

## Clean Diesel Retrofit Incentives Grants and Tax Credits

The State of Oregon offers incentives for retrofitting older diesel engines.

*Oregonians interested in reducing harmful emissions from their heavy duty diesel engines may qualify for financial assistance from the state of Oregon.*

### What is a retrofit?

Retrofit means to upgrade currently operating diesel engines with new advanced exhaust controls to reduce the most harmful pollutants with the greatest impact to public health and environment.

### Background

Diesel is the dominant fuel used by the commercial transportation sector. Diesel engines also power most non-road equipment such as construction, agricultural, marine and locomotives.

While diesel engines offer fuel economy, power and durability, diesel emissions are a major contributor to unhealthy levels of fine particles and ozone (or “smog”) as well as air toxics. Fine particles have been associated with an increased risk of premature death, hospital admissions for heart and lung disease, increased adverse respiratory symptoms such as asthma, and other adverse effects. Long-term exposure to diesel exhaust may pose a lung cancer hazard to humans.



*Many Oregon school buses have been retrofitted.*

Diesel emission reductions represent one of the most important opportunities to achieve rapid and cost-effective health and environmental benefits in Oregon.

The techniques and technologies to reduce diesel emissions range in cost and application and include cleaner fuels (cleaner diesel and biodiesel), anti-idling programs, exhaust catalysts and other emission control technologies, the Clean Fleets Program, and even repowering old engines.



*Many types of diesel engines can be retrofitted.*

### Qualifying retrofit

To qualify for the grant or tax credit, the retrofit:

- Equips a diesel engine with new after-market emissions reducing parts or technology that meets the cost effectiveness threshold.
- Reduces diesel particulate matter emissions by 25 percent or more.
- Uses the most effective passively regenerated emission control technology available for the retrofitted equipment and specific application.
- Uses:
  - Technologies verified on June 19, 2008, by the U.S. Environmental Protection Agency or California Air Resources Board, or
  - Any device that DEQ determines has been through comparable emission verification testing.
- Will be used in Oregon three years following the retrofit at least 50 percent of the total miles driven or hours operated.
- Must be installed by a Qualified Installer.
- Installed between June 19, 2008 and January 1, 2018.



State of Oregon  
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Environmental  
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[www.oregon.gov/DEQ/](http://www.oregon.gov/DEQ/)



Many Oregon trucks have been retrofitted.

### Eligible costs

Eligible costs include the retrofit equipment, supplies directly related to the installation of the retrofit equipment, and labor for the installation. For grants, eligible costs exclude any work completed prior to signing a grant agreement.

### Cost effectiveness threshold

The cost effectiveness threshold is \$250,000 per ton of diesel particulate matter reduced. The DEQ will only grant funds or tax credits for the costs under the cost effectiveness threshold. The application includes a spreadsheet for calculating the cost effectiveness threshold of your retrofit(s).

### Qualified installers

The retrofit must be installed by a qualified installer, which is defined as either:

1. A Clean Diesel Service Provider listed on the Clean Diesel Web page listed under Resources on page 3, or
2. An employee of the applicant, if the applicant and vendor of the retrofit technology both verify that the employee will install the retrofit to meet warranty conditions and possesses the necessary skill to install the retrofit correctly.

### Oregon Clean Diesel Incentives

The State of Oregon offers the following incentives to reduce diesel emissions and to achieve rapid and cost-effective health and environmental benefits in Oregon.

#### Grants

- Retrofit Grant (next column)
- Repower Grant
- Truck Engine Scrapping

#### Tax Credits

- Retrofit Tax Credit (page 3)
- Repower Tax Credit
- Truck Engine Tax Credit

See Resources on page 3 for directions to the Clean Diesel Web page and additional links.

## Retrofit Grants

*Grants available to owners or operators of qualifying retrofits*

The retrofit grant is a reimbursement of the eligible cost of retrofitting the diesel engine. In 2008, the program will grant 75 percent its funds to applicants who use the retrofitted engines a minimum of three years following the retrofit for at least 75 percent of the total miles driven or hours operated.

