

Colorado allows innovative motor vehicle and innovative truck credits for the purchase, lease, or conversion of motor vehicles, trucks, and trailers that use certain alternative fuels. A motor vehicle, truck, or trailer must be titled and registered in Colorado to qualify for the credit. The credit is refundable; to the extent that the amount of the credit exceeds tax, the excess credit is refunded to the taxpayer.

This publication discusses credits allowed for electric or plug-in hybrid electric vehicles (EV or PHEV), as well as electric and plug-in hybrid electric trucks. See FYI Income 70 for information about credits for:

- motor vehicles and trucks that run on compressed natural gas (CNG), liquefied natural gas (LNG), or liquefied petroleum gas (LPG); and
- idling reduction and aerodynamic technologies.

Innovative truck credits are also allowed for clean fuel refrigerated trailers and hydraulic hybrid conversions. See section 39-22-516.8, C.R.S., for additional information about credits for clean fuel refrigerated trailers and hydraulic hybrid conversions.

WHO CAN CLAIM INNOVATIVE MOTOR VEHICLE OR INNOVATIVE TRUCK CREDITS?

A credit can be claimed by any taxpayer for each qualifying motor vehicle or truck they purchase, lease, or convert. A Colorado income taxpayer need not be resident in order to qualify for the credit. In the case of a lease of a qualifying motor vehicle or truck, the credit is allowed to the lessee and not to the lessor, except for certain short-term leases of motor vehicles through transportation network companies, discussed on page 3 of this publication. State and local governments cannot claim the credit.

QUALIFYING MOTOR VEHICLES, TRUCKS, AND CONVERSIONS

There are numerous requirements for motor vehicles, trucks, and conversions to qualify for the credit. Electric and plug-in hybrid electric vehicles and trucks must meet all of the following criteria to qualify for the credit.

- For purchases and leases, the motor vehicle or truck must be new and not previously titled or registered in any jurisdiction.
- The motor vehicle or truck must be titled and registered in Colorado.
- The motor vehicle or truck must have a maximum speed of at least 55 miles per hour.
- The motor vehicle or truck must be propelled to a significant extent by an electric motor.
- The motor vehicle or truck's battery must have a capacity of at least 4 kWh.
- The motor vehicle or truck's battery must be capable of being recharged from an external power source.

Colorado titling and registration

The motor vehicle or truck purchased, leased, or converted must be titled and registered in Colorado. The purchase, lease, or conversion of a new motor vehicle or truck qualifies for the credit only if the motor vehicle or truck is titled and registered in Colorado in the time and manner prescribed by law. The purchase or lease of a motor vehicle or truck previously registered in Colorado or any other state or jurisdiction does not qualify for the credit. For conversions, the motor vehicle or truck must be titled and registered in Colorado at the time of conversion.

The purchaser or lessee need not acquire a motor vehicle or truck in Colorado to qualify for the credit, so long as Colorado titling and registration requirements are met.

Motor vehicles and trucks that do not qualify

Certain motor vehicles and trucks that run on electricity do not qualify for the credit. No credit is allowed if any of the following conditions apply.

- The motor vehicle or truck has a maximum speed of less than 55 miles per hour.
- The motor vehicle is designed to travel with three or fewer wheels in contact with the ground.
- The motor vehicle or truck is not titled and registered in Colorado.
- The motor vehicle or truck is not licensed or subject to licensing for operation on Colorado highways.
- No credit is allowed for the purchase or lease of a used motor vehicle or truck. A motor vehicle or truck is considered used if it was previously titled or registered and/or if it has 1,500 miles or more at the time of purchase or lease.

DETERMINING THE AMOUNT OF THE CREDIT

The amount of the credit depends on the tax year and whether the motor vehicle or truck is purchased, leased, or converted.

Multiple owners

In the case of a motor 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, or conversion.

Date of purchase, lease, or conversion

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

In the case of either a qualifying conversion, the date of conversion is the date the owner enters into a legally binding agreement for the conversion, so long as owner retakes possession of the converted motor vehicle or truck within 10 days of that date. If the owner does not retake possession of the converted motor vehicle or truck within 10 days of the execution of the agreement, the date of conversion is the date the owner retakes possession of the converted motor vehicle or truck.

