

Washington Report

IDLE-REDUCTION SYSTEMS GET TAX BREAK

By Oliver B. Patton, Washington Editor

The \$700 billion financial rescue plan signed by President Bush contains a tax exemption for idle-reduction systems, such as auxiliary power units and cab insulation.

The bill also extends the biodiesel tax incentive and closes the so-called “splash and dash” loophole.

It is not yet clear how or when the anti-idling exemption can be implemented. A spokesman for the Environmental Protection Agency – one of four federal entities involved in the implementation – said government lawyers are trying to figure out how to proceed.

The spokesman, who asked not to be identified because policy has not been settled, said EPA will work with the Departments of Energy and Transportation, the IRS and industry stakeholders to determine which specific systems will be eligible for the exemption from the 12 percent excise tax. It will be up to the IRS to

decide if the exemptions will be retroactive to the date of the bill’s passage, he said.

The IRS has said that until a list of qualified systems has been developed, taxes must still be collected on idle reduction devices, according to a spokesman for American Trucking Associations.

The bill draws a circle around a range of technologies and systems. It exempts buyers from the tax on devices or systems “designed to provide to a vehicle those services (such as heat, air conditioning, or electricity) that would otherwise require the operation of the main drive engine while the vehicle is temporarily parked or remains stationary using one or more devices affixed to a tractor.”

This could be read to say that the exemption would apply to any kind of APU, fuel-fired heater or battery-operated air conditioner, as well as truck stop electrification systems and engine cut-off/start-up systems. But

the bill also says that EPA, DOE and DOT must agree on which systems meet the standard.

The exemption also applies to insulation that has an R value of at least R35 per inch, which conceivably includes refrigerated trailers as well as tractors.

The bill indicates that the exemption could be effective Oct. 4 – or at some unspecified later date. It says: “The amendment . . . shall apply to sales or installations after the date of the enactment of this Act.” President Bush signed the bill Oct. 3.

This exemption has been long sought by trucking interests caught between the necessity of taking care of drivers, obeying state laws limiting idling time and saving fuel. It had been passed by the House earlier this year but was stalled in the Senate until it was attached to the Emergency Economic Stabilization Act of 2008.

The rescue bill also extends the \$1 per gallon tax incentive for biodiesel for a year, from Dec. 31, 2008 to Dec. 31, 2009. Included is a provision that extends the \$1 incentive to biodiesel made from yellow grease, which has had a 50-cent per gallon incentive. The incentive is critical to the success of biodiesel because, depending on market conditions, it allows the fuel to be price-competitive with diesel.

And the bill closes the “splash-and-dash” loophole that permits foreign fuel producers to claim the tax incentive by stopping their ships at U.S. ports for a “splash” blending of biofuel and then proceeding to a third country.

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