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By: **Senator Giannetti**

Introduced and read first time: March 7, 2005

Assigned to: Rules

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A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Vehicle Technology Tax Credit**

3 FOR the purpose of requiring an addition modification under the Maryland income  
4 tax on individuals and corporations for certain amounts deducted for federal  
5 income tax purposes for which a certain credit is claimed; providing for certain  
6 credits against the State income tax for the cost of certain motor vehicles  
7 incurred by an individual or corporation; providing that unused credits may be  
8 carried forward to certain taxable years; establishing the basis of certain  
9 property for State income tax purposes; limiting certain credits to certain  
10 amounts; providing that certain credits may not be claimed for certain motor  
11 vehicles placed in service after certain taxable years; providing for the phaseout  
12 of certain credits under certain circumstances; requiring the Secretary of  
13 Transportation to provide for certain notice to be displayed on certain motor  
14 vehicles sold at retail; requiring the Secretary of Transportation and the  
15 Secretary of the Environment to adopt certain standards of eligibility for certain  
16 tax credits; authorizing the Secretary of Transportation and the Secretary of the  
17 Environment to adopt certain standards necessary to carry out this Act; defining  
18 certain terms; providing for the application of this Act; and generally relating to  
19 certain credits against the State income tax for the cost of certain motor  
20 vehicles.

21 BY repealing and reenacting, without amendments,  
22 Article - Tax - General  
23 Section 10-205(a) and 10-306(a)  
24 Annotated Code of Maryland  
25 (2004 Replacement Volume)

26 BY adding to  
27 Article - Tax - General  
28 Section 10-205(j) and 10-725  
29 Annotated Code of Maryland  
30 (2004 Replacement Volume)

31 BY repealing and reenacting, with amendments,

1 Article - Tax - General  
2 Section 10-306(b)  
3 Annotated Code of Maryland  
4 (2004 Replacement Volume)

5 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
6 MARYLAND, That the Laws of Maryland read as follows:

7 **Article - Tax - General**

8 10-205.

9 (a) In addition to the modification under § 10-204 of this subtitle, the  
10 amounts under this section are added to the federal adjusted gross income of a  
11 resident to determine Maryland adjusted gross income.

12 (J) THE ADDITION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES THE  
13 AMOUNT DEDUCTED FOR FEDERAL INCOME TAX PURPOSES UNDER THE INTERNAL  
14 REVENUE CODE FOR THE COST OF ANY PROPERTY FOR WHICH A CREDIT IS CLAIMED  
15 UNDER § 10-725 OF THIS TITLE.

16 10-306.

17 (a) In addition to the modification under § 10-305 of this subtitle, the  
18 amounts under this section are added to the federal taxable income of a corporation to  
19 determine Maryland modified income.

20 (b) The addition under subsection (a) of this section includes the additions  
21 required for an individual under:

22 (1) § 10-205(b) of this title (Enterprise zone wage credit, employment  
23 opportunity credit, and disability credit);

24 (2) § 10-205(c) of this title (Reforestation and timber stand  
25 modification);

26 (3) § 10-205(e) of this title (Net operating loss modification);

27 (4) § 10-205(g) of this title (Unlicensed child care facility operating  
28 expenses); [and]

29 (5) § 10-205(i) of this title (Maryland research and development tax  
30 credit); AND

31 (6) § 10-205(J) OF THIS TITLE (FEDERAL DEDUCTION FOR PROPERTY FOR  
32 WHICH A CREDIT IS CLAIMED UNDER § 10-725 OF THIS TITLE).

1 10-725.

2 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
3 INDICATED.

4 (2) "75/25 MIXED-FUEL VEHICLE" MEANS A MIXED-FUEL VEHICLE THAT  
5 OPERATES USING AT LEAST 75% ALTERNATIVE FUEL AND NO MORE THAN 25%  
6 PETROLEUM-BASED FUEL.

7 (3) "90/10 MIXED-FUEL VEHICLE" MEANS A MIXED-FUEL VEHICLE THAT  
8 OPERATES USING AT LEAST 90% ALTERNATIVE FUEL AND NO MORE THAN 10%  
9 PETROLEUM-BASED FUEL.

