

This publication covers the innovative motor vehicle credit and innovative truck credit available for tax years beginning on or after January 1, 2017, but prior to January 1, 2022. Both tax credits were available in prior tax years, but were subject to different rules for those years. Please see FYI Income 67 and FYI Income 68 for information regarding the innovative motor vehicle credit and innovative truck credit, respectively, for tax years prior to 2017.

Colorado titling and registration is a requirement for both the innovative motor vehicle and innovative truck credits. The credits are generally available for the purchase, lease, or conversion of motor vehicles and trucks that are electric (EV), are plug-in hybrid electric (PHEV), or run on compressed natural gas (CNG), liquefied natural gas (LNG), liquefied petroleum gas (LPG), or hydrogen. The innovative truck credit is also available for idling reduction and aerodynamic technologies, clean fuel refrigerated trailers, and hydraulic hybrid conversions.

WHO CAN CLAIM THE CREDIT

The credit can be claimed by any taxpayer that purchases or leases a qualifying vehicle or qualifying trailer, converts a vehicle or trailer they own into a qualifying vehicle or qualifying trailer, or modifies a vehicle they own by installing idling reduction or aerodynamic technologies. In the case of a lease of a qualifying vehicle, the credit is allowed to the lessee and not to the lessor. State or local governments cannot claim the credit.

QUALIFYING VEHICLES, TRAILERS, CONVERSIONS, AND DEVICES

There are both general and specific requirements for a vehicle, trailer, conversion, or modification to qualify for the credit. Credits may be claimed only with respect to vehicles or trailers that meet the following criteria.

- For purchases or leases, the vehicle must be new and not previously titled or registered in any jurisdiction.
- In the case of conversion, the conversion must be EPA certified.
- The vehicle or trailer must be titled and registered in Colorado or base plated in Colorado if registered via IRP.
- The vehicle must have a maximum speed of at least 55 miles per hour.
- The vehicle, trailer, conversion, or device must qualify under one of the categories listed in the table below.

Colorado titling and registration

The vehicle or trailer purchased, leased, converted, or modified must be titled and registered in Colorado or, in the case of a truck or trailer registered under the [International Registration Plan \(IRP\)](#), base plated in Colorado. The purchase, lease, or conversion of a new vehicle or trailer qualifies for the credit only if the vehicle or trailer is titled and registered in Colorado in the time and manner prescribed by law. The purchase or lease of a vehicle previously registered in Colorado or any other state or jurisdiction does not qualify for the credit. For conversions of or the installation of aerodynamic or idling reduction technologies on used vehicles, the vehicle must be titled and registered in Colorado at the time of conversion or installation.

Qualifying Categories

Qualifying Category	Category Description
Electric and plug-in hybrid electric vehicles and trucks	Manufactured and converted electric and plug-in hybrid electric motor vehicles and 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
CNG, LNG, LPG, or hydrogen vehicles	Motor vehicles and trucks either manufactured or converted to operate on CNG, LNG, LPG, or hydrogen, including bi-fuel and dual fuel vehicles that operate on CNG, LNG, LPG, or hydrogen either alternately or in combination with gasoline or diesel fuel
Hydraulic hybrid truck conversions	Conversions that increase fuel economy of trucks that are greater than 14,000 GVWR to hybrid propulsion systems that operate on both pressurized fluid and either CNG, LNG, LPG, hydrogen, electricity or traditional fuel (gasoline or diesel)
Clean fuel refrigerated trailers	Trailers designed to carry cargo loads and equipped with climate control systems powered by CNG, LNG, LPG, hydrogen, or electricity, that are pulled by trucks with GVWR greater than 14,000 lbs.
Idling reduction technologies	Idling reduction devices or systems recognized by the EPA and affixed to a tractor and advanced insulation that has an R value of at least R35 per inch
Aerodynamic technologies	Devices on the EPA Smartway Verified Technology list that minimize drag and improve air flow over a truck and trailer, not including tires

Vehicles that do not qualify

Certain vehicles and trucks that run on electricity, CNG, LNG, LPG, or hydrogen do not qualify for the credit. No credit is allowed if any of the following conditions apply.

- The vehicle has a maximum speed of less than 55 miles per hour.
- The vehicle is a motorcycle or is designed to travel with three or fewer wheels in contact with the ground.
- The vehicle or trailer is not titled and registered in Colorado or base plated in Colorado if registered via IRP.
- The vehicle or trailer is not licensed or subject to licensing for operation on Colorado highways.
- No credit is allowed for the purchase or lease of a used vehicle.

