cap. – The total amount of credit allowed to a taxpayer under subsection (a)  
44 of this section may not exceed one million dollars (\$1,000,000) in any taxable year.

1 **"§ 105-129.42. Credit for residential alternative fuel vehicle fueling appliances.**

2 (a) Definition. – For the purposes of this section, a 'residential alternative fuel  
3 vehicle fueling appliance' is equipment that is used to refuel or recharge an alternative  
4 fuel vehicle and that is suitable for use in a residential setting.

5 (b) Credit. – A taxpayer that purchases and places into service in this State a  
6 residential alternative fuel vehicle fueling appliance is allowed a credit against the tax  
7 imposed by Article 4 of this Chapter equal to the purchase and installation cost of the  
8 residential alternative fuel vehicle fueling appliance.

9 (c) Cap. – The credit allowed by this section may not exceed the applicable caps  
10 provided in this subsection:

11 (1) For residential alternative fuel vehicle fueling appliances placed in  
12 service in single-family residences, a cap of five thousand dollars  
13 (\$5,000) per taxable year.

14 (2) For residential alternative fuel vehicle fueling appliances placed in  
15 service in multifamily residences, a cap equal to the lesser of the  
16 following:

17 a. Five thousand dollars (\$5,000) multiplied by the lesser of the  
18 number of residential units and the number of vehicles that may  
19 be refueled or recharged by the appliance simultaneously.

20 b. Thirty thousand dollars (\$30,000).

21 **"§ 105-129.43. Credit for worker training.**

22 (a) Credit. – A taxpayer that provides worker training for its employees during  
23 the taxable year to maintain alternative fuel vehicles or alternative fuel vehicle fueling  
24 facilities is allowed a credit against the tax imposed by Article 4 of this Chapter equal to  
25 the sum of the wages paid to the eligible employees during the training and the  
26 instructional costs of the training. Wages paid to an employee performing his or her job  
27 while being trained are not eligible for the credit.

28 (b) Cap. – The credit allowed under this section may not exceed ten thousand  
29 dollars (\$10,000) in any taxable year.

30 **"§ 105-129.44. Sunset; carryforward.**

31 (a) This Article is repealed effective for taxable years beginning on or after  
32 January 1, 2011.

33 (b) The credits allowed by this Article may not exceed the amount of the tax  
34 imposed by Article 4 of this Chapter for the taxable year reduced by the sum of all  
35 credits allowable, except payments of tax made by or on behalf of the taxpayer. Any  
36 unused portion of the credit allowed under this section may be carried forward for the  
37 next succeeding 10 years."

38 **SECTION 6.** This act does not affect the rights or liabilities of the State, a  
39 taxpayer, or another person arising under a statute amended or repealed by this act  
40 before the effective date of its amendment or repeal; nor does it affect the right to any  
41 refund or credit of a tax that accrued under the amended or repealed statute before the  
42 effective date of its amendment or repeal.

43 **SECTION 7.** Section 2 of this act becomes effective October 1, 2001, and  
44 applies to certificates of title issued on or after that date. Section 2 of this act is repealed

1 effective for certificates of title issued on or after October 1, 2011. Section 3 of this act  
2 is effective for taxes imposed for taxable years beginning on or after October 1, 2001,  
3 and is repealed effective for taxes imposed for taxable years beginning on or after  
4 October 2, 2011. Section 4 of this act becomes effective July 1, 2001, and applies to fuel  
5 purchased on or after that date. Section 4 of this act is repealed effective for fuel  
6 purchased on or after July 1, 2011. Section 5 of this act is effective for taxable years  
7 beginning on or after January 1, 2001. The remainder of this act is effective when it  
8 becomes law.