

Clean Diesel Repower Incentives Grants and Tax Credits

The State of Oregon offers incentives to repower older non-road 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 “Repower?”

Repower means replacing an older, higher polluting engine with a less polluting new, used, or remanufactured engine, or with electric motors, electric drives, or fuel cells. The older engine is then scrapped and rendered inoperable.

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.



Only off-road or non-road vehicles qualify for a repower grant or tax credit.

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 Fleet

Forward program, and even including repowering old engines.

Qualifying Repower

A qualifying repower:

- Replaces an older scrapped diesel engine;
- Reduces diesel particulate matter emissions by at least 25 percent;
- May be:
 - A new engine
 - A used engine
 - A remanufactured engine
 - Electric motors
 - Electric drives
 - Fuel cells
- Will be used nonroad in Oregon three years following the repower at least 50 percent of the total miles driven or hours operated;
- Must be installed by a Qualified Installer;
- Meets the cost effectiveness threshold of reducing diesel particulate matter pollution at a cost less than \$250,000 per ton of diesel particulate matter reduced;
- Was installed after September 28, 2007; and
- Has a minimum useful life of seven years.

Eligible costs

Eligible costs include the repower equipment, supplies directly related to the installation of the repower equipment, and installation labor. The amount of any estimated rebuilding or repair will be deducted from the certified cost of the project.

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. 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 repower(s).



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Tax Credits
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Qualified installers

The repower 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 repower technology both verify that the employee will install the repower to meet warranty conditions and possesses the necessary skill to install the repower 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

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

Tax Credits

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

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

Repower Grants

Grants available to owners or operators of qualifying repowers

An owner or operator of an Oregon non-road diesel engine may apply for a grant for 25 percent of the reasonable and necessary costs to repower the vehicle or equipment excluding engine rebuild costs. If you are awarded a grant, DEQ will reimburse you for the incremental cost to repower a qualifying engine. In 2008, the program will grant 75 percent of 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.

Highway diesel engines do not qualify for this grant.

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 clean diesel* link on the [Clean Diesel Web page](#).

Contact

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Repower Tax Credit

Oregon tax credits available to owners or operators of qualifying repowers

An Oregon tax credit is a dollar-for-dollar credit used to reduce a taxpayer's Oregon tax liability by 25 percent of the certified eligible cost to repower the diesel engine.

Tax Credit: Annual Limitation

The DEQ may certify a maximum of \$3 million in Clean Diesel Repower and Repower 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 Repower Tax Credit Application after completing a qualifying repower.

The applicant may include any number of qualifying repowers 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 repower and will process complete applications in the order of submittal. Tax credit applications must be submitted by December 9, 2011. No engine repowers will be certified after December 31, 2011.

The application must include the filing fee of \$50 plus a processing fee equal to one 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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Resources

Clean Diesel Web page

www.deq.state.or.us/eq/diesel

The Clean Diesel Web page provides:

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

The West Coast Collaborative

EPA's partnership program to support clean diesel efforts with additional funding resources and technical information:

<http://westcoastcollaborative.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? Visit 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.