10 (4) "ALTERNATIVE FUEL" MEANS COMPRESSED NATURAL GAS,  
11 LIQUIFIED NATURAL GAS, LIQUIFIED PETROLEUM GAS, HYDROGEN, OR ANY LIQUID  
12 CONSISTING OF AT LEAST 85% METHANOL.

13 (5) "COMPARABLE VEHICLE" MEANS ANY VEHICLE THAT IS  
14 COMPARABLE IN WEIGHT, SIZE, AND USE TO A NEW HYBRID MOTOR VEHICLE AND  
15 THAT IS POWERED SOLELY BY A GASOLINE OR DIESEL INTERNAL COMBUSTION  
16 ENGINE.

17 (6) "CONSUMABLE FUEL" MEANS ANY SOLID, LIQUID, OR GASEOUS  
18 MATTER THAT RELEASES ENERGY WHEN CONSUMED BY AN AUXILIARY POWER UNIT.

19 (7) "INCREMENTAL COST" MEANS THE AMOUNT BY WHICH THE  
20 MANUFACTURER'S SUGGESTED RETAIL PRICE FOR A NEW ALTERNATIVE FUEL  
21 MOTOR VEHICLE EXCEEDS THE PRICE OF A GASOLINE OR DIESEL FUEL MOTOR  
22 VEHICLE OF THE SAME MODEL, LIMITED TO:

23 (I) \$5,000 IF THE VEHICLE HAS A GROSS VEHICLE WEIGHT OF NOT  
24 MORE THAN 8,500 POUNDS;

25 (II) \$10,000 IF THE VEHICLE HAS A GROSS VEHICLE WEIGHT OF AT  
26 LEAST 8,501 POUNDS BUT NOT MORE THAN 14,000 POUNDS;

27 (III) \$25,000 IF THE VEHICLE HAS A GROSS VEHICLE WEIGHT OF AT  
28 LEAST 14,001 POUNDS BUT NOT MORE THAN 26,000 POUNDS; AND

29 (IV) \$40,000 IF THE VEHICLE HAS A GROSS VEHICLE WEIGHT OF AT  
30 LEAST 26,001 POUNDS.

31 (8) "LIFETIME FUEL SAVINGS" MEANS AN AMOUNT EQUAL TO THE  
32 EXCESS, IF ANY, OF:

33 (I) 120,000 DIVIDED BY THE 2002 MODEL YEAR CITY FUEL  
34 ECONOMY FOR A QUALIFIED MOTOR VEHICLE'S INERTIA WEIGHT CLASS; OVER

35 (II) 120,000 DIVIDED BY THE QUALIFIED MOTOR VEHICLE'S CITY  
36 FUEL ECONOMY.

1 (9) "MAXIMUM AVAILABLE POWER" MEANS:

2 (I) IN THE CASE OF A PASSENGER AUTOMOBILE OR LIGHT TRUCK  
3 WITH A GROSS VEHICLE WEIGHT OF NOT MORE THAN 8,500 POUNDS, THE MAXIMUM  
4 POWER AVAILABLE FROM THE RECHARGEABLE ENERGY STORAGE SYSTEM DURING  
5 A STANDARD 10 SECOND PULSE POWER OR EQUIVALENT TEST, DIVIDED BY THE  
6 MAXIMUM POWER AND THE SAE NET POWER OF THE HEAT ENGINE; OR

7 (II) IN THE CASE OF A MOTOR VEHICLE TO WHICH ITEM (I) OF THIS  
8 PARAGRAPH DOES NOT APPLY, THE MAXIMUM POWER AVAILABLE FROM THE  
9 RECHARGEABLE ENERGY STORAGE SYSTEM DURING A STANDARD 10 SECOND PULSE  
10 POWER OR EQUIVALENT TEST, DIVIDED BY THE VEHICLE'S TOTAL TRACTION POWER.