DETERMINING THE AMOUNT OF THE CREDIT

The amount of the credit varies depending upon the qualifying category and the tax year during which the vehicle, truck, or trailer is purchased, leased, converted, or modified. In the case of purchases, leases, and conversions of qualifying vehicles, the credit is a flat amount determined generally by the weight classification of the vehicle. For the purchase or conversion of a qualifying trailer and for a modification that installs aerodynamic or idling reduction technologies on the vehicle or truck, the credit is a percentage of the actual cost incurred for the purchase, conversion, or modification.

Date of purchase, lease, conversion, or modification

The credit is determined, in part, based upon the tax year that includes the date of purchase, lease, conversion, or modification. For the purchase or lease of a qualifying vehicle or for the purchase of a qualifying trailer, the date of purchase or lease is the date the purchaser or lessor enters into a legally binding purchase or lease agreement, so long as the purchaser or lessor takes possession of the vehicle or trailer within 10 days of that date. If the purchaser or lessor does not take possession of the vehicle or trailer within 10 days of the execution of the purchase or lease agreement, the date of purchase or lease is the date the purchaser or lessor takes possession of the vehicle or trailer.

In the case of either a qualifying conversion or the installation of aerodynamic or idling reduction technologies, the date of conversion or modification is the date the owner enters into a legally binding agreement for the conversion or modification, so long as owner retakes possession of the converted or modified vehicle or trailer within 10 days of that date. If the owner does not retake possession of the converted or modified vehicle or trailer within 10 days of the execution of the agreement, the date of conversion or modification is the date the owner retakes possession of the converted or modified vehicle or trailer.

Credits for the purchase or qualifying vehicles and for qualifying conversion

Except for hydraulic hybrid conversions (discussed separately in a subsequent section of this FYI), the credit for the purchase of a qualifying vehicle or for a qualifying conversion is a fixed amount based upon the weight classification for the vehicle and the tax year that includes the date of purchase or conversion. For trucks, the weight classification is based upon gross vehicle weight rating (GVWR). The following table details the credit amounts allowed based upon tax year and weight classification. Please note in consulting the following table that light and medium duty electric trucks are classified separately from other light and medium duty trucks and the weight ranges applicable to each differs.

*Credit Amounts for Purchases of Qualifying Vehicles and for Qualifying Conversions
(not including hydraulic hybrid conversions)*

		Tax year beginning on or after:	1/1/2017	1/1/2020	1/1/2021
		but prior to:	1/1/2020	1/1/2021	1/1/2022
Classification	GVWR range				
Light duty passenger vehicle	N/A		\$5,000	\$4,000	\$2,500
Light duty electric truck	less than or equal to 10,000 lbs.		\$7,000	\$5,500	\$3,500
Light duty truck	less than or equal to 14,000 lbs.		\$7,000	\$5,500	\$3,500
Medium duty electric truck	greater than 10,000, but not more than 26,000 lbs.		\$10,000	\$8,000	\$5,000
Medium duty truck	greater than 14,000, but not more than 26,000 lbs.		\$10,000	\$8,000	\$5,000
Heavy duty truck	greater than 26,000 pounds GVWR		\$20,000	\$16,000	\$10,000

The amount of credit that can be claimed for the purchase of any qualifying truck is limited to the difference in manufacturer's suggested retail price (MSRP) between the qualifying truck and a comparable truck that runs on either gasoline or diesel fuel. The credit claimed for converting a truck to a qualifying truck is limited to the cost of conversion.

Credits for the lease of qualifying vehicles

For each weight classification and tax year, the credit amount allowed for the lease of a qualifying vehicle is one half of the credit amount listed in the above table, except that, for tax years beginning on or after January 1, 2021 and prior to January 1, 2022, the credit for the lease of a qualifying light duty passenger vehicle is \$1,500. The applicable tax year for determining the amount of the credit is the tax year during which the taxpayer enters into a lease agreement for the qualifying vehicle (see also the section entitled "Date of purchase, lease, conversion, or modification", above). No additional credit may be claimed for the same leased vehicle for any subsequent tax year during which the lease continues.

