



Northern Colorado Clean Cities



COLORADO ALTERNATIVE FUELS TAX CREDIT CALL NOTES

MONDAY, APRIL 28, 2014, 1:30 pm

From: Maria Eisemann, Co-coordinator, Northern Colorado Clean Cities,
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Corrections

-The Colorado Energy Office (CEO) provided updates and corrections to information provided on Northern Colorado Clean Cities' website, please visit again for updated info:

www.northerncocleancities.org

-New, increased income tax credits for category 4 vehicles would not go into effect until July 1, 2014

(http://www.leg.state.co.us/Clitics/CLICS2014A/csl.nsf/fsbillcont3/C2861ABC32788A7D87257C3000070D50?Open&file=1326_ren.pdf)

Tax Credit Info Provided by Ken Schade, Colorado Dept. of Revenue

Existing Law

An innovative motor vehicle credit is available for either the purchase or lease of a qualifying motor vehicle or for the qualified conversion or modification of a motor vehicle. In order to qualify, a motor vehicle must be titled and registered in Colorado. Additionally, the motor vehicle must be subject to licensing or required to be licensed for operation upon the highways of the state. The motor vehicle must also be one of the following types, each of which are subject to additional requirements, discussed in FYI Income 67, available online at

www.taxcolorado.com.

- An electric (EV) or plug-in hybrid electric (PHEV) under 8,500 lbs GVWR;
- A compressed natural gas (CNG) or liquefied petroleum gas (LPG) motor vehicle under 26,000 lbs GVWR;
- A diesel-electric hybrid motor vehicle;
- A motor vehicle modified to include idling reduction technologies.

Credit calculation varies depending on vehicle type, but is generally based upon MSRP for new vehicle purchases or conversion cost for vehicle conversions. If a qualifying motor vehicle purchase, lease, or conversion also qualifies for any other grants, credits, or rebates, the other grants, credits, or rebates must be deducted in calculating the Colorado credit. In general, no more than one tax credit shall be allowed for any single motor vehicle and the amount of credit that can be claimed for a vehicle purchase, lease, or conversion is limited to \$6,000. The credit

is refundable and must be claimed with the income tax form filed for the tax year in which the vehicle was purchased, leased, or converted. Form DR 0617 must be completed and attached to the return claiming the credit and accompanied by copies of the purchase agreement or invoice and the vehicle registration.

House Bill 14-1326-This bill was signed by the Governor on June 6, 2014

House Bill 14-1326 provides a new innovative trucks credit. It relocates CNG and LPG vehicles and conversions, as well as idling reduction technologies that currently qualify for the innovative motor vehicle income tax credit to the innovative trucks credit. The bill would eliminate the 26,000 lb GVWR restriction, increase credit percentages, and the maximum allowable credit for CNG and LPG vehicles and conversions. It would also make such vehicles and conversions eligible not only if they are titled and registered in Colorado, but also if they are registered under the International Registration Plan (IRP) and based plated in Colorado.

In addition to modifying existing credits for CNG and LPG vehicles and conversions, the bill creates eight new credit categories

- vehicles built to operate on liquefied natural gas or hydrogen fuel;
- conversions of vehicles that allow them to operate on liquefied natural gas or hydrogen fuel;
- conversions of vehicles that improve aerodynamics;
- electric and plug-in hybrid electric passenger vehicles with gross vehicle weight ratings over 8,500 pounds, and electric and plug-in hybrid electric light, medium, and heavy duty trucks;
- conversions of passenger vehicles with gross vehicle weight ratings over 8,500 pounds and light, medium, and heavy duty trucks, allowing these vehicles to operate using electric or plug-in hybrid electric power systems;
- clean fuel refrigerated trailers;
- conversions of refrigerated trailers to clean fuel refrigerated trailers; and
- medium and heavy duty hydraulic hybrid trucks.

Questions:

Q: Are dual fuel vehicles eligible for these credits?

A: Yes, under 26000, CNG and LNG dedicated and bi-fuel vehicles are covered. The new bill will include the medium to heavy duty vehicles as well as hybrid vehicles.

Q: May a private fleet take advantage of both these tax credits and the CMAQ funding?

A: Yes. The credit would then be calculated by first reducing the price of the vehicle by the CMAQ award and then applying the tax credit percentage.

Q: What vehicles will be affected by the sales tax exemption?

A: This exemption currently applies to all vehicle over 10000 but under 26000 lbs. Under the new bill, it will apply to any vehicle over 26000 lbs and limited to those vehicles that apply for the tax credit and sales tax exemption. Eligibility is determined using the same categories.

Q: When calculating the credit should the MSRP or actual cost be used and what supporting material needs to be provided?