11 (10) "MIXED-FUEL VEHICLE" MEANS A QUALIFIED MOTOR VEHICLE THAT  
12 IS:

13 (I) CERTIFIED BY THE MANUFACTURER AS BEING ABLE TO  
14 PERFORM EFFICIENTLY IN NORMAL OPERATION ON A COMBINATION OF  
15 ALTERNATIVE FUEL AND PETROLEUM-BASED FUEL; AND

16 (II) 1. HAS RECEIVED A CERTIFICATE OF CONFORMITY UNDER  
17 THE FEDERAL CLEAN AIR ACT; OR

18 2. HAS RECEIVED CERTIFICATION THAT THE VEHICLE:

19 A. MEETS THE SAME REQUIREMENTS AS VEHICLES THAT  
20 MAY BE SOLD OR LEASED IN CALIFORNIA; AND

21 B. MEETS OR EXCEEDS THE LOW EMISSION VEHICLE  
22 STANDARD UNDER § 88.105-94 OF TITLE 40, CODE OF FEDERAL REGULATIONS, FOR  
23 THAT MAKE AND MODEL YEAR VEHICLE.

24 (11) "NEW ADVANCED LEAN BURN TECHNOLOGY MOTOR VEHICLE"  
25 MEANS A QUALIFIED MOTOR VEHICLE THAT IS A PASSENGER AUTOMOBILE OR A  
26 LIGHT TRUCK WITH AN INTERNAL COMBUSTION ENGINE THAT:

27 (I) IS DESIGNED TO OPERATE PRIMARILY USING MORE AIR THAN  
28 IS NECESSARY FOR THE COMPLETE COMBUSTION OF THE FUEL;

29 (II) INCORPORATES DIRECT INJECTION;

30 (III) ACHIEVES AT LEAST 125% OF THE 2002 MODEL YEAR CITY FUEL  
31 ECONOMY; AND

32 (IV) FOR 2005 AND LATER MODEL VEHICLES, HAS RECEIVED A  
33 CERTIFICATE THAT THE VEHICLE MEETS OR EXCEEDS:

34 1. IN THE CASE OF A VEHICLE HAVING A GROSS VEHICLE  
35 WEIGHT OF NOT MORE THAN 6,000 POUNDS, THE BIN 5 TIER II EMISSION STANDARD



1                   A.       IN THE CASE OF A PASSENGER AUTOMOBILE OR LIGHT  
2 TRUCK HAVING A GROSS VEHICLE WEIGHT OF 6,000 POUNDS OR LESS, THE BIN 5 TIER  
3 II EMISSION STANDARD ESTABLISHED IN REGULATIONS ADOPTED UNDER § 202(I) OF  
4 THE FEDERAL CLEAN AIR ACT FOR THAT MAKE AND MODEL YEAR VEHICLE; OR

5                   B.       IN THE CASE OF A PASSENGER AUTOMOBILE OR LIGHT  
6 TRUCK HAVING A GROSS VEHICLE WEIGHT OF AT LEAST 6,001 POUNDS BUT NOT  
7 MORE THAN 8,500 POUNDS, THE BIN 8 TIER II EMISSION STANDARD ESTABLISHED IN  
8 REGULATION ADOPTED UNDER § 202(I) OF THE FEDERAL CLEAN AIR ACT FOR THAT  
9 MAKE AND MODEL YEAR VEHICLE ;

10                   3.       HAS A MAXIMUM AVAILABLE POWER OF AT LEAST:

11                   A.       4% IN THE CASE OF A VEHICLE TO WHICH ITEM 2 OF THIS  
12 SUBPARAGRAPH APPLIES;

13                   B.       10% IN THE CASE OF A VEHICLE THAT HAS A GROSS  
14 VEHICLE WEIGHT OF AT LEAST 8,501 POUNDS BUT NOT MORE THAN 14,000 POUNDS;  
15 AND

16                   C.       15% IN THE CASE OF A VEHICLE THAT HAS A GROSS  
17 VEHICLE WEIGHT OF AT LEAST 14,001 POUNDS; AND

18                   4.       IN THE CASE OF A MOTOR VEHICLE TO WHICH ITEM 2 OF  
19 THIS SUBPARAGRAPH DOES NOT APPLY, HAS AN INTERNAL COMBUSTION ENGINE OR  
20 HEAT ENGINE THAT HAS RECEIVED A CERTIFICATE OF CONFORMITY UNDER THE  
21 FEDERAL CLEAN AIR ACT AS MEETING THE EMISSION STANDARDS SET IN THE  
22 REGULATIONS ADOPTED BY THE ADMINISTRATOR OF THE ENVIRONMENTAL  
23 PROTECTION AGENCY FOR 2005 THROUGH 2008 MODEL YEAR DIESEL HEAVY DUTY  
24 ENGINES OR OTTOCYCLE HEAVY DUTY ENGINES, WHICHEVER IS APPLICABLE.

