ISSUE BRIEF

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Extend Alternative Fuel Tax Credits

__The Issue__: Propane is the world's third most prevalent motor fuel after gasoline and diesel. Nearly 200,000 vehicles in the United States currently run on propane. Favorable tax provisions that encourage consumers to adopt alternative fuels such as propane aid in the continued investment in these clean vehicles. A long-term extension of alternative fuel tax credits is essential to the growth of propane as an alternative fuel.

__Background__: The Alternative Fuel Tax Credit, which provides a 37 cent per gallon credit on the sale of propane when used in motor vehicles (including forklifts), and **the Alternative Fuel Infrastructure Tax Credit,** which provides an income tax credit equal to 30% of the cost of qualified alternative fuel vehicle refueling property, expired on December 31, 2021.

The alternative fuel tax credits have incentivized alternative fuel use, increased consumers' buying-power, and created a clean, domestic, and economical alternative to gasoline and diesel. Public and private vehicles that run on propane are gaining increased market acceptance, particularly with fleet businesses and local governments. These credits provide the opportunity to choose a cleaner and more economical alternative to traditional gasoline and diesel, which lowers greenhouse emissions and lessens U.S. dependence on foreign oil.

Propane engines produce 12% fewer CO_2 emissions, 20% fewer NO_X emissions, and 60% fewer CO emissions than gasoline engines. They also produce 80% fewer smog-producing hydrocarbon emissions and 90% fewer NO_X emissions than diesel engines.[1] These environmental and health benefits have encouraged the adoption of propane in a critical marketplace – school buses. In addition to cleaner air, propane-powered buses are 50% quieter than their diesel counterparts. Propane not only provides benefits in the transportation sector but also offers more environmentally-conscious landscape equipment.

Increased adoption of propane vehicles benefits the environment and allows American companies to utilize a domestically-produced fuel creating and sustaining jobs in the United States. Propane production – 80% of which is a product of natural gas processing – is soaring as part of the boom in American natural gas and crude oil production. The United States is now a net exporter of propane, and domestic sources of propane are capable of handling 100% of our country's demand.

Currently, the GREEN Act, a proposed tax package created by the Ways and Means Committee includes a one-year extension of the Alternative Fuel Tax Credit, with a three-year phasedown.

A straight long-term extension without a phasedown, preferably for at least two years, would provide significant certainty to customers – both the public sector and private sector – considering buying alternative fuel vehicles. Additional extensions should be considered until EVs in the medium- and heavy-duty market address existing performance issues and become affordable for all consumers and businesses. Extending these tax credits is not only solid public policy but would be great news for the environment, the economy, and consumers.

__The Ask__: Support a long-term extension (at least five years) of the Alternative Fuel Tax Credit and the Alternative Fuel Refueling Infrastructure Tax Credit.

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[1] In-Use Emissions and Performance Testing of Propane-Fueled Engines (PERC Docket 20893). (2019, July). Center for Alternative Fuels, Engines, and Emissions - West Virginia University.