A: Actual cost based upon MSRP for bare bones, base vehicle (exclusion of all extra options). Eligibility and supporting documents required are vehicle registration, invoice or purchase agreement.

Q: What are the requirements for a conversion system to be eligible for the credits?

A: They must meet requirements set by the EPA.

Q: We are an S Corporation. If the corporation purchases CNG trucks, and the pending legislation passes to where we can then claim the credit, by being an S-corp will the credit for alternative fuel tax credits flow thru to the shareholders?

A: In general, Colorado income tax credits earned or generated by pass-through entities, such as partnerships and S corporations, are passed through to the partners and shareholders in the pass-through entity.

Q: If we buy a used CNG mixer (it's new to us but considered a used truck from the dealer as it is a demo) will that vehicle qualify for the credit too? By using the cost of the purchase from the dealer I'd assume.

A: Only one credit is allowed per vehicle. Consequently, a credit claim for a used vehicle purchase must be accompanied by documentation sufficient to verify that no credit was claimed by the prior owner(s) of the vehicle. For passenger vehicles, this is generally shown with a vehicle history report indicating that the vehicle was never before registered in Colorado (if the vehicle was not previously registered in Colorado, it would not have previously qualified for the credit). The credit available for the purchase of used vehicles, if eligible, is based upon the actual cost of the used vehicle.

Q: If we purchased vehicles in prior years, like 2012, & 2013 is the credit only available to purchases of a vehicle in the current tax year?

A: The credit must be claimed on the return filed for the tax year in which the vehicle was purchased. If the vehicle was purchased during 2012 or 2013, the credit must be claimed on the return filed for that tax year. If a return was already filed for that tax year, an amended return may be filed to claim the credit. However, to be clear, HB 14-1326 will not retroactively change eligibility criteria for the credit. The rules in effect for tax years 2012 and 2013 would apply to vehicles purchased in those years.

Q: Is there any credit for putting in the device to fuel these vehicles?

A: If the question is whether the conversion of vehicles to make them run on CNG or LPG qualifies, it does, so long as certain conditions are met. See Category 4A.

Existing Law for Tax Years 2014-2021 (HB13-1247)

General Qualifications	Category	Category Qualifications*	Credit Calculation	Maximum Credit
<ul style="list-style-type: none"> • Four-wheeled self-propelled vehicle • Titled and registered in Colorado • Required to be licensed or subject to licensing for operation upon the highways of the state 	1	<ul style="list-style-type: none"> • Electric or plug-in hybrid electric vehicle • GVWR ≤ 8,500 lbs • Max speed ≥ 55 mph • Powered by electric motor and battery that can be recharged from external power source • Battery capacity ≥ 4 kWh 	<ul style="list-style-type: none"> • MSRP (or in the case of eligible used vehicles, used vehicle cost) times battery capacity divided by 100 • Credit phases out (decreases) in tax years 2019-2021 	<ul style="list-style-type: none"> • \$6,000 per vehicle purchase, conversion, or installation
	1A	<ul style="list-style-type: none"> • Conversion to an electric or plug-in hybrid electric vehicle • GVWR ≤ 8,500 lbs • Max speed ≥ 55 mph • Powered by electric motor and battery that can be recharged from external power source • Battery capacity ≥ 4 kWh 	<ul style="list-style-type: none"> • Conversion cost times 75% • Credit phases out (decreases) in tax years 2019-2021 	
	2	<ul style="list-style-type: none"> • Light duty passenger vehicle • Diesel-electric hybrid • Fuel economy ≥ 70 mpg 	<ul style="list-style-type: none"> • Incremental price difference times 15% • Credit phases out (decreases) in tax years 2019-2021 	
	3	<ul style="list-style-type: none"> • Light duty passenger vehicle or truck ≤ 26,000 lbs GVWR • Conversion to diesel-electric hybrid • Conversion must increase fuel economy 40% or more 	<ul style="list-style-type: none"> • Conversion cost times 25% • Credit phases out (decreases) in tax years 2019-2021 	
	4	<ul style="list-style-type: none"> • Light duty passenger vehicle or truck ≤ 26,000 lbs GVWR • Operate on compressed natural gas (CNG) or liquefied petroleum gas (LPG) • Includes bi-fuel vehicles that can run on gasoline in addition to CNG or LPG 	<ul style="list-style-type: none"> • For tax years 2014-2017, MSRP (or in the case of eligible used vehicles, used vehicle cost) times 12.25% • For tax years 2014-2017, MSRP (or in the case of eligible used vehicles, used vehicle cost) times 10.5% • Credit phases out (decreases) in tax years 2019-2021 	
	4A	<ul style="list-style-type: none"> • Light duty passenger vehicle or truck ≤ 26,000 lbs GVWR • Conversion to operate on compressed natural gas (CNG) or liquefied petroleum gas (LPG) • Includes bi-fuel vehicles that can run on gasoline in addition to CNG or LPG 	<ul style="list-style-type: none"> • Conversion cost times 25% • Credit phases out (decreases) in tax years 2019-2021 	
5	<ul style="list-style-type: none"> • Installation of idling reduction devices or advanced insulation on a motor vehicle 	<ul style="list-style-type: none"> • Installation cost times 25% • Credit phases out (decreases) in tax years 2019-2021 		

* Vehicle must meet all qualifications specific to the category in order to qualify.

