



Legislative Council Staff

Research Note

Version: Final

Date: 5/4/2016

Bill Number

House Bill 16-1332

Sponsors

*Representatives Duran &
Rankin
Senators Scott & Johnston*

Short Title

*Alternative Fuel Motor Vehicle
Income Tax Credits*

Research Analyst

Katie Ruedebusch (x3001)

Status

This research note reflects the final version of the bill and, which was signed by the Governor, becomes effective on June 6, 2016.

Summary

Effective tax year 2017, the bill changes two refundable income tax credits in current law: the innovative motor vehicle credit and the innovative truck credit. These changes are described below.

Computation of credits. Current law includes various methods for the computation of tax credits for different vehicle types, called categories. Depending on the category, the amount of credit awarded may be computed based on the vehicle's cost or battery capacity. The bill repeals these formulas, establishing fixed credit amounts for each category and truck weight class beginning tax year 2017. Credit amounts are reduced beginning in tax year 2020, and the credit is sunset after tax year 2021. Tables on pages 2 through 4 of this fiscal note present the current law computation and the fixed credit amounts established in the bill.

Discontinuation of Category 2 and 3 credits. Beginning in tax year 2017, credit is no longer available for the purchase, lease, or conversion of Category 2 and Category 3 vehicles, which are diesel-electric hybrid vehicles with a fuel economy of at least 70 miles per gallon.

Transfer of credit to a financing entity. The bill allows a taxpayer to elect to transfer the entire tax credit allowed for the purchase or lease of a vehicle to a financing entity when a purchase or lease is finalized. The financing entity must compensate the taxpayer for the full nominal value of the credit, except that the financing entity may collect an administrative fee not to exceed \$150.

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Additional changes. Beginning in tax year 2017, credit may be awarded only for the purchase or lease of new vehicles, not used vehicles. The bill establishes two years as the minimum duration for a qualifying lease. The Department of Revenue is required to record and track the vehicle identification numbers (VIN) of qualifying vehicles for which credit is awarded beginning in tax year 2017. These changes affect credits allowed for vehicles in Category 8, clean fuel refrigerated trailers, which are otherwise unaffected by the bill.

Credits for vehicles in Category 5, conversions to reduce idling time, and Category 6, conversions to improve aerodynamics, are unaffected by the bill.

Background

An innovative motor vehicle is a self-propelled vehicle with four wheels, including a hybrid motor vehicle, titled and registered in the state of Colorado that runs on alternative fuels, such as 85 percent ethanol, compressed natural gas, or electricity. In 1992, the General Assembly created an income tax credit for business-use alternative fuel vehicles. The law was later amended to extend the tax credit to any individual who purchased or leased an innovative motor vehicle or converted a vehicle to an alternative fuel motor vehicle. In 2014, a new tax credit was created for innovative trucks.

As indicated above, House Bill 16-1332 changes how the tax credits are computed. The tables below highlight current law and describe the changes made to tax credit categories under the bill.

Table 1. Value of Category 1 and Category 1 A Credit under Current Law and HB16-1332					
Category 1: Electric and plug-in hybrid electric vehicle purchases and leases					
Category 1 A: Electric and plug-in hybrid electric vehicle conversions					
	Vehicle type	Through TY 2018	Tax Year 2019	Tax Year 2020	Tax Year 2021
Current Law	Category 1* Passenger vehicle purchases and leases	100% of cost*	75% of cost*	50% of cost*	25% of cost*
	Category 1 A Passenger vehicle conversions	75% of cost	56.25% of cost	37.5% of cost	18.75% of cost
HB16-1332	Category 1 Passenger vehicle purchases		\$5,000	\$4,000	\$2,500
	Category 1 Passenger vehicle leases		2,500	2,000	1,500
	Category 1 A Passenger vehicle conversions		5,000	4,000	2,500

* The percentage used to calculate the current law credit for Category 1 vehicles is applied only to a portion of the vehicle's MSRP, determined by the vehicle's battery capacity in kilowatt hours.

Table 2. Value of Category 9 Credit under Current Law and HB16-1332

Category 9: Hydraulic hybrid medium and heavy duty truck conversions						
	Vehicle type	Cap per vehicle	Through TY 2018	Tax Year 2019	Tax Year 2020	Tax Year 2021
Current Law Category 9 Conversions	Medium duty trucks	\$6,000	15% of cost	11.25% of cost	7.5% of cost	45% of cost
	Heavy duty trucks					
HB16-1332 Category 9 Conversions	Medium duty trucks	N/A		\$5,000	\$4,000	\$2,500
	Heavy duty trucks					

Table 3. Value of Category 4, 4 A, 4 B, and 4 C Credit under Current Law and HB16-1332