In the case of a lease, the credit is allowed to the lessee and not to the lessor. In order to be considered a lease that qualifies for the credit, the lease agreement must be for an initial term of at least two years. Early termination of a bona fide lease agreement for a term of at least two years will not abrogate the lessor's right to the credit or require any recapture of the credit previously claimed for the lease, except in the case of a leased trailer. See "Credits for qualifying trailers" below for information about the recapture of credits for the early termination of the lease for a qualifying trailer.

Credits for hydraulic hybrid conversions

The credit allowed for a hydraulic hybrid conversion is a flat amount based on tax year in which the conversion is performed (see the section entitled "Date of purchase, lease, conversion, or modification", above). The following table lists the credit amount allowed.

Credit Amounts for Hydraulic Hybrid Conversions

Tax year commencing on or after:	1/1/2017	1/1/2020	1/1/2021
but prior to:	1/1/2020	1/1/2021	1/1/2022
Hydraulic Hybrid Conversion	\$5,000	\$4,000	\$2,500

Credits for qualifying trailers

The credit allowed for the purchase or lease of a clean fuel refrigerated trailer or the conversion of a trailer to a clean fuel refrigerated trailer is a percentage of the cost of the trailer or conversion, but the amount of credit a taxpayer claims in a tax year is limited as shown in the table below. The percentage depends upon whether the trailer is purchased, leased, or converted and the tax year in which the purchase, lease, or conversion occurs (see the section entitled "Date of purchase, lease, conversion, or modification", above). When calculating the credit, the taxpayer must first deduct from their cost any other grants, credits, or rebates, such as federal credits and manufacturer rebates, for which the trailer or conversion is eligible. The taxpayer must also exclude from their cost used to calculate the credit any tax, titling and registration fees, and any other charges extraneous to the cost of the trailer. See § 39-22-516.8(1)(a)(II), C.R.S. for guidance in calculating the cost of a leased trailer.

Credit Percentages for Purchases, Leases, or Conversions of Clean Fuel Refrigerated Trailers

Tax year commencing on or after:	1/1/2017	1/1/2019	1/1/2020	1/1/2021	Limit per trailer
but prior to:	1/1/2019	1/1/2020	1/1/2021	1/1/2022	
Purchase or lease	15%	11.75%	7.5%	3.75%	\$7,500
Conversion	45%	33.75%	22.5%	11.25%	\$7,500

In the case of the early termination of a lease for a qualifying trailer, the lessor may be required to repay a part of the previously claimed credit (the "credit recapture amount"). The credit recapture amount is equal to the difference between the amount of the original credit claimed and the amount of the credit recalculated based upon the actual cost incurred for the lease prior to its termination. The lessor must report and repay the credit recapture amount with the lessor's income tax return for the tax year in which the lease is terminated.

Credits for aerodynamic and idling reduction technologies

The credit allowed for the purchase and installation of aerodynamic or idling reduction technology devices is 25% of the cost for the purchase and installation of the devices, subject to certain limitations. When calculating the credit,

the taxpayer must first deduct from their cost any other grants, credits, or rebates, such as federal credits and manufacturer rebate, for which the device is eligible. The taxpayer must also exclude from their cost used to calculate the credit any tax, titling and registration fees, and any other charges extraneous to the cost of the device and its installation.

The maximum credit allowed for any single device is \$6,000. Additionally, the total credit amount a taxpayer can claim for all aerodynamic devices they purchase during a given tax year is \$50,000. The total credit amount a taxpayer can claim for all idling reduction devices they purchase during a given tax year is \$6,000.

CLAIMING THE CREDIT

A taxpayer must file a Colorado income tax return, including all required forms and documentation, to claim the credit. However, the purchaser or lessor who obtains financing for the purchase, lease, or conversion of a qualifying vehicle may assign the credit to the financing entity that finances the purchase, lease, or conversion. In the case of assignment, the financing entity must file a Colorado income tax return with all required forms and documents to claim the credit.

A taxpayer, whether they are a purchaser, lessor, owner of a converted or modified vehicle, or a financing entity, must claim the credit on their income tax return for the tax year that includes the date of purchase, lease, conversion, or modification. See the section entitled "Date of purchase, lease, conversion, or modification", above.

Documentation required to claim the credit

The income tax return on which the credit is claimed must include the following attachments:

- A completed Form DR 0617;
- A copy of the invoice, purchase agreement, or lease agreement for the qualifying motor vehicle;
- For financing entities that accept assignment of the credit, a completed Form DR 0618.

