WV Gov Proposes End To Plug-In Car Credits

David Gutman, Associated Press

CHARLESTON, W.Va. (AP) — It's not often that environmental organizations and the coal industry come down on the same side of a policy debate. But that's happening in West Virginia, where both groups have concerns about Gov. Earl Ray Tomblin's proposal to eliminate a state tax incentive for plug-in electric cars and other alternative fuel vehicles.

The tax credit covers 35 percent of the cost of an alternative fuel vehicle, up to $7,500 for cars and $25,000 for large trucks. The credit would remain in place for vehicles that run on natural gas, propane and butane, but would be phased out in 2017, rather than in 2021 as is currently scheduled.

The legislation states that the change is being made to encourage the use of natural gas-fueled vehicles, even if it comes at the expense of other alternative fuels. The state code designating the tax credit now says, "By encouraging the use of alternatively-fueled motor vehicles, the state will be reducing its dependence on foreign oil and attempting to improve its air quality."

Under current law, alternatively-fueled motor vehicles that run on alternative fuels include plug-in electric and hybrid vehicles as well as those that run on ethanol, alcohol, hydrogen, solar power and coal-derived liquid fuels.

The proposal redefines "alternatively-fueled" to mean only vehicles that run on natural gas and liquefied petroleum. "Alternatively-fueled" is replaced with "natural gas fueled and liquefied petroleum gas fueled motor vehicles," according to the proposal

"We would like to see electric vehicles back in the mix here," said Gary Zuckett, director of West Virginia Citizen Action Group, an environmental organization. "As we move forward here with this bill we should work to get that put back into the policy because we need to have all the cards on the table to support alternatively-fueled vehicles and minimize our dependence on overseas oil."

Bill Raney, the president of the West Virginia Coal Association, said his organization had not looked at the legislation closely enough to take a firm position, but he did say that he would like to see both electric vehicles and coal-derived liquid fuel vehicles included in the bill.

The tax credit was initially passed in 2011 as part of a bill to encourage development of the Marcellus shale natural gas field. Tomblin's office said that they did not realize at the time how expensive the program would be.

"There was not a fiscal note done on this section of this bill," said Amy Shuler Goodwin, spokeswoman for the governor. "We didn't know what the financial impact would be. It will be significant, extremely substantial."

Deputy Revenue Secretary Mark Muchow estimates that the proposed legislation will save the state $10 million in the next fiscal year. Muchow said that in addition to the cost savings, they are proposing the legislation to get back to the original focus of the bill, which was promoting natural gas.

"Natural gas is something that is produced in West Virginia, that would benefit various folks in West Virginia if it were to be consumed in our state," Muchow said.

And while the coal that makes the electricity that powers plug-in cars is also produced in-state, Muchow said there are federal tax credits for electric cars, so they feel more comfortable eliminating the state credit.

The tax credit has been used to offset the higher price of plug-in cars, which tend to be more expensive than comparable models, but require little to no gas and emit almost no pollutants.

The extent to which plug-in electric cars are more environmentally friendly than traditional cars varies depending on the electricity sources where the car is charged. In West Virginia, which gets most of its electricity from coal, natural gas or wind, a plug-in electric has a carbon footprint equivalent to a traditional car that gets 42 miles per gallon, according to a 2012 study by the Union of Concerned Scientists.

Also on the chopping block are tax credits for home refueling or charging stations for alternatively-fueled vehicles. Tax credits will remain in effect for the construction of natural gas and liquefied petroleum refueling stations, but the amounts would change. Those tax credits would be worth 20 percent of the construction costs of each station, with a maximum of $400,000 per station. Currently those credits are worth 50 percent of costs, with a maximum of $200,000 per station.

In explaining the rationale for keeping the credits for natural gas infrastructure, Muchow said the state had a chicken and egg problem. "On the infrastructure side, folks are waiting for folks to own vehicles before they put in infrastructure," Muchow said. "And on the vehicle side folks are waiting for the infrastructure prior to when they purchase the vehicles."