Purchased motor vehicles and trucks

The credit for the purchase of a qualifying electric or plug-in hybrid electric motor vehicle or truck is a fixed amount based upon the weight classification for the motor vehicle or truck and the tax year that includes the date of purchase. 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.

Credit Amounts for Purchases of Qualifying Electric and Plug-in Hybrid Electric Vehicles and Trucks

		Tax year beginning on or after:	1/1/2017	1/1/2020	1/1/2021	1/1/2023
		but prior to:	1/1/2020	1/1/2021	1/1/2023	1/1/2026
Classification	Gross Vehicle Weight Rating (GVWR)					
Light duty passenger vehicle	N/A		\$5,000	\$4,000	\$2,500	\$2,000
Light duty electric truck	greater than 8,500, but not more than 10,000 lbs.		\$7,000	\$5,500	\$3,500	\$2,800
Medium duty electric truck	greater than 10,000, but not more than 26,000 lbs.		\$10,000	\$8,000	\$5,000	\$4,000
Heavy duty truck	greater than 26,000 lbs.		\$20,000	\$16,000	\$10,000	\$8,000

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.

Leased motor vehicles and trucks

The credit for the lease of a qualifying electric or plug-in hybrid electric motor vehicle or truck is a fixed amount based upon the weight classification for the motor vehicle or truck and the tax year that the taxpayer enters into the lease agreement (see also the section entitled “Date of purchase, lease, or conversion”, above). No additional credit may be claimed for the same leased vehicle for any subsequent tax year during which the lease continues. 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.

Credit Amounts for Leases of Qualifying Electric and Plug-in Hybrid Electric Vehicles and Trucks

		Tax year beginning on or after:	1/1/2017	1/1/2020	1/1/2021
		but prior to:	1/1/2020	1/1/2021	1/1/2026
Classification	Gross Vehicle Weight Rating (GVWR)				
Light duty passenger vehicle	N/A		\$2,500	\$2,000	\$1,500
Light duty electric truck	greater than 8,500, but not more than 10,000 lbs.		\$3,500	\$2,750	\$1,750
Medium duty electric truck	greater than 10,000, but not more than 26,000 lbs.		\$5,000	\$4,000	\$2,500
Heavy duty truck	greater than 26,000 lbs.		\$10,000	\$8,000	\$5,000

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. For vehicle and truck leases, early termination of a bona fide lease agreement for a term of at least two years will not abrogate the lessee’s right to the credit or require any recapture of the credit previously claimed for the lease.

TRANSPORTATION NETWORK COMPANIES

Under certain circumstances, a transportation network company that leases vehicles for use by transportation network company drivers may qualify to claim a larger credit than would otherwise be allowed for the lease of a qualifying vehicle. A transportation network company is a corporation or other legal entity operating in Colorado that uses a digital network to connect riders to drivers for the purpose of providing transportation. In order to qualify for the larger credit, the following conditions must be met:

- the vehicle must not be used to provide taxi service, transportation service arranged through a transportation broker, ridesharing arrangements (defined below), or any transportation service over fixed routes at regular intervals;
- the vehicle must be a light duty passenger vehicle, including trucks and SUVs under 8,500 lbs. GVWR and vans capable of seating no more than 12 passengers;
- the lease must be for a minimum of at least two years; and
- the vehicle must be offered to transportation network company drivers for short-term rental periods of not more than 60 days.

A third-party vehicle supplier that contracts with a transportation network company to provide motor vehicles for short-term rental to transportation network company drivers may also qualify for the larger credit, provided all of the preceding conditions are met.

