**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 12‑6‑3697 SO AS TO ALLOW FOR AN INCOME TAX CREDIT FOR THE INCREMENTAL COSTS OR CONVERSION COSTS OF THE AMOUNT EXPENDED TO PURCHASE OR CONVERT AN ALTERNATIVE FUEL HEAVY‑DUTY VEHICLE, ALTERNATIVE FUEL VEHICLE, AND A BI‑FUEL ALTERNATIVE FUEL VEHICLE, AND TO SPECIFY THE AMOUNT OF THE CREDITS AND THE REQUIREMENTS OF THE CREDIT.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Article 25, Chapter 6, Title 12 of the 1976 Code is amended by adding:

“Section 12‑6‑3697. (A) For purposes of this section:

(1) ‘Alternative fuel’ means liquefied petroleum gas, liquid natural gas, or compressed natural gas fuel.

(2) ‘Alternative fuel heavy‑duty vehicle’ means a new or converted commercial vehicle, with a gross vehicle weight ratio equal to or more than 26,001 pounds, which is primarily fueled by an alternative fuel. As used in this paragraph, ‘primarily fueled by an alternative fuel’ means a vehicle that is produced by an original equipment manufacturer or converted by a third‑party equipment manufacturer and operates on ninety percent or more alternative fuel and on ten percent or less gasoline or diesel fuel.

(3) ‘Alternative fuel vehicle’ means a new or converted commercial vehicle, with a gross vehicle weight ratio less than 26,001 pounds, that is fueled solely by an alternative fuel and that is produced by an original equipment manufacturer or converted by a third‑party equipment manufacturer.

(4) ‘Bi‑fuel alternative fuel vehicle’ means a new or converted commercial vehicle with a gross vehicle weight ratio less than 26,001 pounds, that has two separate fuel systems, one of which is fueled by an alternative fuel and the other by conventional gasoline and that is produced by an original equipment manufacturer or a third‑party equipment manufacturer.

(5) ‘Conversion cost’ means the cost that results from modifying a motor vehicle which is propelled by gasoline or diesel to be propelled by an alternative fuel. In the case of a bi‑fuel alternative fuel vehicle, cost conversion means the cost that results from modifying a motor vehicle to be partially propelled by an alternative fuel.

(6) ‘Commercial vehicle’ means any vehicle used for commercial or business purposes owned by a taxpayer.

(7) ‘Incremental cost’ means the cost that results from subtracting the manufacturer’s list price of the motor vehicle operating on conventional gasoline or diesel fuel from the manufacturer’s list price of the same model motor vehicle designed to operate on an alternative fuel.

(8) ‘Taxpayer’ means any sole proprietor, partnership, corporation of any classification, limited liability company, or association taxable as a business entity. Also, the word ‘taxpayer’ includes the State or any agency or instrumentality, authority, or political subdivision, including municipalities.

(B)(1) A taxpayer is allowed an income tax credit of fifty percent of the incremental costs or conversion costs of the amount expended to purchase or convert an alternative fuel heavy‑duty vehicle. The credit may not exceed twelve thousand dollars for each vehicle.

(2) A taxpayer is allowed an income tax credit of fifty percent of the incremental costs or conversion costs of the amount expended to purchase or convert an alternative fuel vehicle. The credit may not exceed eight thousand dollars for each vehicle.

(3) A taxpayer is allowed an income tax credit of fifty percent of the incremental costs or conversion costs of the amount expended to purchase or convert a bi‑fuel alternative fuel vehicle. The credit may not exceed six thousand dollars for each vehicle.

(C) The credit allowed by this section is limited in use to fifty percent of either:

(1) the taxpayer’s income tax liability for the taxable year if taxpayer claims the credit allowed by this section as a credit against income tax imposed pursuant to Chapter 6; or

(2) the taxpayer’s corporate license fees for the taxable year if the taxpayer claims the credit allowed by this section as a credit against license fees imposed pursuant to Chapter 20.

(D) The entire credit may not be taken in the taxable year in which the vehicle is placed in service, but must be taken in three equal annual installments beginning with the taxable year in which the vehicle is placed in service. If, in one of the years in which the installment of a credit accrues, a vehicle is disposed of or taken out of service and is not replaced, the credit expires and the taxpayer may not claim any remaining installment of the credit. Subject to subsection (J), the credit is earned for vehicles placed in service after December 31, 2016, but the credit may not be taken before July 1, 2018. In 2018, taxpayers may take the entire annual installment for the first year for vehicles placed in service in 2017 in their quarterly estimated payments made on or after July 1, 2018.

(E) The tax credit is nonrefundable but unused credits may be carried forward for seven years. The seven‑year carry forward period must not be extended due to periods of noncompliance.

(F) The taxpayer may transfer any applicable credit associated with this section. To the extent that the taxpayer transfers the credit, the taxpayer must notify the department of the transfer in the manner the department prescribes. Notwithstanding subsection (A), as used in this subsection, the term ‘taxpayer’ only applies to the State or any agency or instrumentality, authority, or political subdivision, including municipalities.

(G) The department shall produce an appropriate form for the taxpayer to submit certifying the following:

(1) certification from the manufacturer that the vehicle is an alternative fuel heavy‑duty vehicle, alternative fuel vehicle, a bi‑fuel alternative fuel vehicle, or a third‑party equipment manufacturer who possesses a current and legal Certificate of Conformity from the Environmental Protection Agency’s Office of Transportation and Air Quality specific to the qualified alternative fuel vehicle;

(2) a sworn affidavit from the taxpayer certifying that the vehicle will accumulate at least fifty‑one percent of its mileage in South Carolina in each year for a five‑year period, and that the vehicle is registered in this State and will remain registered in South Carolina for no less than five years; and

(3) any other information requested by the department.

(H) The department may promulgate rules and regulations necessary to implement and administer the provisions of this section, including provisions for repayment of any credit in the event any of the certifications are or become untrue during the five‑year period following the date of application.

(I) To the extent that the taxpayer is a partnership or a limited liability company taxed as a partnership, the credit may be passed through to the partners or members and may be allocated by the taxpayer among any of its partners or members on an annual basis including, without limitation, an allocation of the entire credit to any partner or member who was a member or partner at any time during the year in which the credit is allocated.

(J) The credit authorized by this section is allowed for purchases or conversions made after December 31, 2016, but before January 1, 2022.”

SECTION 2. This act takes effect upon approval by the Governor and first applies to tax years beginning after 2016.

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