Colorado Department of Revenue
Taxpayer Service Division
09/16

FYI FOR YOUR INFORMATION

Income 68
Innovative Truck Credit for Tax Years 2014-2016

The innovative truck credit is available for tax years beginning on or after January 1, 2014, but before January 1, 2022. This FYI contains information regarding credits available for tax years beginning **between January 1, 2014 and December 31, 2016**. The Department provides separate FYI regarding innovative truck credits for tax years 2017 and later. The innovative truck credit may be claimed for the purchase, lease, or conversion of a qualifying truck or qualifying clean fuel refrigerated trailer or for the installation of qualifying aerodynamic or idling reduction technologies. Additionally, qualifying passenger vehicles that run on or are converted to run on compressed natural gas (CNG), liquefied natural gas (LNG), liquefied petroleum gas (LPG), or hydrogen may also qualify for the credit.

ACRONYMS USED IN THIS FYI

CNG: Compressed natural gas

GVWR: gross vehicle weight rating

LNG: Liquefied natural gas

LPG: Liquefied petroleum gas

OEM: Original equipment manufacturer

CREDIT QUALIFICATIONS

Several categories of vehicles, vehicle modifications, vehicle conversions, and trailers qualify for the innovative truck credit. Many of these categories include weight restrictions, detailed in the table below, as qualifying criteria. Additionally, a vehicle or trailer must be titled, registered, and licensed in Colorado or registered under the International Registration Plan (IRP) and base plated in Colorado in order to qualify for the credit. A vehicle must also have a maximum speed of at least 55 miles per hour in order to qualify for the credit. In order for aerodynamic and idling reduction technologies to qualify for the credit, they must be installed on vehicles that meet these preceding criteria.

Qualifying Category	Category Description	Weight Restriction
CNG, LNG, LPG, or hydrogen vehicles	This category includes vehicles either manufactured or converted to operate on CNG, LNG, LPG, or hydrogen. Bi-fuel and dual fuel vehicles that operate on CNG, LNG, LPG, or hydrogen either alternately or in combination with gasoline or diesel fuel also qualify.	This category has no vehicle weight restriction and includes buses and passenger vehicles that operate on these fuel types.
Idling reduction technologies	This category includes idling reduction devices or systems recognized by the EPA and affixed to a tractor. See https://www.epa.gov/verified-diesel-tech/learn-about-idling-reduction-technologies-irts-trucks for additional information. This category also includes advanced insulation that has an R value of at least R35 per inch.	This category is limited to qualifying technologies and insulation installed on heavy trucks subject to excise tax under 26 USC §4051.
Aerodynamic technologies	This category includes devices on the EPA Smartway Verified Technology list that minimize drag and improve air flow over a truck and trailer, but does not include tires. See https://www.epa.gov/verified-diesel-tech/aerodynamic-devices for additional information.	This category has no vehicle weight restrictions.
Electric and plug-in hybrid electric trucks	This category includes manufactured and converted electric trucks and plug-in hybrid electric trucks that are propelled to a significant extent by an electric motor that has a battery capacity of at least 4 kWh and is capable of being recharged from an external power source.	This category is limited to vehicles with GVWR of 8,500 lbs. or greater.
Clean fuel refrigerated trailers	This category includes trailers designed to carry cargo loads and equipped with climate control powered by CNG, LNG, LPG, hydrogen, or electricity.	This category is limited to trailers pulled by trucks with GVWR greater than 14,000 lbs.
Hydraulic hybrid trucks	This category includes vehicles converted to hybrid propulsion systems that operate on both pressurized fluid and either CNG, LNG, LPG, hydrogen, electricity or traditional fuel (gasoline or diesel). The conversion must increase fuel economy in order to qualify.	This category is limited to vehicles with GVWR greater than 14,000 lbs.

CREDIT CALCULATION

The allowable credit is calculated as a percentage of the actual cost incurred in the purchase, lease, conversion, or installation of the qualifying vehicle, trailer, or technology. Additional taxes and fees such as sales tax, documentation fees, and destination charges must be excluded from the actual cost incurred. Any available grants, credits, or rebates, other than the innovative truck credit discussed in this FYI, must also be deducted in determining the actual cost incurred. The percentage then applied depends on the tax year and whether the qualifying vehicle is purchased, leased, converted, or modified with qualifying technology. Finally, the credit is also subject to a maximum which limits the total amount that can be claimed.