25                   (II)     "NEW HYBRID MOTOR VEHICLE" DOES NOT INCLUDE A MOTOR  
26 VEHICLE OTHER THAN A PASSENGER AUTOMOBILE OR LIGHT TRUCK UNLESS THE  
27 MOTOR VEHICLE HAS A GROSS VEHICLE WEIGHT OF MORE THAN 8,500 POUNDS.

28                   (15)    "QUALIFIED INCREMENTAL HYBRID COST" MEANS THE AMOUNT BY  
29 WHICH THE MANUFACTURER'S SUGGESTED RETAIL PRICE FOR A NEW HYBRID  
30 MOTOR VEHICLE EXCEEDS THE PRICE FOR A COMPARABLE VEHICLE, LIMITED TO:

31                   (I)     \$7,500 IF THE VEHICLE HAS A GROSS VEHICLE WEIGHT OF NOT  
32 MORE THAN 14,000 POUNDS;

33                   (II)    \$15,000 IF THE VEHICLE HAS A GROSS VEHICLE WEIGHT OF AT  
34 LEAST 14,001 POUNDS BUT NOT MORE THAN 26,000 POUNDS; AND

35                   (III)   \$30,000 IF THE VEHICLE HAS A GROSS VEHICLE WEIGHT OF AT  
36 LEAST 26,001 POUNDS.

37                   (16)    "QUALIFIED MOTOR VEHICLE" MEANS A MOTOR VEHICLE ELIGIBLE  
38 FOR A CREDIT UNDER THIS SECTION THAT:

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- 1 (I) IS TITLED AND REGISTERED IN THE STATE;
- 2 (II) COMPLIES WITH STATE MOTOR VEHICLE SAFETY STANDARDS;
- 3 (III) IS USED FOR THE FIRST TIME BY THE TAXPAYER;
- 4 (IV) IS ACQUIRED BY THE TAXPAYER FOR USE OR LEASE, BUT NOT  
5 FOR RESALE; AND
- 6 (V) IS MADE BY A MANUFACTURER.

7 (17) "TOTAL TRACTION POWER" MEANS:

8 (I) THE SUM OF THE PEAK POWER FROM A RECHARGEABLE  
9 ENERGY STORAGE SYSTEM AND THE HEAT ENGINE PEAK POWER OF A HYBRID  
10 MOTOR VEHICLE; OR

11 (II) THE PEAK POWER OF THE RECHARGEABLE ENERGY STORAGE  
12 SYSTEM IF THE STORAGE SYSTEM IS THE ONLY MEANS BY WHICH THE HYBRID  
13 VEHICLE CAN BE DRIVEN.

14 (B) (1) AN INDIVIDUAL OR CORPORATION MAY CLAIM A CREDIT AGAINST  
15 THE STATE INCOME TAX AS PROVIDED UNDER THIS SECTION FOR THE COST OF A  
16 QUALIFIED MOTOR VEHICLE.

17 (2) IF THE CREDIT ALLOWED UNDER THIS SECTION EXCEEDS THE  
18 STATE INCOME TAX, ANY UNUSED CREDIT MAY BE CARRIED FORWARD AND APPLIED  
19 FOR SUCCEEDING TAXABLE YEARS UNTIL THE EARLIER OF:

20 (I) THE FULL AMOUNT OF THE CREDIT IS USED; OR

21 (II) THE EXPIRATION OF THE 10TH YEAR AFTER THE TAXABLE  
22 YEAR FOR WHICH THE CREDIT WAS ALLOWED.

23 (3) EXCEPT AS OTHERWISE PROVIDED IN THIS TITLE, FOR PURPOSES OF  
24 DETERMINING MARYLAND TAXABLE INCOME, THE BASIS OF PROPERTY WITH  
25 RESPECT TO WHICH THE CREDITS UNDER THIS SECTION ARE ALLOWED SHALL BE  
26 ITS BASIS FOR FEDERAL INCOME TAX PURPOSES.

