



## FYI Income 9 Alternative Fuel Income Tax Credits

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### PLEASE NOTE

The information contained in this FYI applies only to alternative fuel vehicle credits for tax years 2009 and prior and to alternative fuel refueling facility credits for tax years 2010 and prior. Please refer to FYI Income 67 for information regarding alternative fuel income tax credits available for tax years beginning on or after January 1, 2010.

### ALTERNATIVE FUEL VEHICLE CREDIT

Colorado income tax credits are available for the purchase of an alternative fuel vehicle, for a motor vehicle that is converted to use alternative fuel, or for the replacement of the power source with a power source that uses alternative fuel. To qualify, the vehicle must be titled and registered in Colorado. [§39-22-516, C.R.S.]

The credit is only available in the year during which the vehicle was purchased or converted. If the credit allowed exceeds the net tax liability for that year, any excess credit may be carried forward and claimed on future year returns for up to five years until the credit is fully utilized.

### Definition of Alternative Fuel

"Alternative fuel" means electricity, compressed natural gas, propane, ethanol, or any mixture of ethanol containing eighty-five percent or more ethanol by volume with gasoline or other fuels. "Alternative fuel" may also include clean diesel and reformulated gasoline so long as the air quality control commission determines that these fuels make reductions in carbon monoxide emissions and brown cloud pollutants comparable to the previously mentioned alternative fuels. "Alternative fuel" does not include any fuel that contains or is treated with methyl tertiary butyl ether.

### Computation of Credit

The credit is a percentage of

- a) the difference between the cost of the vehicle and the cost of the same or most similar vehicle that uses a traditional fuel, or
- b) the cost incurred in converting the vehicle to an alternative fuel, or
- c) the difference between the cost of replacing the power source and the cost of the same or most similar power source that uses a traditional fuel.

In a) and c) above, if the cost of the traditional fuel option is greater than or equal to the cost of the alternative fuel option, the credit will be \$0.

The percentage of the credit depends on the certification level of the vehicle and the year in which the expenditure is made.

Certification level	Tax year beginning prior to January 1, 2010
Low-emitting vehicle (LEV)	50%
Ultra-low-emitting vehicle (LUEV) or Inherently-low emitting vehicle (ILEV)	75%
Zero-emitting vehicle (ZEV or SULEV)	85%

Certification levels have the same meaning as set forth in part 88 of title 40 of the code of federal regulations. A near zero-emitting vehicle shall be treated as a zero-emitting vehicle. At this time the California certified SULEV (Super ultra low emitting vehicle) is the only vehicle rating that qualifies as a near zero-emitting vehicle.

The percentage of the credit is doubled, up to a maximum of 100%, if the vehicle or power source permanently displaces (will never be operated on Colorado highways in the future) a vehicle or power source that is ten years old or older. You must provide a copy of the bill of sale to an out of state buyer or salvage yard to claim this extra credit.

### **Non-Qualifying Vehicles**

#### **"Mild" Hybrid Vehicles**

Mild hybrid vehicles that do not employ an alternative fuel to generate propulsion do not qualify for the alternative fuel vehicle credit.

#### **Neighborhood Electric Vehicles (NEV)**

NEVs do not qualify for the alternative fuel vehicle credit because they cannot be operated on Colorado highways. [§39-22-516(2.5)(a)(III), C.R.S.]

#### **Used Vehicles**

A vehicle can qualify for this credit only one time. To claim the credit on the purchase of a used vehicle a taxpayer must:

- (a) Provide a history of the vehicle and receipts indicating the prior owners and why they did not claim this credit.
- (b) Provide the cost difference used in computing the credit and the basis on which it is computed. The cost difference will usually decrease ratably with the decrease in the value of the vehicle. For example, if the price paid for the used vehicle is 40% of the original MSRP, then the credit allowed will be 40% of the credit available for that vehicle when new.

If a ten-year old vehicle had a new alternative fuel engine put in one year ago, then the vehicle must be compared to the most similar vehicle valued with a one-year-old gas engine, not a ten-year-old engine.

#### **Common Questions**

*Does a low emitting vehicle that runs on traditional fuel (gasoline or diesel fuel) qualify for this credit?*

No. The low emitting vehicle operates on traditional fuel and therefore could not be distinguished from the same model of car.