Deduction of other grants, credits, or rebates

Grants, credits, or rebates for which the vehicle, conversion, or technology qualifies, other than the innovative truck credit discussed in this FYI, must be deducted in determining the actual cost incurred, regardless of whether the grant, credit or rebate is actually claimed or received. Other grants, credits, or rebates that must be deducted include any available federal grants, credits or rebates. See "Further Reading" at the end of this FYI for websites with information regarding other alternative fuel vehicle grants, credits, and rebates. Any manufacturer's rebate or other rebate reflected in the purchase or lease agreement must also be deducted in determining the actual cost incurred.

Calculation of actual cost incurred for custom built vehicles

Often heavy trucks that qualify for the credit are custom built with itemized charges for separate components such as the chassis, engine, fuel system, etc. In the case of such custom built trucks, the actual cost incurred includes only those charges for parts and assembly that are necessary for the truck to perform its essential functions, including both self-propulsion and specific purpose for which the truck is primarily designed. For example, for the calculation of the credit the actual cost incurred includes not only the chassis, engine, fuel system, and drivetrain, but also the mixer in the case of a cement truck, the tank in the case of a tanker truck, or the compactor in the case of a garbage truck. Charges for extraneous or optional features or for separate equipment installed after delivery of the fully functional vehicle are not included in the calculation of the actual cost incurred.

Calculation of actual cost incurred for leases of OEM vehicles

For leased vehicles, the actual cost incurred is calculated by subtracting the residual value of the vehicle from the agreed upon value of the vehicle. Both the residual value of the vehicle and the agreed upon value of the vehicle should be expressly stated in the lease agreement. As with qualifying vehicle purchases, any other available grants, credits, or rebates must be deducted in the calculation of the actual cost incurred. Complete lines 1 through 5 of the formula outlined to the right to calculate the actual cost incurred for the lease of an OEM vehicle. The actual cost incurred will appear on line 5. Enter this amount on line 16 of form DR 0617.

<u>Actual cost incurred for leased vehicles</u>

For leased OEM vehicles, complete lines 1 through 5. For leases of *converted vehicles,* complete lines 1 through 8.

1.	Agreed upon value of the vehicle	________
2.	Any other grants, credits, or rebates	________
3.	Line 1 minus line 2	________
4.	Residual value of the vehicle	________
5.	Line 3 minus line 4	________
6.	Conversion cost	________
7.	Line 5 divided by line 1	________
8.	Line 6 times line 7	________

Aftermarket conversions made prior to delivery

Some vehicle dealers and manufacturers offer to contract with a third party to convert a manufactured vehicle to operate on CNG, LNG, or LPG prior to delivery to a customer for lease or purchase. For the purchase of such vehicles, the conversion cost should be stated separately in the invoice or purchase agreement and should be used as the actual cost incurred for the purpose of calculating the credit. For leases, the conversion cost should also be stated separately in the lease agreement, but must be prorated in order to determine the actual cost incurred for the purpose of calculating the credit. Complete lines 1 through 8 of the formula outlined above to calculate the actual cost incurred for the lease of a converted vehicle. The actual cost incurred will appear on line 5. Enter this amount on line 16 of form DR 0617.

Credit percentages

The percentage used to calculate the credit depends upon whether the qualifying vehicle is purchased or leased, converted, or modified with qualifying technologies. The following table details the credit percentages used for calculating the credit.

Purchase or lease of qualifying original equipment manufacturer (OEM) vehicle	18%
Qualifying conversion of vehicle	55%
Installation of qualifying idling reduction or aerodynamic technologies	25%

Maximum allowable credit

The amount of the credit that can be claimed is subject to a limitation determined by the classification of the qualifying vehicle, trailer, or technology. These classifications are based, in part, upon the weight of the vehicle. In the following table, a light duty passenger vehicle is defined as a private passenger vehicle, including vans, capable of seating twelve passengers or less, but excluding motor homes and vehicles designed to travel with three or fewer wheels in contact with the ground.

