OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
RICK MILLER, DIRECTOR

PHONE (405) 521-3133
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October 23, 2013

Re: LR-13-019 Income Tax - Clean Burning Fuel Conversion Credit (68 O.S. § 2357.22)

Dear

This is in response to your inquiry dated March 19, 2013 wherein you requested a ruling concerning CNG Tax Credits. What follows is verbatim your facts and requested ruling and our response [redacted].

Facts:

On behalf of I would like to review with your office the possibility of deploying additional natural gas vehicles in the state of Oklahoma. currently operates approximately 100 CNG powered medium duty delivery vehicles out of our Oklahoma City operation. We are searching for opportunities to deploy heavy duty "on-highway" vehicles as well. In reviewing information on the Oklahoma AFV tax credit, it appears these vehicles would [redacted]fy for 50% credit on the incremental cost over a standard diesel. Such vehicles today cost [redacted]ximately $90,000 more than a standard diesel, when equipped to operate at approximately the same range and duty cycle. Prior to making commitments to vehicle manufacturers and/or [redacted]structure upgrades, we would need to know these vehicles do indeed qualify and we would [redacted]le to deploy up to 40 such vehicles, as well as additional medium duty as infrastructure [redacted]ts. We would appreciate your assurance that credits would apply under regulation 2357.22 [redacted]68.

[redacted]e:

In order to qualify for this tax credit, the equipment used to modify a standard diesel vehicle to a CNG vehicle must qualify as clean-burning motor vehicle fuel property as defined in 68 O.S. §2357.22(B)(1). Clean-burning motor vehicle fuel property is defined as equipment installed to modify a motor vehicle which is propelled by gasoline or diesel fuel so that the vehicle may be propelled by a hydrogen fuel cell, compressed natural gas, liquefied natural gas or liquefied petroleum gas. It is also required that the equipment is new and has not been previously used to

modify or retrofit any vehicle propelled by gasoline or diesel fuel. According the OAC 710:50-15-81, no qualified establishment, nor its contractors or subcontractors, that has received or is receiving an incentive payment pursuant to Section 3601 et seq. of the Oklahoma Statutes, (Oklahoma Quality Jobs Program Act), or Section 3901 et seq. of the Oklahoma Statutes, (Small Employer Quality Jobs Program Act), shall be eligible to receive the credit for qualified clean-burning motor vehicle fuel property in connection with the activity and establishment for which incentive payments have been, or are being received.

As long as the equipment is new and has not been previously used to modify or retrofit any vehicle propelled by gasoline or diesel fuel, equipment used to modify a standard diesel vehicle to a CNG vehicle does qualify as clean-burning motor vehicle fuel property. Pursuant to 68 O.S. §2357.22(E)(1), fifty percent (50%) of the cost of the qualified clean-burning motor fuel property may be claimed as a credit against income tax imposed by 68 O.S. §2355. There is no limit to the number of vehicles that may be converted.

This response applies only to the circumstances set out in your request dated March 19, 2013. Pursuant to Commission Rule 710:1-3-73(e), this Letter Ruling may be generally relied upon **only** by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law.

Please be advised that the issuance of this ruling does not preclude the Oklahoma Tax Commission from conducting an audit or examination under 68 Okla. Stat. §206 of any report or return claiming a credit for the transactions outlined in this letter ruling. The Commission reserves the right to issue any assessment, correction, or adjustment authorized under 68 Okla. Stat. §221.

If I can be of further assistance, please feel free to call me at (405) 521-3133.

Sincerely,

OKLAHOMA TAX COMMISSION

Michael C. Kaufmann

Michael C. Kaufmann
Tax Policy Analyst