EXHIBIT D

Department of Finance and Administration

Legislative Impact Statement

Proposal: To Provide State Income Tax Credits for Qualified Clean-burning Motor Vehicles and Property

Requestor: Legislative Task Force on Sustainable Building Design and Practices

Basic Change: The proposal would provide one-time income tax credits for investments in qualified clean-burning motor vehicles and qualified clean-burning fuel properties. The income tax credits would apply to properties placed into service on and after January 1, 2015. The proposal would provide income tax credits for the following acquisitions:

For Qualified Clean -burning Motor Vehicles

1. New equipment installed to modify a motor vehicle propelled by gasoline or diesel fuel so that it may be propelled by compressed natural gas (CNG), liquefied natural gas (LNG), liquefied petroleum gas (LPG), or a hydrogen fuel cell (HFC). The income credit would be equal to 50 percent of the cost of the modifying equipment.

2. Motor vehicles originally equipped to be propelled by CNG, LNG, LPG, or a HFC but only for the portion of the motor vehicle's cost attributable to the storage of the fuel; delivery of the fuel to the engine; and to the exhaust system for gases resulting from the combustion of the fuel. The credit would be equal to 50 percent of the cost for these specific components of the motor vehicle.

For Qualified Electric Motor Vehicles

3. Motor vehicles originally equipped to be propelled only by electricity and motor vehicles powered by electricity and also equipped with an internal combustion engine. The income credit would be equal to 50 percent of the cost of vehicles propelled only by electricity and 50 percent of the costs attributable to the propulsion by electricity for motor vehicles also equipped with an internal combustion engine.

For Property

4. Qualified Clean Burning Fuel Property, EXCLUDING buildings and structural components, which directly related to the delivery of CNG, LNG, LPG, or hydrogen for commercial purposes or for a fee into the fuel tanks of motor vehicles that are propelled by such fuel. Property includes compression equipment and storage tanks used at the point of delivery of the fuel into motor vehicles. The income tax credit would equal to 75 percent of the cost of the qualifying property.

5. Qualified Clean-Burning Fuel Property that is directly related to the compression and delivery of natural gas from a private home, for noncommercial use, into fuel tank of a motor vehicle propelled by CNG. This property must be new and not previously used to

refuel a motor vehicle powered by natural gas. The income tax credit would equal the lesser of 50% of the cost of the qualified clean-burning fuel property or $2,500.00.

6. Qualified Electric Motor Vehicle Property defined as a metered-for-fee public access recharging system for motor vehicles propelled in whole or in part by electricity. The property must be new and not previously used to refuel vehicles powered by CNG, LNG, LPG, hydrogen, or electricity. The income tax credit would equal 75 percent of the cost of the qualified electric motor vehicle property.

The proposed income tax credits are similar to those implemented in the State of Oklahoma.

Revenue Impact:

Annual Estimated Loss to State General Revenues

$54.6 M – If Credit is equal to 50% for Qualified Clean-Burning Motor Vehicles, 75% for Qualifying properties, and $2,500 maximum amount for home fueling stations

$32.9 M - If Credit is equal to 30% for Qualified Clean-Burning Motor Vehicles, 50% for Qualifying properties, and $2,500 maximum amount for home fueling stations

$11.1 M - If Credit is equal to 10% for Qualified Clean-Burning Motor Vehicles, 25% for Qualifying properties, and $2,500 maximum amount for home fueling stations

[Revenue impact is based on industry analysis conducted by DFA Office of Economic Analysis and Tax Research.]

TYPE OF MV EQUIPMENT or PROPERTY/Proposed credit	Revenue Loss - If 50% Credit for MV	Revenue Loss - If 40% Credit for MV	Revenue Loss - If 30% Credit for MV	Revenue Loss - If 20% Credit for MV	Revenue Loss - If 10% Credit for MV	Revenue Loss - If 75% Credit for Property	Revenue Loss - If 50% Credit for Property	Revenue Loss - If 25% Credit for Property
1) MV modified with natural gas/hydrogen equipment -50%	3,150,000	2,520,000	1,890,000	1,260,000	630,000			
2) MV originally equipped for natural gas/hydrogen- 50%	1,315,250	1,052,200	789,150	526,100	263,050			
3) MV originally equipped for electricity -50%	48,795,000	39,036,000	29,277,000	19,518,000	9,759,000			
4) Property used to refuel natural gas commercially for fee -75%						1,125,000	750,000	375,000
5) Property used to refuel natural gas at home - 50%.$2500max						50,000	50,000	25,000
6) Property used for electric recharging with public access – 75%						225,000	150,000	75,000
TOTAL TAX CREDITS	53,260,250	42,608,200	31,956,150	21,304,100	10,652,050	1,400,000	950,000	475,000

Taxpayer Impact: Taxpayers would receive income tax credits for qualified clean-burning motor vehicles and property.

Resources Required:

Adequate resources currently exist for implementation.

Time Required:

90 days for computer systems modifications would be required

Procedural Change:

Educate staff of the law change.

Additional Comments:

Clarity is suggested regarding credits provided for electric vehicles. Eligible electric vehicles should clearly identify the type of motor vehicle that qualifies to prevent the unintended allowance of credits. The Oklahoma Court of Civil Appeals has determined that low-speed electric vehicles, or LSVs, were eligible for the Oklahoma tax credits. Generally the LSVs are off-road vehicles and in some cases included golf carts which entitled those purchases to the 50% income tax credit on their purchase. Existing Arkansas sales tax and motor vehicle registration laws define "motor vehicle" in Arkansas and should be used within any definition for this proposal.

The proposal does not limit or provide an alternative method for claiming the income tax credits if the purchaser can not substantiate the cost associated with the natural gas components or electric components of a motor vehicle. Oklahoma law provides an alternative method that provides if the purchaser does have this information from the motor vehicle manufacturer or seller, the credit is 10% of the total motor vehicle cost with the credit not to exceed $1,500 per vehicle.

The proposed language for qualified motor vehicle electric property states the eligible equipment is electric charging stations that meter electricity for free. Oklahoma code provisions provide income tax credits for electric charging station equipment that provide electricity that is provided and metered for a fee.

The proposed credits allowed for expenses associated with converting a vehicle to operate on natural gas needs clarification regarding eligible costs. As proposed, it is not clear if the credits would be based only on the equipment costs or the total of the costs for the equipment and the labor to install the equipment.

Oklahoma tax credits provided for the purchase of qualified electric motor vehicles are no longer available. The eligible vehicles had to have been placed in service prior to July 1, 2010.