

GOVERNOR SIGNS GAS TAX CAP LEGISLATION RENEWS CALLS FOR BROAD PROGRAM TO REDUCE DEPENDENCE ON IMPORTED PETROLEUM

Sales Tax Relief Must Be Part of Larger Effort to Boost Renewable and Alternative Fuels

Governor George E. Pataki today announced that he has signed a new law to establish a maximum level on the amount of State sales tax on gasoline and diesel fuel purchases. This "gas tax cap" would be set at \$2 per gallon, or eight cents in sales tax.

In addition, the Governor again proposed a series of "energy independence" initiatives that would increase the production, distribution, and consumption of renewable fuels as part of a broad plan to reduce New York's dependence on petroleum and imported energy.

"The impact of high fuel prices is being felt by families and businesses across the State, and I am signing this legislation in hopes that these tax cuts will provide some modest relief, especially as we enter the busy summer travel and tourism season," Governor Pataki said. "However, we must build upon this measure by implementing some aggressive, far-reaching initiatives to boost the availability and use of homegrown renewable fuels and provide a viable option to gasoline imported from the Middle East. I call on the Legislature to take immediate action to institute incentives for renewable and alternative fuel sources so that we can achieve real solutions and long-term relief from high energy costs."

Under the new law, New York State will continue to impose sales tax on gasoline and diesel fuel, but will limit the sales taxes collected to a maximum of 8 cents, an amount equal to the sales tax when the fuel price is \$2/gallon. If the price of fuel is below \$2/gallon, the sales tax will be proportionally applied at the normal rate of 4 percent/dollar.

Other measures enacted by this law include a personal income tax credit of up to \$500 for the installation of new energy-efficient, ENERGY STAR home heating systems, which the Governor originally proposed in his Executive Budget; and a tax credit for clean heating fuel for residential use of up to 20 cents/gallon based on the percentage of biodiesel in "bioheat," a blend of biodiesel and conventional home heating oil.

Citing the need to expand New York's efforts to increase the use of renewable and alternative fuels, and enhance energy efficiency, the Governor will once again propose legislation to:

- Provide a \$2,000 personal income tax credit for the purchase of hybrid vehicles. This tax credit would help to defray incremental costs that raise the purchase price for these vehicles.
- Provide a property tax credit for the installation of renewable fuel pumps at private sector gas stations. These tax credits would provide critical incentives for these stations to offer ethanol (E85), B20 (biodiesel) or CNG (compressed natural gas). There are nearly 200,000 flex fuel vehicles on the road in New York State that can use E85 or traditional gasoline. Although some public alternative fueling stations are being developed, at the present time, there are no public stations where New Yorkers can fuel their vehicles with ethanol.

The Governor also has directed the New York State Thruway to begin installing or converting fuel pumps at all travel plazas to provide motorists with the option to use E85, B20, or CNG.

- Eliminate all State taxes on renewable fuels to make E85 and B20, which would stimulate the market for these fuels, and provide consumers with a viable alternative to gasoline or traditional diesel.
- Establish two sales tax-free weeks for the purchase of ENERGY STAR products and appliances, including energy-efficient refrigerators, washers and dryers, room air conditioners, light fixtures, and more.
- Extend Empire Zone tax benefits to qualifying clean energy companies regardless of where these firms are located in New York State. These clean energy companies are primarily engaged in research, development, or manufacturing of energy efficiency or renewable energy technologies or products.

Other "energy independence" initiatives proposed by Governor Pataki and enacted in the 2006-07 State Budget include: a \$20 million program to develop a pilot cellulosic ethanol facility in New York State; a renewable fuel production tax credit; and incentives for the siting or development of an advanced "clean coal" power plant in New York.

In addition, the State has implemented the Clean Pass and Green E-Z Pass programs, which provide incentives for the use of hybrids or other fuel-efficient vehicles. Under these programs, vehicles that average 45 m.p.g. and meet specific EPA emissions standards are eligible to use HOV lanes regardless of the number of passengers, and receive discounts for Thruway tolls.

New York State invests more than \$300 million a year in energy efficiency and renewable energy programs, including the Systems Benefit Charge (SBC), a program operated by NYSERDA that provides \$175 million annually to promote greater energy efficiency, low-income energy assistance, and projects that reduce energy usage.