DEQ will award grants based on the following preferences:

- Use the retrofitted vehicle or equipment in Oregon more than 75% of the total miles driven or hours operated during the next three years;
- Benefit sensitive populations or areas with elevated concentrations of diesel particulate matter;
- Have a higher cost effectiveness;
- Commit funding, expertise, materials, labor, or other assistance from third parties;
- Reduce more emissions in Oregon;
- Demonstrate a commitment to making additional air quality improvements; and
- Have the capacity to complete the project.

### Agreements

Prior to disbursing funds, DEQ and the successful grant applicant enter into a signed agreement. The agreement specifies the project, budget, recordkeeping, and audit requirements.

### When to apply

DEQ will announce when funds become available. To request a notice when funding becomes available, click *Sign up for Diesel and Biodiesel information* link on the Clean Diesel Web page.

### Contact

Shelley Matthews, 503.229.6457  
[matthews.shelley@deq.state.or.us](mailto:matthews.shelley@deq.state.or.us)

## Retrofit Tax Credit

*Oregon tax credits available to owners or operators of qualifying retrofits*

An Oregon tax credit is a dollar-for-dollar credit used to reduce a taxpayer's Oregon tax liability by 50 percent of the certified eligible cost of retrofitting the diesel engine.

### Tax Credit: Annual Limitation

The DEQ may certify a maximum of \$3 million in Clean Diesel Repower and Retrofit Tax Credits in any one calendar year. Once DEQ certifies \$3 million, completed applications will be held until the next year for review.

### Tax Credit: Application

Any person may submit a Retrofit Tax Credit Application after completing a qualifying retrofit.

The applicant may include any number of qualifying retrofits on the same application, or they may submit multiple applications throughout the year. DEQ must receive the application within one year from the invoice date for each qualifying retrofit and will process complete applications in the order of submittal.

The application must include the filing fee of \$50 plus a processing fee equal to percent of the potential tax credit.

### Transfers

Organizations with no Oregon tax liability, such as non-profits, schools, tribes, cities, or other public entities, may apply for and transfer the credit to an Oregon taxpayer. The parties to this transaction submit a Transfer Notice to the Oregon Department of Revenue (DOR) prior to the taxpayer's tax year end, each and every year the taxpayer claims the credit. The Transfer Notice is on the DOR Web site at: <http://www.oregon.gov/DOR/PERTAX/docs/101-179.pdf>.

### Notifications

If the application is missing any information, DEQ will contact the applicant to request the information. Once the application is complete, DEQ will send a Letter of Certification or a Letter of Denial to the taxpayer. The Letter of Certification is proof to the DOR that the taxpayer may use the credit to reduce their Oregon tax liability.

### Contact

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*Retrofitting a diesel engine results in cleaner air.*

## Resources

### Clean Diesel Web page

[www.deq.state.or.us/aq/diesel](http://www.deq.state.or.us/aq/diesel)

The Clean Diesel Web page provides:

- Applications
- Factsheets
- Oregon's School Bus Retrofit Program
- List of Clean Diesel Service Providers
- Retrofit technologies verified by the Environmental Protection Agency or California Air Resources Board
- Clean Fleets Program
- Other Clean Diesel Strategies

### The West Coast Collaborative

EPA's partnership program to support clean diesel efforts: [www.westcoastdiesel.org](http://www.westcoastdiesel.org)

### SmartWay Transport

Are you in the freight movement industry and want to know more about fuel saving advances and how they can make a difference in your business? Go to EPA's Smart Way Transport program: <http://www.epa.gov/smartway/>.

### Alternative formats

*Alternative formats (Braille, large type) of this document can be made available. Contact DEQ's Office of Communications & Outreach, Portland, at (503) 229-5696, or toll-free in Oregon at 1-800-452-4011, ext. 5696.*

