



American Council for an Energy-Efficient Economy

# **Finance Incentives for Light-Duty and Heavy-Duty Vehicle Fleets**

**Shruti Vaidyanathan**  
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# Tax Incentives for Light-Duty Hybrid-Electric Vehicles

- Introduced in the Energy Policy Act of 2005 (EPACT) as part of a package that provides incentives for various advanced technology vehicles
  - Hybrid-electric
  - Diesel
  - Fuel cell
- Credit based on 2 performance measures
  - Fuel economy improvement
  - Gasoline conservation
- Vehicles qualify for a tax credit if their city fuel economy is at least 25% greater than the fuel economy of the model year 2002 baseline vehicle.
- Additionally, any advanced technology vehicle that will save more than 1,200 gallons over its lifetime qualifies for a conservation credit.
- Max. credit = \$3,400
- For non-taxpaying entities, credit goes to the dealer

# Tax Incentives for Light-Duty Hybrid-Electric Vehicles

- Limited number of credits available per manufacturer
- Program is scheduled to extend through 2010 but many automakers will run out of available credits before then
- Credit begins to phase out once a manufacturers sells 60,000 advanced technology vehicles

<b>Phased Out</b>	
Toyota/Lexus	Phased out Oct 1, 2007
Honda	Phased out Jan 1, 2009
<b>Partially Phased out</b>	
Ford/Mercury	Hit 60,000 mark in last QTR 2008. Currently at 50% of original credit allocation
<b>Still in Effect</b>	
Chrysler	Phase-out date TBD
General Motors	Phase-out date TBD
Nissan	Phase-out date TBD

# Tax Incentives for Light-Duty Plug-In Hybrid Vehicles

Introduced under the *Emergency Economic Stabilization Act of 2008*

## ***New Vehicles***

- Credits are available for the first 200,000 plug-in hybrid vehicles sold by each manufacturer
- Credits start at \$2,500
- To qualify, plug-in hybrids must have at least 4kw of battery power on board.
- 1kw = additional \$417 tax credit
- Maximum credit of \$7,500 for passenger vehicles
- Heavier commercial vehicles can earn a maximum of \$15,000 in tax credits

## ***Retrofits***

- Tax credits are also available for plug-in drive conversion kits.
- The credit will cover 10% of the cost of converting a vehicle to a qualified plug-in
- Max credit: \$4,000

Credits expire December 31, 2014

# Tax Incentives for Heavy-Duty Hybrid-Electric Vehicles

## *Program*

- Commercial vehicles bought before December 31, 2009 qualify for tax credits
- Credit depends on
  - Weight class of the vehicle
  - Fuel economy – relative to conventional
  - Incremental cost
- Fraction of the incremental cost that the credit will cover is determined by the fuel economy improvement of the hybrid relative to the closest conventional vehicle

Gross Vehicle Weight Rating (GVWR)	Maximum Qualified Incremental Cost
8,501-14,000 lbs	\$7,500
14,001-26,000 lbs	\$15,000
>26,000 lbs	\$30,000

Improvement in City Fuel Economy	Hybrid Credit as % of Total Incremental Cost
≥ 30% but < 40%	20%
≥ 40% but < 50%	30%
≥ 50%	40%

# Tax Incentives for Heavy-Duty Hybrid-Electric Vehicles

## *Progress*

- 9 heavy-duty vehicles presently qualify for a tax credit
- Credits range from \$3,000 - \$12,000
- Efforts are being made to extend the tax credit program beyond this year

## *Roadblocks to claiming Heavy-Duty Credit*

- No standard fuel economy test procedure in place for heavy-duty vehicles
  - Manufacturers need to assign fuel economy to vehicles using methodology “substantially similar” to the federal or California methodology
  - No viable method of comparison between vehicles
  - Fuel economy standards are currently being developed for HD vehicles
- Public fleets do not qualify for tax credits as non tax-paying entities
- Rebates are more likely to encourage fleet hybrid purchases
- Suggest a 5-year program with a large rebate available in the first year and subsequent smaller credits in the following years

# Alternative Sources of Funding for Hybrid and Electric Vehicle Purchases

## ***CURRENT***

- ***ARRA 2009 Stimulus Funding***
  - Money available for municipality purchase of alternative tech and fuel vehicles and accompanying infrastructure needs
- ***State Hybrid and Alternative Vehicle Tax Credits***
  - Certain states supplement federal tax incentives with their own set of credits for efficient vehicles
  - CO, CT, DC, LA, NM, OR, SC, WA all have state-wide incentive programs
- ***State Heavy-Duty Hybrid Grant Programs***
  - New York: limited program that funds up to 80% of the incremental cost
  - California: \$200 million/year voucher program as part of AB 118

## ***POTENTIAL***

- ***American Clean Energy and Security Act (ACES)***
  - Authorizes DOE to support the deployment of hybrid and other alternative tech vehicles through grants to municipalities and states. Not yet passed.



# ACEEE's Green Book® Online

- ACEEE's annual ranking of current consumer vehicles
- Give vehicles a score of 0-100 based on:
  - Fuel economy
  - Greenhouse gas emissions
  - Criteria pollutant emissions
- Highlights best scoring vehicles by class – provides easy comparison to other similar vehicles
- Allows for identification of the most efficient vehicle that still suits individual needs

PRIUS (Model Year 2009)							
Specs	Emission Standard <sup>†</sup>	MPG: City	MPG: Hwy	Green Score <sup>†</sup>	Class Ranking <sup>†</sup>	Details	Compare
1.5L 4, auto CVT	PZEV / Bin 3	48	45	53	<b>Superior</b>	<a href="#">Details</a>	<a href="#">Compare</a>

# Contact Information

Shruti Vaidyanathan

Tax Incentive Assistance Program (TIAP)

American Council for an Energy-Efficient Economy

[svaidyanathan@aceee.org](mailto:svaidyanathan@aceee.org)

(202) 507 4021