27 (C) (1) AN INDIVIDUAL OR CORPORATION MAY CLAIM A CREDIT AGAINST  
28 THE STATE INCOME TAX IN AN AMOUNT EQUAL TO 10% OF THE COST OF A QUALIFIED  
29 ELECTRIC VEHICLE, AS DEFINED IN § 30 OF THE INTERNAL REVENUE CODE, THAT IS  
30 PLACED IN SERVICE BY THE INDIVIDUAL OR CORPORATION DURING THE TAXABLE  
31 YEAR.

32 (2) THE AMOUNT OF THE CREDIT MAY NOT EXCEED \$4,000 FOR ANY  
33 QUALIFIED ELECTRIC VEHICLE.

34 (D) (1) AN INDIVIDUAL OR CORPORATION MAY CLAIM A CREDIT AGAINST  
35 THE STATE INCOME TAX FOR THE COST OF A NEW FUEL CELL MOTOR VEHICLE  
36 PLACED IN SERVICE BY THE INDIVIDUAL OR CORPORATION DURING THE TAXABLE

1 YEAR IN THE AMOUNTS DETERMINED UNDER PARAGRAPHS (2) AND (3) OF THIS  
2 SUBSECTION.

3 (2) THE CREDIT ALLOWED UNDER THIS SUBSECTION MAY BE CLAIMED  
4 IN THE FOLLOWING AMOUNTS:

5 (I) \$4,000 IF THE VEHICLE'S GROSS VEHICLE WEIGHT IS NOT MORE  
6 THAN 8,500 POUNDS;

7 (II) \$10,000 IF THE VEHICLE'S GROSS VEHICLE WEIGHT IS AT LEAST  
8 8,501 POUNDS BUT NOT MORE THAN 14,000 POUNDS;

9 (III) \$20,000 IF THE VEHICLE'S GROSS VEHICLE WEIGHT IS AT LEAST  
10 14,001 POUNDS BUT NOT MORE THAN 26,000 POUNDS; OR

11 (IV) \$40,000 IF THE VEHICLE'S GROSS VEHICLE WEIGHT IS AT LEAST  
12 26,001 POUNDS.

13 (3) IF THE NEW FUEL CELL MOTOR VEHICLE IS A PASSENGER  
14 AUTOMOBILE OR LIGHT TRUCK, THE CREDIT ALLOWED UNDER PARAGRAPH (2) OF  
15 THIS SUBSECTION SHALL BE INCREASED BY AN ADDITIONAL CREDIT AMOUNT, AS  
16 FOLLOWS:

17 (I) \$1,000 IF THE VEHICLE ACHIEVES AT LEAST 150% BUT NOT  
18 MORE THAN 174% OF THE 2002 MODEL YEAR CITY FUEL ECONOMY;

19 (II) \$1,500 IF THE VEHICLE ACHIEVES AT LEAST 175% BUT NOT  
20 MORE THAN 199% OF THE 2002 MODEL YEAR CITY FUEL ECONOMY;

21 (III) \$2,000 IF THE VEHICLE ACHIEVES AT LEAST 200% BUT NOT  
22 MORE THAN 224% OF THE 2002 MODEL YEAR CITY FUEL ECONOMY;

23 (IV) \$2,500 IF THE VEHICLE ACHIEVES AT LEAST 225% BUT NOT  
24 MORE THAN 249% OF THE 2002 MODEL YEAR CITY FUEL ECONOMY;

25 (V) \$3,000 IF THE VEHICLE ACHIEVES AT LEAST 250% BUT NOT  
26 MORE THAN 274% OF THE 2002 MODEL YEAR CITY FUEL ECONOMY;

27 (VI) \$3,500 IF THE VEHICLE ACHIEVES AT LEAST 275% BUT NOT  
28 MORE THAN 299% OF THE 2002 MODEL YEAR CITY FUEL ECONOMY; OR

29 (VII) \$4,000 IF THE VEHICLE ACHIEVES AT LEAST 300% OF THE 2002  
30 MODEL YEAR CITY FUEL ECONOMY.

31 (4) THIS SUBSECTION DOES NOT APPLY TO ANY NEW FUEL CELL MOTOR  
32 VEHICLES PLACED IN SERVICE AFTER DECEMBER 31, 2013.