Categories 1 through 3 would be unaffected by HB14-1326, currently under consideration by the legislature. If it were to pass (without any further amendment), it would modify Categories 4, 4A, and 5. Categories 4 and 4A include compressed natural gas and propane vehicles and conversions. These categories would be expanded to include vehicles over 26,000 lbs GVWR. The credit calculation would change and the maximum allowable credit would increase for some vehicles. The bill would also modify the general eligibility criteria, making the credit not only available to vehicles that are titled and registered in Colorado, but also to vehicles registered under IRP and base plated in Colorado.

Tax Credits Per HB14-1326

Category	Vehicle type	Cap per Vehicle	TY 2014*-2016	TY 2017-2018	TY 2019-2021
Category 4 Vehicles built to operate on compressed natural gas or liquefied petroleum gas	Passenger vehicles	\$6,000	18% of actual costs incurred	15% of actual costs incurred	2019: 11.25% 2020: 7.5% 2021: 3.75%
	Light duty trucks	\$7,500			
	Medium duty trucks	\$15,000			
	Heavy duty trucks	\$20,000			
Category 4 A Vehicle conversions to use compressed natural gas or liquefied petroleum gas	Passenger vehicles	\$6,000	55% of actual costs incurred	45% of actual costs incurred	2019: 33.75% 2020: 22.5% 2021: 11.25%
	Light duty trucks	\$7,500			
	Medium duty trucks	\$15,000			
	Heavy duty trucks	\$20,000			
Category 5 Vehicle conversions to reduce idling time	Passenger vehicles; light, medium and heavy duty trucks	\$6,000	25% of actual costs incurred	25% of actual costs incurred	25% of actual costs incurred
Category 4 B Vehicles built to operate on liquefied natural gas or hydrogen fuel	Passenger vehicles	\$6,000	18% of actual costs incurred	15% of actual costs incurred	2019: 11.25% 2020: 7.5% 2021: 3.75%
	Light duty trucks	\$7,500			
	Medium duty trucks	\$15,000			
	Heavy duty trucks	\$20,000			
Category 4 C Vehicle conversions to use liquefied natural gas or hydrogen fuel	Passenger vehicles	\$6,000	55% of actual costs incurred	45% of actual costs incurred	2019: 33.75% 2020: 22.5% 2021: 11.25%
	Light duty trucks	\$7,500			
	Medium duty trucks	\$15,000			
	Heavy duty trucks	\$20,000			
Category 6 Vehicle conversions to improve aerodynamics	Passenger vehicles; light, medium and heavy duty trucks	\$6,000; \$50,000 per taxpayer	25% of actual costs incurred	25% of actual costs incurred	25% of actual costs incurred
Category 7 Electric and plug-in hybrid electric passenger vehicles and trucks	Passenger vehicles**	\$6,000	18% of actual costs incurred	15% of actual costs incurred	2019: 11.25% 2020: 7.5% 2021: 3.75%
	Light duty trucks***	\$7,500			
	Medium duty trucks***	\$15,000			
	Heavy duty trucks	\$20,000			
Category 7 A Vehicle conversions to use electric and plug-in hybrid electric systems	Passenger vehicles**	\$6,000	55% of actual costs incurred	45% of actual costs incurred	2019: 33.75% 2020: 22.5% 2021: 11.25%
	Light duty trucks***	\$7,500			
	Medium duty trucks***	\$15,000			
	Heavy duty trucks	\$20,000			
Category 8 Clean fuel refrigerated trailers	Refrigerated trailers	\$7,500	18% of actual costs incurred	15% of actual costs incurred	2019: 11.25% 2020: 7.5% 2021: 3.75%
Category 8 A Conversions of trailers to clean fuel refrigerated trailers	Refrigerated trailers	\$7,500	55% of actual costs incurred	45% of actual costs incurred	2019: 33.75% 2020: 22.5% 2021: 11.25%
Category 9 Hydraulic hybrid trucks	Medium and heavy duty trucks	\$6,000	55% of actual costs incurred	45% of actual costs incurred	2019: 33.75% 2020: 22.5% 2021: 11.25%