Classification	Maximum credit
- Light duty passenger vehicles - Idling reduction technologies - Aerodynamic technologies* - All hydraulic hybrid conversions	$6,000
- Light duty trucks (GVWR less than or equal to 14,000 lbs.) - Clean fuel refrigerated trailers	$7,500
- Medium duty trucks (GVWR greater than 14,000 lbs., but less than or equal to 26,000 lbs.)	$15,000
- Heavy duty trucks (GVWR greater than 26,000 lbs.)	$20,000

*The $6,000 limitation for aerodynamic technologies applies to each installed qualifying device. A credit may be claimed for multiple aerodynamic technologies installed during the same tax year, but the total credit a person may claim for all aerodynamic technologies installed during the tax year cannot exceed $50,000.

In addition to the maximum credit amounts listed in the table above, any credit claimed for the purchase, lease, or conversion of a CNG, LNG, LPG, hydrogen, electric, or plug-in hybrid electric vehicle is also limited to the incremental cost difference between the cost of the qualifying vehicle or conversion and the MSRP of a comparable vehicle that operates on gasoline or diesel fuel.

Exceptions and limitations

No more than one Colorado income tax credit may be allowed for any individual vehicle or trailer. An innovative truck credit cannot be claimed for any vehicle or trailer for which an innovative truck credit, innovative motor vehicle credit, or alternative fuel credit was previously claimed. Consequently, the purchase of a used vehicle generally will not qualify for a credit. Where successive owners of a qualifying vehicle each title and register the vehicle in Colorado following their acquisition of the vehicle, the credit is only allowable to the first owner to title and register the vehicle in Colorado. The purchase of a used vehicle may qualify if the vehicle's prior owner did not initially title and register it in Colorado. A vehicle history report must be submitted with any credit claim for the purchase of a used vehicle.

Despite the limitation precluding multiple credits for each individual vehicle or trailer, a person can claim a credit for multiple aerodynamic technologies installed during the same tax year. See "Maximum allowable credit" above for applicable limits on credits claimed for the installation of multiple aerodynamic technologies during the same tax year.

While the credit is available for tax year 2014, no vehicle or trailer purchased, leased, or converted prior to July 1, 2014 qualifies for this credit, except for idling reduction technologies installed and hydraulic hybrid truck conversions performed prior to that date.

CLAIMING THE CREDIT AND REQUIRED DOCUMENTATION

The innovative truck credit may only be claimed through the filing of a Colorado income tax return for the tax year in which the qualifying vehicle, trailer, or technology was purchased, leased, converted, or installed. The income tax return claiming the credit must include the following attachments for each qualifying vehicle, trailer, or technology:

- A completed form DR 0617
- A copy of the invoice, purchase agreement, receipt, or lease agreement
- A copy of the Colorado vehicle registration for the qualifying motor vehicle
- Any credit claimed for the purchase of a used vehicle must be accompanied by a “Vehicle History Report” showing the vehicle was not previously registered in Colorado. A vehicle history report can be obtained from any of a number of third party companies that offer such reports. An internet search for the phrase “Vehicle History Report” should provide a listing of companies that can produce this report.

The innovative motor vehicle credit is a refundable credit. The allowable credit is first applied against the income tax liability of the person who claims the credit. If the credit exceeds the tax due, the excess credit will be refunded.

FURTHER READING

- State statute and regulation
  - § 39-22-516.8, C.R.S.
- Federal law and regulation
  - 26 U.S.C. §§ 4051 and 4053 (for idling reduction technology and advanced insulation)
- Websites
  - https://www.epa.gov/verified-diesel-tech/smartway-technology-trucks-and-school-buses (for idling reduction and aerodynamic technologies)
  - http://www.fueleconomy.gov/feg/taxcenter.shtml (for information about federal tax credits)
  - www.afdc.energy.gov/laws/fed_summary (for information about federal incentives, laws, and programs)

FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these FYIs.