33 (E) (1) AN INDIVIDUAL OR CORPORATION MAY CLAIM A CREDIT AGAINST  
34 THE STATE INCOME TAX FOR THE COST OF ONE OF THE FOLLOWING QUALIFIED  
35 MOTOR VEHICLES PLACED IN SERVICE BY THE INDIVIDUAL OR CORPORATION



1 DURING THE TAXABLE YEAR IN THE AMOUNTS DETERMINED UNDER PARAGRAPHS  
2 (2) AND (3) OF THIS SUBSECTION:

3 (I) A NEW ADVANCED LEAN BURN TECHNOLOGY MOTOR VEHICLE;  
4 OR

5 (II) A NEW HYBRID MOTOR VEHICLE THAT IS A PASSENGER  
6 AUTOMOBILE OR LIGHT TRUCK WITH A GROSS VEHICLE WEIGHT OF NOT MORE THAN  
7 8,500 POUNDS.

8 (2) THE CREDIT ALLOWED UNDER THIS SUBSECTION MAY BE CLAIMED  
9 IN THE FOLLOWING AMOUNT:

10 (I) \$400 IF THE VEHICLE ACHIEVES AT LEAST 125% BUT NOT MORE  
11 THAN 149% OF THE 2002 MODEL YEAR CITY FUEL ECONOMY;

12 (II) \$800 IF THE VEHICLE ACHIEVES AT LEAST 150% BUT NOT MORE  
13 THAN 174% OF THE 2002 MODEL YEAR CITY FUEL ECONOMY;

14 (III) \$1,200 IF THE VEHICLE ACHIEVES AT LEAST 175% BUT NOT  
15 MORE THAN 199% OF THE 2002 MODEL YEAR CITY FUEL ECONOMY;

16 (IV) \$1,600 IF THE VEHICLE ACHIEVES AT LEAST 200% BUT NOT  
17 MORE THAN 224% OF THE 2002 MODEL YEAR CITY FUEL ECONOMY;

18 (V) \$2,000 IF THE VEHICLE ACHIEVES AT LEAST 225% BUT NOT  
19 MORE THAN 249% OF THE 2002 MODEL YEAR CITY FUEL ECONOMY; OR

20 (VI) \$2,400 IF THE VEHICLE ACHIEVES AT LEAST 250% OF THE 2002  
21 MODEL YEAR CITY FUEL ECONOMY.

22 (3) THE CREDIT ALLOWED UNDER PARAGRAPH (2) OF THIS SUBSECTION  
23 SHALL BE INCREASED BY THE FOLLOWING AMOUNT:

24 (I) \$250 IF THE VEHICLE'S LIFETIME FUEL SAVINGS IS AT LEAST  
25 1,200 GALLONS BUT NOT MORE THAN 1,799 GALLONS;

26 (II) \$500 IF THE VEHICLE'S LIFETIME FUEL SAVINGS IS AT LEAST  
27 1,800 GALLONS BUT NOT MORE THAN 2,399 GALLONS;

28 (III) \$750 IF THE VEHICLE'S LIFETIME FUEL SAVINGS IS AT LEAST  
29 2,400 GALLONS BUT NOT MORE THAN 2,999 GALLONS; OR

30 (IV) \$1,000 IF THE VEHICLE'S LIFETIME FUEL SAVINGS IS AT LEAST  
31 3,000 GALLONS.

32 (4) THIS SUBSECTION DOES NOT APPLY TO ANY NEW ADVANCED LEAN  
33 BURN TECHNOLOGY MOTOR VEHICLES OR ANY NEW HYBRID MOTOR VEHICLES  
34 PLACED IN SERVICE AFTER DECEMBER 31, 2009.

1 (F) (1) SUBJECT TO THE LIMITATIONS IN THIS SUBSECTION, AN  
2 INDIVIDUAL OR CORPORATION MAY CLAIM A CREDIT AGAINST THE STATE INCOME  
3 TAX IN THE AMOUNT DETERMINED UNDER PARAGRAPH (2) OF THIS SUBSECTION FOR  
4 THE COST OF A NEW HYBRID MOTOR VEHICLE:

5 (I) TO WHICH SUBSECTION (E) OF THIS SECTION DOES NOT APPLY;  
6 AND

7 (II) THAT IS PLACED IN SERVICE BY THE INDIVIDUAL OR  
8 CORPORATION DURING THE TAXABLE YEAR.

