

Issue 3: Extend federal tax credits for propane vehicles, propane refueling infrastructure, and propane used as a motor fuel.

Background: Propane is a clean, reliable, viable and domestically produced alternative fuel. In 2005, Congress passed energy and highway bills to establish significant tax incentives for propane and other alternative fuels to stimulate their use in motor vehicles to reduce our dependence on foreign oil and reduce environmental impacts associated with gasoline and diesel fuel use. The 2005 laws provided the following tax credits for propane:

- **Propane Vehicle Credits** – Applies to consumers who purchase vehicles that operate exclusively on propane. Both OEM or converted vehicles qualify. Credit amount depends on vehicle weight/class and vehicle's emissions. Credit applies to vehicles placed in service after December 31, 2005 and before January 1, 2011.
- **Propane Refueling Infrastructure Credits** – Provides a tax credit amounting to 30% of the cost of a fueling station not to exceed \$30,000 per station. Credit is available for property placed in service after December 31, 2005 and before January 1, 2010.
- **Propane Fuel Credits** – A 50 cent per gallon credit for propane sold for use in motor vehicles. Credit is available to propane retailers for fuel sold after September 30, 2006 and before October 1, 2009.

NPGA strongly believes the current tax credits are proving effective in stimulating the use of the alternative motor fuels such as propane. However, we believe that **the credits need to be in place beyond the current expiration dates** to firmly establish the propane vehicle market. Congress should not wait until the credits are about to expire. Such market uncertainty would undermine the effectiveness of the incentives and discourage the investments that Congress wants the private sector to make in alternative fuels. Only in this way will we be able to build the propane vehicle industry and create the economies of scale necessary to make propane vehicles viable and competitive.

Status: Alternative fuel tax credit extensions have been included in different variations on different legislative vehicles, but none of these provisions has been signed into law. We expect that other legislative vehicles will become available during this session of Congress for purposes of extending these tax credits.

The Ask: Congress should extend the federal tax credits related to alternative fuel vehicles, refueling infrastructure and fuel through 2012 at a minimum.