Credit Amounts for Vehicles Leased by Transportation Network Companies

Tax year beginning on or after:	1/1/2017	1/1/2020	1/1/2021	1/1/2023
but prior to:	1/1/2020	1/1/2021	1/1/2023	1/1/2026
Electric or plug-in hybrid electric light duty passenger vehicle	\$5,000	\$4,000	\$2,500	\$2,000

A ridesharing arrangement that does not qualify for the larger credit is an arrangement, commonly known as a carpool or vanpool, that is not operated for profit by an entity primarily engaged in the transportation business and that provides vehicular transportation to passengers traveling together primarily to and from such passengers’ places of business or work or traveling together on a regularly scheduled basis with a commonality of purposes without charge other than what has been reasonably calculated to recover the direct and indirect costs of the ridesharing arrangement.

Converted motor vehicles and trucks

The credit 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.

Credit Amounts for Qualifying Electric and Plug-in Hybrid Electric 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	greater than 8,500, but not more than 10,000 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
Heavy duty truck	greater than 26,000 pounds GVWR		\$20,000	\$16,000	\$10,000

The amount of credit that can be claimed for converting a truck to a qualifying truck is limited to the cost of conversion.

CLAIMING THE CREDIT

A taxpayer must file a Colorado income tax return, including all required forms and documentation, to claim the credit. However, in lieu of claiming the credit, a purchaser or lessee who obtains financing for the purchase, lease, or conversion of a qualifying motor vehicle or truck may elect to 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, lessee, owner of a converted motor vehicle or truck, or a financing entity, must claim the credit on their income tax return for the tax year that includes the date of purchase, lease, or conversion. See the section entitled “Date of purchase, lease, or conversion”, above.

Documentation required to claim the credit

Any taxpayer who claims the credit must include the following attachments with their Colorado income tax return. This documentation is required regardless of whether the taxpayer is claiming the credit as a purchaser, lessee, vehicle owner, or financing entity. The following documentation must be submitted for each vehicle or conversion for which the taxpayer is claiming the credit:

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

A taxpayer claiming credits for multiple qualifying motor vehicles, truck, or conversions must attach to their return the above listed documents for each qualifying motor vehicle, truck, or conversion.

Assignment of the credit

A purchaser, lessee, 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, lessee, 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, lessee, 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, or conversion”, above). By completing the election statement, the purchaser, lessee, 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 a Colorado income tax return, as discussed above, to claim the credit. The financing entity must include with its return for each qualifying vehicle: (1) Form DR 0617; (2) a copy of the invoice, purchase agreement, or lease agreement; and (3) Form DR 0618. 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, or conversion”, above). However, the amount of the credit will be determined by reference to the owner, purchaser, or lessee’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 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 for “Approved File Format for Electronic Submissions” next to the link for form DR 0618 at Tax.Colorado.gov/credit-subtraction-forms for information about formatting electronic files for upload.

ADDITIONAL RESOURCES

- *Colorado statutes and regulations*
 - § 39-22-516.7, C.R.S. Tax credit for innovative motor vehicles.
 - § 39-22-516.8, C.R.S. Tax credit for innovative trucks.
 - Department Rule 39-22-516. Innovative motor vehicle and innovative truck credits.
- *Colorado forms, publications, and guidance*
 - Innovative Motor Vehicle and Truck Credit Schedule (DR 0617)
 - Innovative Motor Vehicle Tax Credit - Election Statement (DR 0618)
- *Other resources*
 - fueleconomy.gov/feg/evsplash.shtml (for information about electric and plug-in hybrid electric vehicles)

FYIs represent a good faith effort to provide general information concerning a variety of Colorado tax topics in simple and straightforward language. By their nature, however, FYIs cannot and do not address all taxpayer situations nor do they provide a comprehensive overview of Colorado’s tax laws. For this reason, FYIs are not binding on the Colorado Department of Revenue, nor do they replace, alter, or supersede Colorado law and regulations.

A taxpayer seeking additional guidance regarding the tax consequences of a particular transaction or factual scenario can request a Private Letter Ruling (PLR) or General Information Letter (GIL). Requests for PLRs and GILs must comply with certain requirements, which are currently set forth at 1 Code of Colorado Regulations 201-1, Regulation 24-35-103.5. PLRs are binding upon the Department only with respect to the specific taxpayer that requested the PLR. GILs are for informational purposes only and are not binding on the Department.