9 (2) THE AMOUNT OF THE CREDIT IS EQUAL TO THE PRODUCT OF THE  
10 QUALIFIED INCREMENTAL HYBRID COST OF THE VEHICLE TIMES:

11 (I) 20%, IF THE VEHICLE ACHIEVES AN INCREASE IN CITY FUEL  
12 ECONOMY RELATIVE TO A COMPARABLE VEHICLE OF AT LEAST 30% BUT NO MORE  
13 THAN 39%;

14 (II) 30% IF THE VEHICLE ACHIEVES AN INCREASE IN CITY FUEL  
15 ECONOMY RELATIVE TO A COMPARABLE VEHICLE OF AT LEAST 40% BUT NO MORE  
16 THAN 49%; OR

17 (III) 40% IF THE VEHICLE ACHIEVES AN INCREASE IN CITY FUEL  
18 ECONOMY RELATIVE TO A COMPARABLE VEHICLE OF AT LEAST 50%.

19 (3) THE QUALIFIED INCREMENTAL COST OF THE VEHICLE FOR WHICH A  
20 CREDIT IS CLAIMED UNDER THIS PARAGRAPH SHALL BE CERTIFIED:

21 (I) BY THE MANUFACTURER; AND

22 (II) ACCORDING TO GUIDANCE PRESCRIBED BY THE SECRETARY OF  
23 THE ENVIRONMENTAL PROTECTION AGENCY THAT SPECIFIES PROCEDURES AND  
24 METHODS FOR CALCULATING FUEL ECONOMY SAVINGS AND INCREMENTAL HYBRID  
25 COSTS.

26 (4) THIS SUBSECTION DOES NOT APPLY TO ANY NEW HYBRID MOTOR  
27 VEHICLES PLACED IN SERVICE AFTER DECEMBER 31, 2009.

28 (G) (1) SUBJECT TO THE LIMITATIONS IN THIS SUBSECTION, AN  
29 INDIVIDUAL OR CORPORATION MAY CLAIM A CREDIT AGAINST THE STATE INCOME  
30 TAX IN THE AMOUNT DETERMINED UNDER PARAGRAPH (2) OF THIS SUBSECTION FOR  
31 THE COST OF A NEW ALTERNATIVE FUEL MOTOR VEHICLE PLACED IN SERVICE BY  
32 THE INDIVIDUAL OR CORPORATION DURING THE TAXABLE YEAR.

33 (2) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS  
34 PARAGRAPH, THE AMOUNT OF THE CREDIT IS EQUAL TO THE PRODUCT OF THE  
35 VEHICLE'S INCREMENTAL COST MULTIPLIED BY 40%.

36 (II) THE AMOUNT OF THE CREDIT IS EQUAL TO THE PRODUCT OF  
37 THE VEHICLE'S INCREMENTAL COST MULTIPLIED BY 70%, IF THE VEHICLE:

1                                   1.       HAS RECEIVED A CERTIFICATE OF CONFORMITY UNDER  
2 THE FEDERAL CLEAN AIR ACT AND MEETS OR EXCEEDS THE MOST STRINGENT  
3 STANDARD AVAILABLE, OTHER THAN A ZERO EMISSION STANDARD, FOR  
4 CERTIFICATION UNDER THE CLEAN AIR ACT FOR THAT MAKE AND MODEL YEAR  
5 VEHICLE; OR

6                                   2.       HAS RECEIVED AN ORDER CERTIFYING THE VEHICLE AS  
7 MEETING THE SAME REQUIREMENTS AS VEHICLES THAT MAY BE SOLD OR LEASED  
8 IN CALIFORNIA AND MEETS OR EXCEEDS THE MOST STRINGENT STANDARD  
9 AVAILABLE, OTHER THAN A ZERO EMISSION STANDARD, FOR CERTIFICATION UNDER  
10 THE LAWS OF CALIFORNIA, ENACTED ACCORDING TO A WAIVER GRANTED UNDER §  
11 209(B) OF THE FEDERAL CLEAN AIR ACT FOR THAT MAKE AND MODEL YEAR VEHICLE.