*Does the purchase of a vehicle that can operate solely on traditional fuel, but can also operate on alternative fuel at the owner's option, qualify for the alternative fuel vehicle credit?*

No. A vehicle that can operate solely on traditional fuel does not qualify for the alternative fuel vehicle credit. A qualifying vehicle must:

- operate solely on the alternative fuel, or
- operate on alternative fuel and traditional fuel at the same time, or
- operate on alternative fuel some of the time and on traditional fuel some of the time.

Furthermore, the cost of a flex fuel or dual fuel vehicle is the same as the most similar vehicle that can operate exclusively on traditional fuel, which results in a credit of \$0 (for example: most vehicles that can use E85 fuel or biodiesel).

*Can a leased vehicle qualify for this credit?*

In the event that a qualifying vehicle is leased, the lessor may elect to pass the right to claim the credit to the lessee. However, if the lessor claims a credit for the leased vehicle, no credit will be allowed to the lessee. The credit available to lessees is calculated by subtracting the value of the vehicle when the lease expires from the cost of the vehicle to the lessor at the time of the lease transaction (capitalized cost), and dividing that amount by the cost of the vehicle to the lessor at the time of the lease transaction. This percentage is then multiplied by the qualifying expenses to determine the amount of the expenditure that can be used in computing the amount of the credit. Only the lessor or lessee of the vehicle may claim the credit.

**Example:** Becky leases a 2008 Honda Civic Hybrid valued at \$22,600. The vehicle will have a value of \$7,100 when the lease expires. The credit is computed as follows:

- a) Value at time of lease \$22,600
- b) Value at end of lease \$ 7,100
- c) Line a minus Line b \$15,500
- d) Line c divided by Line a 68.58%
- e) Full credit for vehicle \$ 2,599
- f) Credit available on lease line d times line e \$ 1,782

### **ALTERNATIVE FUEL REFUELING FACILITY CREDIT**

For tax years beginning prior to January 1, 2011, Colorado income tax credits are available for the construction, reconstruction, or acquisition of an alternative fuel refueling facility that is directly attributable to the storage, compression, charging or dispensing of alternative fuels to motor vehicles. [§39- 22-516(2.7), C.R.S.]

The percentage of the credit is determined by the tax year in which the costs are incurred:

- Tax year beginning prior to January 1, 2006: 50%
- Tax year beginning prior to January 1, 2009: 35%

#### ***Increased Credit***

- If 70% or more of the alternative fuel dispensed each year by the refueling facility is derived from a renewable energy source for ten years (certification must be provided upon request); and/or
- If the refueling facility is generally accessible for use by persons in addition to the person claiming the credit,

The percentage of the credit will be multiplied by 1.25.

#### ***Limitations to the Credit***

The credit claimed by a taxpayer is limited to \$400,000 in any consecutive five-year period for each refueling facility. This credit cannot be claimed on a refueling facility, or on any equipment used in connection with that facility, if **any** taxpayer has ever claimed the alternative fuel refueling facility credit for that facility.

To the extent the allowable credit exceeds the tax liability, the excess may be carried forward for up to five years.

#### ***Common Questions***

*What percentage of the costs of a new facility will be eligible for the credit when the project includes a convenience store and traditional gas pumps?*

Only the incremental costs of the alternative fuel distribution system will qualify for the credit. No portion of the cost of the convenience store and other fuel systems will qualify for the credit.

*What costs qualify for the alternative fuel refueling facility credit when a facility for which a credit was previously claimed is updated and/or expanded?*

None. The law does not allow a credit to be claimed on a facility for which the credit was previously claimed.

### **ENERGY CONSERVATION REBATE**

Any expenses reimbursed by a rebate issued by the Office of Energy Conservation or any other entity will not qualify for the income tax credits or rebate described in this FYI.

***See charts on following pages for "Credits Available for Selected Common Vehicles"***

## CREDITS AVAILABLE FOR SELECTED COMMON VEHICLES

The amount of the credit available has been computed based on a price comparison with the most similar vehicle using manufacturer and industry data. **Please be advised that prior versions of this FYI listed credit amounts for tax years 2010 and 2011 that had not been calculated correctly. Please see FYI Income 67 for the credit amounts available for vehicles purchased in tax years 2010 and 2011.**