A taxpayer claiming credits for multiple qualifying vehicles, trailers, conversions, and/or modifications must attach to their return the above listed documents for each qualifying vehicle, trailer, conversion, or modification.

Multiple owners of qualifying vehicles

In the case of a vehicle owned, purchased, or leased jointly by multiple taxpayers or by a partnership, S corporation, or other similar pass-through entity, the credit may be allocated to the respective owners, partners, or shareholders in any manner the owners, partnership, or S corporation elect. However, the aggregate amount of the credit allocated to such owners, partners, members, or shareholders cannot exceed the total credit allowed for a single purchase, lease, conversion, or modification.

Assignment of the credit

A purchaser, lessor, or owner who obtains financing for the purchase, lease, or conversion of a qualifying vehicle may, by mutual agreement with the financing entity, assign the credit to the financing entity. In the case of assignment, the financing entity must compensate the vehicle purchaser, lessor, or owner for the full amount of the assigned credit. Compensation must be made in the form of a cash payment, a reduction in cash price, a capitalized cost reduction, or some similar consideration and the amount of the compensation must be separately stated in the purchase, lease, or loan agreement. The financing entity may charge an administrative fee for the assignment of the credit, but such fee cannot exceed \$150.

In order to assign the credit, the vehicle purchaser, lessor, or owner and the financing entity must complete and sign an election statement (Form DR 0618). A separate election statement must be completed for each assigned credit. The election statement must be completed on the date of purchase, lease, or conversion (see the section entitled "Date of purchase, lease, conversion, or modification", above). By completing the election statement, the purchaser, lessor, or owner of the qualifying vehicle forfeits the right to claim the credit. The financing entity may authorize an agent or designee to sign the election statement on its behalf to facilitate the assignment of the credit.

A financing entity that accepts assignment of a credit must file an income tax return, as discussed above, to claim the credit. No credit will be granted or refunded to a financing entity prior to the filing of their income tax return claiming the credit. The financing entity must claim the credit on the tax return for the tax year that includes the date of purchase, lease, or conversion (see the section entitled "Date of purchase, lease, conversion, or modification", above). However, the amount of the credit will be determined by reference to the owner, purchaser, or lessor's tax year, not the financing entity's tax year.

If a financing entity accepts assignment of a credit, the financing entity must, within 30 days of the date of assignment, electronically submit to the Department the information contained in the election statement. The electronic submission must be made through the Department's website at www.colorado.gov/revenueonline under the financing entity's account. If the financing entity is an affiliated corporation included in a combined or consolidated return, the electronic

submission should be made under the account for the parent corporation. If the financing entity or parent corporation does not have a Revenue Online account, it must first create an account. A financing entity or parent corporation with an active Revenue Online account should see an option to “Register to Submit an Innovative Motor Vehicle Credit” within their income tax account. One or two days after selecting this option and completing the required steps, the financing entity should see an option to “Submit an Innovative Motor Vehicle Credit File” on their Revenue Online account. This option can be used to either manually enter the information from an election statement or to upload an electronic file with information from one or more election statements. Click the link “Approved File Format for Electronic Submissions” next to the link for this FYI Income 69 at <https://www.colorado.gov/pacific/tax/fyi-publications-income-tax> for information about formatting electronic files for upload.

ADDITIONAL RESOURCES

- Colorado statutes and regulations
 - § 39-22-516.7, C.R.S.
 - § 39-22-516.8, C.R.S.
 - Department Rule 39-22-516
- Colorado forms, publications, and guidance
 - Form DR 0617 (for claiming the credit with a Colorado income tax return)
 - Form DR 0618 (for assigning the credit to a financing entity)
- Federal laws
 - 26 U.S.C. § 30D (federal credit for new qualified plug-in electric drive motor vehicles)
 - 26 USC §4053 (for federal definition of idling reduction device)
 - 40 C.F.R. Parts 85 and 86 (regarding EPA certification of conversions)
- Other resources
 - <http://fueleconomy.gov/feg/evsplash.shtml> (for information about electric and plug-in hybrid electric vehicles)
 - <https://www.epa.gov/verified-diesel-tech/aerodynamic-devices> (for information about aerodynamic technologies)
 - <https://www.epa.gov/verified-diesel-tech/idling-reduction-technologies-irts-trucks-and-school-buses> (for information about idling reduction technologies)

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.