COLORADO Department of Revenue Taxation Division

FYI For Your Information

Income 67: Innovative Motor Vehicle Credit for Tax Years 2015-2016

The innovative motor vehicle credit is available for tax years commencing on or after January 1, 2012, but prior to January 1, 2022. This FYI contains information regarding credits available for the purchase, lease, or conversion of electric (EV) and plug-in hybrid electric vehicles (PHEV) in tax years beginning **between January 1, 2015 and December 31, 2016**. The Department provides a separate FYI regarding innovative truck credits for tax years 2017 and later. For information about other vehicle types or for tax years commencing prior to January 1, 2015, see §§39-22-516.5 and 516.7, C.R.S. See FYI Income 68 for information about the innovative truck credit and for information about motor vehicles that operate on compressed natural gas (CNG), liquefied natural gas (LNG), liquefied petroleum gas (LPG), or hydrogen.

CREDIT QUALIFICATIONS

For tax years commencing on or after January 1, 2015 the credit is available for either the purchase or lease of a qualifying motor vehicle or for the qualified conversion of a motor vehicle. In order to qualify, a motor vehicle must be a self-propelled vehicle with four wheels that is titled, registered, and licensed in Colorado. The qualifying vehicle must also be an electric (EV) or plug-in hybrid electric vehicle (PHEV) that meets the following criteria:

- The EV or PHEV's gross vehicle weight rating cannot exceed 8,500 pounds.
- The EV or PHEV must have a maximum speed of at least 55 miles per hour.
- The EV or PHEV must be propelled to a significant extent by an electric motor that draws electricity from a battery.
- The EV or PHEV battery must have a capacity of at least four kilowatt hours.
- The EV or PHEV battery must be rechargeable from an external source of electricity.

Both new and used vehicle purchases, leases, and conversions may qualify for the credit, but see "Limitations and Exceptions" for rules regarding used vehicle eligibility.

There is no limit to the number of qualifying vehicles for which a taxpayer can claim a credit. If a taxpayer purchases, leases, or converts multiple qualifying vehicles in the same tax year, the taxpayer can claim credits for each of the qualifying vehicles.

CREDIT CALCULATION

The credit is calculated as a percentage of the net cost incurred in the purchase, lease, or conversion of the qualifying vehicle. The credit calculation formula on page 2 can be used to calculate the credit. For the purchase of a new qualifying vehicle, the calculation begins with the MSRP for the base model of the vehicle, without any optional features or equipment. The MSRP for qualifying vehicles can usually be found on the manufacturer's website. For the lease of a qualifying vehicle, the calculation begins with the "leased value" (see page 2 for calculation of "leased value"). In the case of a qualifying conversion or used vehicle purchase (see "Limitations and Exceptions on page 2 for used vehicle purchases), the calculation begins with the purchase price or conversion cost. Additional taxes and fees such as sales tax, documentation fees, and destination charges must be excluded in the calculation of the net cost incurred.

Deductions for other grants, credits, or rebates

If a qualifying motor vehicle purchase, lease, or conversion also qualifies for any other grants, credits, or rebates, the other grants, credits, or rebates must be deducted in calculating the net cost incurred, regardless of whether any such grants, credits, or rebates are actually claimed or received. Other grants, credits, or rebates that must be deducted include any available federal grants, credits, or rebates. Information regarding alternative fuel vehicle grants, credits, and rebates can be found online at http://www.fueleconomy.gov/feg/taxcenter.shtml. Any manufacturer's rebate or other rebate reflected in the purchase or lease agreement must also be deducted in the calculation of the credit.

Credit Percentage

The percentage used in calculating the credit is equal to the vehicle's battery capacity divided by 100. The battery capacities for qualifying vehicles can usually be found on the manufacturer's website.

Limitations and Exceptions

Multiple limitations apply to innovative motor vehicle credit claims. The credit allowed for the purchase, lease, or conversion of any individual qualifying motor vehicle cannot exceed $6,000. Additionally, except in the case of a plug-in hybrid electric conversion, no more than one tax credit is allowed for any single motor vehicle. 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.

Credit Calculation Formula

1.	New vehicle MSRP, used vehicle purchase price, leased value (see below), or conversion cost	______
2.	Any available federal credit*	______
3.	Any other grants, credits, or rebates available	______
4.	Line 2 plus line 3	______
5.	Net cost incurred, line 1 minus line 4	______
6.	Enter battery capacity (for vehicle purchases or leases) or 75 (for vehicle conversions)	______
7.	Line 5 divided by 100	______
8.	Tentative tax credit, line 5 multiplied by line 7	______
9.	Maximum credit	$6,000
10.	Allowable credit, lesser of lines 8 or 9	______

See www.irs.gov/businesses/plug-in-electric-vehicle-credit-irc-30-and-irc-30d and www.fueleconomy.gov/feg/taxcenter.shtml for information about federal tax credits.

A credit is allowed for a qualifying plug-in hybrid electric conversion, regardless of whether a credit was claimed for the original purchase of the vehicle.

Calculation of Leased Value

1.	Agreed upon value of the vehicle*	______
2.	Any grant, credit, or rebate reflected in the lease	______
3.	Line 1 minus line 2	______
4.	Residual value of leased vehicle*	______
5.	Leased value, line 3 minus line 4	______

*Both the agreed upon value of the vehicle and the residual value of the vehicle should be stated within the lease contract.

CLAIMING THE CREDIT

A Colorado income tax return for the tax year in which the qualifying motor vehicle was purchased, leased, or converted must be filed in order to claim the credit. The income tax return claiming the credit 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
- 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 purchases, leases, or converts the qualifying motor vehicle. If the credit exceeds the tax due, the excess credit will be refunded.

FURTHER READING

- State law and regulation: §39-22-516.7, C.R.S.
- Federal law and regulation: 26 U.S.C. §30D (federal credit for new qualified plug-in electric drive motor vehicles)
- Websites
  - 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)