Make	Model	Incremental price difference	Tax credit available for tax years 2009 and prior
Cadillac	2009 Cadillac Escalade Hybrid	\$10,930	\$5,465
Chevy	2008 Chevy Malibu Hybrid	\$2,710	\$1,355
	2009 Chevy Malibu Hybrid	\$3,145	\$1,573
	2009 Chevy Silverado Hybrid	\$5,495	\$2,748
	2008 Chevy Tahoe Hybrid	\$7,720	\$3,860
	2009 Chevy Tahoe Hybrid	\$6,415	\$3,208
GMC	2009 GMC Sierra Hybrid	\$5,515	\$2,758
	2008 GMC Yukon Hybrid	\$7,395	\$3,698
	2009 GMC Yukon Hybrid	\$5,775	\$2,888
Ford	2005 Ford Escape Hybrid (Front Wheel Drive)	\$3,245	\$2,758
	2005 Ford Escape Hybrid (Four Wheel Drive)	\$3,290	\$2,797
	2006 Ford Escape Hybrid (Front Wheel Drive)	\$3,325	\$2,826
	2006 Ford Escape Hybrid (Four Wheel Drive)	\$3,360	\$2,856
	2007 Ford Escape Hybrid (Front Wheel Drive)	\$2,285	\$1,942
	2007 Ford Escape Hybrid (Four Wheel Drive)	\$2,320	\$1,972
	2008 Ford Escape Hybrid	\$4,020	\$3,417
	2009 Ford Escape Hybrid	\$4,595	\$3,906
	2010 Ford Escape Hybrid	\$5,695	\$4,840
	2010 Ford Fusion Hybrid	\$3,760	\$3,196
Honda	2005 Honda Accord Hybrid	\$3,915	\$2,936
	2006 Honda Accord Hybrid	\$3,775	\$3,209
	2007 Honda Accord Hybrid	\$3,775	\$3,209
	2004 Honda Civic GX (Natural Gas)	\$4,500	\$3,825
	2005 Honda Civic GX (Natural Gas)	\$4,500	\$3,825
	2006 Honda Civic GX (Natural Gas)	\$4,000	\$3,400
	2007 Honda Civic GX (Natural Gas)	\$6,830	\$5,806
	2008 Honda Civic GX (Natural Gas)	\$6,995	\$5,946
	2009 Honda Civic GX (Natural Gas)	\$7,100	\$6,035
	2010 Honda Civic GX (Natural Gas)	\$7,100	\$6,035
	2003 Honda Civic Hybrid (Automatic)	\$3,215	\$2,411
	2003 Honda Civic Hybrid (Manual 5-speed)	\$3,015	\$2,261
	2004 Honda Civic Hybrid (Automatic)	\$3,440	\$2,580
	2004 Honda Civic Hybrid (Manual 5-speed)	\$3,240	\$2,430
	2005 Honda Civic Hybrid (Automatic)	\$3,075	\$2,306
	2005 Honda Civic Hybrid (Manual 5-speed)	\$2,875	\$2,156
	2006 Honda Civic Hybrid	\$3,375	\$2,531
2007 Honda Civic Hybrid	\$3,675	\$2,756	
2008 Honda Civic Hybrid	\$3,465	\$2,599	

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Make	Model	Incremental price difference	Tax credit available for tax years 2009 and prior
Honda	2009 Honda Civic Hybrid	\$3,520	\$2,640
	2010 Honda Civic Hybrid	\$3,710	\$3,153
	2002 Honda Insight	\$3,970	\$3,375
	2003 Honda Insight (Automatic)	\$3,670	\$3,120
	2003 Honda Insight (Manual 5-speed)	\$3,470	\$2,603
	2004 Honda Insight (Automatic)	\$5,070	\$4,310
	2004 Honda Insight (Manual 5-speed)	\$5,070	\$3,803
	2005 Honda Insight (Automatic)	\$5,545	\$4,713
	2005 Honda Insight (Manual 5-speed)	\$5,575	\$4,181
	2006 Honda Insight (Automatic)	\$5,220	\$4,437
	2006 Honda Insight (Manual 5-speed)	\$5,020	\$3,765
	2010 Honda Insight	\$3,480	\$2,958
Lexus	2007 Lexus GS 450h	\$7,590	\$6,452
	2008 Lexus GS 450h	\$6,515	\$5,538
	2009 Lexus GS 450h	\$7,625	\$6,481
	2010 Lexus HS 250h	\$1,630	\$1,386
	2008 Lexus LS 600h L	\$16,210	\$13,779
	2009 Lexus LS 600h L	\$23,990	\$20,392
	2006 Lexus RX 400h <sup>1</sup>	\$4,395	\$3,736
	2006 Lexus RX 400h <sup>2</sup>	\$4,050	\$3,443
	2007 Lexus RX 400h	\$4,595	\$3,906
	2008 Lexus RX 400h	\$3,780	\$3,213
	2010 Lexus RX 450h AWD	\$4,350	\$3,698
	2010 Lexus RX 450h FWD	\$4,160	\$3,536
Mercury	2006 Mercury Mariner Hybrid	\$3,715	\$3,158
	2007 Mercury Mariner Hybrid	\$2,665	\$2,265
	2008 Mercury Mariner Hybrid	\$4,105	\$3,489
	2009 Mercury Mariner Hybrid	\$4,650	\$3,953
	2010 Mercury Mariner Hybrid	\$5,705	\$4,849
	2010 Mercury Milan Hybrid	\$4,070	\$3,459
Saturn	2008 Saturn Aura Hybrid	\$3,415	\$1,708
	2009 Saturn Aura Hybrid	\$2,955	\$1,478
	2008 Saturn Vue Hybrid	\$3,325	\$1,663
	2009 Saturn Vue Hybrid	\$3,530	\$1,765
Tesla	2008 Tesla Roadster	\$45,667	\$38,816
	2010 Tesla Roadster	\$49,510	\$42,083

