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House Finance Committee
Colorado General Assembly
200 East Colfax
Denver, CO 80203

Dear Members of the Committee:

I write today in support of HB 1332, which revises the Alternative Fuel Motor Vehicle Income Tax Credits. I hope that my personal experience with this tax credit can shed some light on the problems with the current system and how it might be changed.

On October 27, 2014 I purchased a new Nissan LEAF, a battery-only electric vehicle with a limited range of 85 miles, from the dealer in Boulder.

Both the federal and state tax credits for this vehicle figured heavily in my decision to buy it. While filing for and receiving the federal tax credit was simple, straightforward and quick, filing for and receiving the state tax credit was complicated, frustrating, and lengthy.

I filed my federal and state taxes for 2014 on March 10, 2015 – more than a month early. They were prepared by a well-respected certified public accountant in Longmont, who has done my taxes for several years.

On my taxes for that year I claimed a both the flat federal New Qualified Plug-in Electric Drive Motor Vehicle tax credit in the amount of \$7,500 and a \$6,000 Alternative Fuel Motor Vehicle state tax credit that was based on the Manufacturer's Suggested Retail Price of my vehicle, less the federal tax credit, multiplied by a credit percentage that was based on the number of kilowatt hours in my car's battery.

On March 23, 2015 – thirteen days later -- I received my federal tax refund. In contrast, I did not receive my state tax refund until July 23, 2015 – four months after I filed my taxes.

From March until July 2015 I received no communications from the Colorado Department of Revenue about my state taxes. Neither did my accountant. At the time, we had no idea why there was a delay or if there was any problem.

From March through the July, the Department of Revenue online portal indicated that my tax return had been received and it was being processed. It said that I should "... allow 2-6 weeks for processing of your return and refund." I have attached a screen shot of this notice.

On two occasions – in May and June 2015 – I called the Department of Revenue taxpayer hotline to inquire about the status of my return. Both times I waited on hold for 45 minutes

before I had to hang up without speaking to anyone. I work during the day, and finding more than 45 minutes to wait on the phone in between meetings and scheduled phone calls is very difficult.

Finally, on July 3, I reached out to my state legislators to let them know of my frustration. It was only after this that I heard from the Department of Revenue. To their credit, On July 6, I received a call from the Deputy Director for Taxation to explain the situation.

My recollection of that phone call is that due to an error with the electric vehicle tax credit calculation, my tax return was kicked out of the automated system and required a manual review. My recollection is that the Deputy Director said to me that this was a common problem affecting thousands of people attempting to take this credit, and they just hadn't gotten to my return yet. I recall asking if I had missed some letter or phone call from the Department, and I recall that he said no, I had not.

In the end, my tax credit was reduced by \$1,678, from \$6,000 to \$4,322, which was quite a shock.

This was because, as it turns out, in present law the credit is based on the published MSRP of the **base model** vehicle, without any bells or whistles, not the MSRP of my actual car. The Nissan LEAF comes in three trim levels, and I purchased the middle trim level because it came with a quick charge port that allows the battery to be recharged to 80% in about 30 minutes and select high-capacity stations. As a daily commuter to Denver, this was critically important to me. Without it, the car can take five to twelve hours to recharge, after which it can be driven only another 85 miles.

In present law, the credit is also reduced by any dealer rebate you receive on the vehicle. This was not clear to me or my accountant at the time of sale, nor was it to the salesman we worked with at the dealer. I negotiated a \$3,500 rebate off the listed price of the car when I bought it. Had I known this would affect my state tax credit, which is widely marketed as being \$6,000, I would have negotiated a price reduction instead of a rebate.

It is perhaps worth noting that DOR publication No. Income 67, which instructs taxpayers and tax preparers how to claim the state tax credit (<https://www.colorado.gov/pacific/sites/default/files/Income67.pdf>) was last updated in May 2014, and still does not include an updated table of the correct MSRPs and battery multiplier factors for the 2015 and 2016 model years for the Nissan LEAF – making it hard to easily understand how to claim this tax credit.

All of this would be so much less frustrating, quicker, and easier if we could move to a system that mirrors the federal fixed tax credit.

Thank you,

Aaron Browning