Category 4: Liquefied petroleum gas and compressed natural gas vehicle and truck purchases and leases						
Category 4 A: Liquefied petroleum gas and compressed natural gas vehicle and truck conversions						
Category 4 B: Liquefied natural gas and hydrogen vehicle and truck purchases and leases						
Category 4 C: Liquefied natural gas and hydrogen vehicle and truck conversions						
	Vehicle type	Cap per vehicle	Through TY 2018	Tax Year 2019	Tax Year 2020	Tax Year 2021
Current Law Cat 4 and 4 B Purchases and leases	Passenger vehicles	\$6,000	15% of cost	11.25% of cost	7.5% of cost	3.75% of cost
	Light duty trucks	7,500				
	Medium duty trucks	15,000				
	Heavy duty trucks	20,000				
Current Law Cat 4 A and 4 C Conversions	Passenger vehicles	\$6,000	45% of cost	33.75% of cost	22.5% of cost	11.25% of cost
	Light duty trucks	7,500				
	Medium duty trucks	15,000				
	Heavy duty trucks	20,000				
HB16-1332 Cat 4 and 4 B Purchases	Passenger vehicles	N/A		\$5,000	\$4,000	\$2,500
	Light duty trucks			7,000	5,500	3,500
	Medium duty trucks			10,000	8,000	5,000
	Heavy duty trucks			20,000	16,000	10,000
HB16-1332 Cat 4 and 4 B Leases	Passenger vehicles	N/A		\$2,500	\$2,000	\$1,500
	Light duty trucks			3,500	2,750	1,750
	Medium duty trucks			5,000	4,000	2,500
	Heavy duty trucks			10,000	8,000	5,000
HB16-1332 Cat 4 A and 4 C Conversions	Passenger vehicles	N/A		\$5,000	\$4,000	\$2,500
	Light duty trucks			7,000	5,500	3,500
	Medium duty trucks			10,000	8,000	5,000
	Heavy duty trucks			20,000	16,000	10,000

Table 4. Value of Category 7 and Category 7 A Credit under Current Law and HB16-1332

Category 7: Electric and plug-in hybrid electric truck purchases and leases Category 7 A: Electric and plug-in hybrid electric truck conversions						
	Vehicle type	Cap per vehicle	Through TY 2018	Tax Year 2019	Tax Year 2020	Tax Year 2021
Current Law Category 7 Purchases and leases	Passenger vehicles	\$6,000	15% of cost	11.25% of cost	7.5% of cost	3.75% of cost
	Light duty trucks	7,500				
	Medium duty trucks	15,000				
	Heavy duty trucks	20,000				
Current Law Category 7 A Conversions	Passenger vehicles	\$6,000	45% of cost	33.75% of cost	22.5% of cost	11.25% of cost
	Light duty trucks	7,500				
	Medium duty trucks	15,000				
	Heavy duty trucks	20,000				
HB16-1332 Category 7 Purchases	Passenger vehicles	N/A		\$5,000	\$4,000	\$2,500
	Light duty trucks			7,000	5,500	3,500
	Medium duty trucks			10,000	8,000	5,000
	Heavy duty trucks			20,000	16,000	10,000
HB16-1332 Category 7 Leases	Passenger vehicles	N/A		\$2,500	\$2,000	\$1,500
	Light duty trucks			3,500	2,750	1,750
	Medium duty trucks			5,000	4,000	2,500
	Heavy duty trucks			10,000	8,000	5,000
HB16-1332 Category 7 A Conversions	Passenger vehicles	N/A		\$5,000	\$4,000	\$2,500
	Light duty trucks			7,000	5,500	3,500
	Medium duty trucks			10,000	8,000	5,000
	Heavy duty trucks			20,000	16,000	10,000

House Action

House Finance Committee (April 13, 2016). At the hearing, representatives of Boulder Nissan and Noble Energy Inc., testified in support of the bill. An individual representing himself testified against the bill. Representatives from the Colorado Department of Revenue and the Colorado Energy Office answered committee questions. The committee adopted amendment L.001 and referred the bill, as amended, to the House Appropriations Committee. Amendment L.001 clarified that used cars converted into an alternative fuel motor vehicle are still eligible for the tax credits.

House Appropriations Committee (April 22, 2016). The committee adopted amendment J.001 and referred the bill to the House Committee of the Whole. The amendment added an appropriations clause to the bill.

House Second Reading (April 22, 2016). The House adopted the House Appropriations and

House Finance committee reports. The House passed the bill on second reading with no amendments.

House Third Reading (April 25, 2016). The House passed the bill on third reading with no amendments.

Senate Action

Senate Finance Committee (April 28, 2016). At the hearing, a representative of Noble Energy, Inc. testified in support of the bill. The committee referred the bill to the Senate Appropriations Committee.

Senate Appropriations Committee (May 3, 2016). The committee referred the bill to the Senate Committee of the Whole with the recommendation that it be placed on the consent calendar.

Senate Second Reading (May 3, 2016). The Senate passed the bill on second reading with no amendments.

Senate Third Reading (May 4, 2016). The Senate passed the bill on third reading with no amendments.

Relevant Research

Legislative Council Staff, *Innovative Motor Vehicle Income Tax Credit*, Issue Brief, February 2014: <http://tinyurl.com/h6omhe9>