1 Credit available for 2006 Lexus RX 400h purchased prior to 11/1/05.

2 Credit available for 2006 Lexus RX 400h purchased on or after 11/1/05.

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Make	Model	Incremental price difference	Tax credit available for tax years 2009 and prior
Toyota	2007 Toyota Camry Hybrid	\$2,665	\$2,265
	2008 Toyota Camry Hybrid	\$2,322	\$1,974
	2009 Toyota Camry Hybrid	\$2,404	\$2,043
	2010 Toyota Camry Hybrid	\$2,084	\$1,771
	2006 Toyota Highlander Hybrid (Base Grade) <sup>3</sup>	\$4,555	\$3,872
	2006 Toyota Highlander Hybrid (Base Grade) <sup>4</sup>	\$4,305	\$3,659
	2006 Toyota Highlander Hybrid (Limited Grade) <sup>5</sup>	\$4,500	\$3,825
	2006 Toyota Highlander Hybrid (Limited Grade) <sup>6</sup>	\$4,220	\$3,587
	2007 Toyota Highlander Hybrid (Base Grade)	\$4,525	\$3,846
	2007 Toyota Highlander Hybrid (Limited Grade)	\$4,075	\$3,464
	2008 Toyota Highlander Hybrid (Base Grade)	\$4,815	\$4,093
	2008 Toyota Highlander Hybrid (Limited Grade)	\$5,180	\$4,403
	2009 Toyota Highlander Hybrid	\$5,515	\$4,688
	2001 Toyota Prius	\$4,172	\$3,546
	2002 Toyota Prius	\$4,622	\$3,929
	2003 Toyota Prius	\$3,612	\$3,070
	2004 Toyota Prius	\$3,150	\$2,678
	2005 Toyota Prius	\$4,040	\$3,434
	2006 Toyota Prius	\$3,865	\$3,285
	2007 Toyota Prius	\$3,545	\$3,013
	2008 Toyota Prius (Base Grades)	\$2,370	\$2,015
	2008 Toyota Prius (Touring)	\$3,654	\$3,106
2009 Toyota Prius	\$3,659	\$3,110	
2010 Toyota Prius	\$2,880	\$2,448	
Zap	2009 Zap Zebra	\$5,334	\$4,534

<sup>3</sup> Credit available for 2006 Toyota Highlander Hybrid (Base Grade) purchased prior to 11/1/05.

<sup>4</sup> Credit available for 2006 Toyota Highlander Hybrid (Base Grade) purchased on or after 11/1/05.

<sup>5</sup> Credit available for 2006 Toyota Highlander Hybrid (Limited Grade) purchased prior to 11/1/05.

<sup>6</sup> Credit available for 2006 Toyota Highlander Hybrid (Limited Grade) purchased on or after 11/1/05.

### Credits Available for Selected Electric Motorcycles and Scooters

Model	Incremental price difference	Tax credit available for tax years 2009 and prior
2010 Electric Motorsport GPR-S	\$4,301	\$3,856
2010 Electric Motorsport GPR-S w/AC motor and battery upgrade	\$9,776	\$8,310
Xtreme Green X-Rider EM72	\$4,296	\$3,652
Xtreme Green Scooter EM 40/60	\$3,296	\$2,802
Zero Motorcycles Duel Sport	\$5,751	\$4,888

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.