12                               (3)       THIS SUBSECTION DOES NOT APPLY TO ANY NEW ALTERNATIVE  
13 FUEL MOTOR VEHICLES PLACED IN SERVICE AFTER DECEMBER 31, 2007.

14       (H)       (1)       AN INDIVIDUAL OR CORPORATION MAY CLAIM A CREDIT AGAINST  
15 THE STATE INCOME TAX FOR THE COST OF A MIXED-FUEL VEHICLE PLACED IN  
16 SERVICE BY THE INDIVIDUAL OR CORPORATION DURING THE TAXABLE YEAR IN AN  
17 AMOUNT EQUAL TO:

18                               (I)       IN THE CASE OF A 75/25 MIXED-FUEL VEHICLE, 70% OF THE  
19 CREDIT ALLOWED UNDER SUBSECTION (G) AS IF THE VEHICLE WAS A NEW  
20 ALTERNATIVE FUEL MOTOR VEHICLE; OR

21                               (II)      IN THE CASE OF A 90/10 MIXED-FUEL VEHICLE, 90% OF THE  
22 CREDIT ALLOWED UNDER SUBSECTION (G) AS IF THE VEHICLE WAS A NEW  
23 ALTERNATIVE FUEL MOTOR VEHICLE.

24                               (2)       THIS SUBSECTION DOES NOT APPLY TO ANY MIXED-FUEL VEHICLES  
25 PLACED IN SERVICE AFTER DECEMBER 31, 2007.

26       (I)       (1)       IN THIS SUBSECTION, "PHASEOUT PERIOD" MEANS THE PERIOD  
27 BEGINNING WITH THE SECOND CALENDAR QUARTER FOLLOWING THE CALENDAR  
28 QUARTER DURING WHICH THE NUMBER OF NEW HYBRID AND ADVANCED  
29 LEAN-BURN TECHNOLOGY MOTOR VEHICLES MANUFACTURED AND SOLD IN THE  
30 UNITED STATES AFTER THE DATE OF THE ENACTMENT OF THIS SECTION IS AT  
31 LEAST 80,000.

32                               (2)       THE CREDITS ALLOWED UNDER SUBSECTIONS (E) AND (F) SHALL BE  
33 LIMITED DURING THE PHASEOUT PERIOD AS FOLLOWS:

34                               (I)       50% OF THE CREDIT OTHERWISE ALLOWABLE FOR THE FIRST 2  
35 CALENDAR QUARTERS OF THE PHASEOUT PERIOD;

36                               (II)      25% OF THE CREDIT OTHERWISE ALLOWABLE FOR THE 3RD  
37 AND 4TH CALENDAR QUARTERS OF THE PHASEOUT PERIOD; AND

38                               (III)     0% OF THE CREDIT OTHERWISE ALLOWABLE FOR EACH  
39 CALENDAR QUARTER THEREAFTER.

1 (J) THE SECRETARY OF TRANSPORTATION SHALL ADOPT REGULATIONS  
2 UNDER WHICH EACH QUALIFIED MOTOR VEHICLE SOLD AT RETAIL SHALL DISPLAY A  
3 NOTICE THAT:

4 (1) THE VEHICLE IS A QUALIFIED MOTOR VEHICLE; AND

5 (2) THE BUYER MAY NOT BENEFIT FROM THE CREDIT UNDER THIS  
6 SECTION IF THE BUYER HAS INSUFFICIENT TAX LIABILITY.

7 (K) (1) THE SECRETARY OF THE ENVIRONMENT, IN CONSULTATION WITH  
8 THE SECRETARY OF TRANSPORTATION, SHALL ADOPT STANDARDS FOR MOTOR  
9 VEHICLES TO QUALIFY FOR THE TAX CREDITS UNDER THIS SECTION.

10 (2) THE COMPTROLLER AND THE SECRETARY OF THE ENVIRONMENT:

11 (I) SHALL ADOPT STANDARDS FOR THE RECAPTURE OF CREDITS  
12 ALLOWED UNDER THIS SECTION; AND

13 (II) MAY ADOPT REGULATIONS NECESSARY TO CARRY OUT THE  
14 PROVISIONS OF THIS SECTION.

15 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
16 July 1, 2005, and shall be applicable to all taxable years beginning after December 31,  
17 2004.