

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 for:

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

See FYI Income 69 for information about credits allowed for electric or plug-in hybrid electric vehicles (EV or PHEV) and for electric and plug-in hybrid electric trucks. See section 39-22-516.8, C.R.S., for information about credits allowed for clean fuel refrigerated trailers and hydraulic hybrid conversions.

## WHO CAN CLAIM INNOVATIVE TRUCK CREDITS?

A credit can be claimed by any taxpayer for each qualifying truck they purchase, lease, or convert. A taxpayer can also claim a credit for each modification to install idling reduction or aerodynamic technologies on a qualifying truck they have titled and registered.

In the case of a lease of a qualifying truck, the credit is allowed to the lessee and not to the lessor. State and local governments cannot claim the credit.

## QUALIFYING TRUCKS, CONVERSIONS, AND DEVICES

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

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

### Colorado titling and registration

The truck purchased, leased, converted, or modified must be titled and registered in Colorado or, in the case of a truck registered under the [International Registration Plan \(IRP\)](#), base plated in Colorado. The purchase, lease, or conversion of a new truck qualifies for the credit only if the truck is titled and registered in Colorado in the time and manner prescribed by law. The purchase or lease of a truck 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, a used truck, the truck must be titled and registered in Colorado at the time of conversion or installation.

### Qualifying Categories

Qualifying Category	Category Description
CNG, LNG, or LPG trucks	Trucks either manufactured or converted to operate on CNG, LNG, or LPG, including bi-fuel and dual fuel trucks that operate on CNG, LNG, or LPG either alternately or in combination with gasoline or diesel fuel
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

### Trucks that do not qualify

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

- The truck has a maximum speed of less than 55 miles per hour.
- The truck is not titled and registered in Colorado or, if the truck is registered under the International Registration Plan (IRP), base-plated in Colorado.
- The 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 truck.

### DETERMINING THE AMOUNT OF THE CREDIT

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

#### Multiple owners

In the case of a truck 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.

#### 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 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 truck or trailer within 10 days of that date. If the purchaser or lessee does not take possession of the 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 truck.

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 truck within 10 days of that date. If the owner does not retake possession of the converted or modified truck 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 truck.

#### Credits for the truck purchases and conversions

The credit for the purchase of a qualifying truck or for a qualifying conversion is a fixed amount based upon the weight classification for the truck and the tax year that includes the date of purchase or conversion. 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 Trucks and for Qualifying 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	Gross Vehicle Weight Rating (GVWR)				
Light duty passenger vehicle	N/A		\$5,000	\$4,000	\$2,500
Light duty truck	less than or equal to 14,000 lbs.		\$7,000	\$5,500	\$3,500
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 truck leases

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

### *Credit Amounts for Leases of Qualifying 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	1/1/2022
Classification	Gross Vehicle Weight Rating (GVWR)				
Light duty passenger vehicle	N/A		\$2,500	\$2,000	\$1,500
Light duty truck	less than or equal to 14,000 lbs.		\$3,500	\$2,750	\$1,750
Medium duty truck	greater than 14,000, but not more than 26,000 lbs.		\$5,000	\$4,000	\$2,500
Heavy duty truck	greater than 26,000 pounds GVWR		\$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 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.

## 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. Credits are not allowed for any aerodynamic or idling reduction technologies installed in any tax year commencing on or after January 1, 2022.

## 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 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 or modified 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, conversion, or modification. See the section entitled “Date of purchase, lease, conversion, or modification”, 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, truck owner, or financing entity. The following documentation must be submitted for each truck 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 truck;
- For financing entities that accept assignment of the credit, a completed Form DR 0618.

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

## 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 truck 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 truck 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, conversion, or modification (see the section entitled “Date of purchase, lease, conversion, or modification”, above). By completing the election statement, the purchaser, lessee, or owner of the qualifying truck 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 truck: (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, conversion, or modification”, 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](https://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](https://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*
  - [epa.gov/verified-diesel-tech/aerodynamic-devices](https://epa.gov/verified-diesel-tech/aerodynamic-devices) (for information about aerodynamic technologies)
  - [epa.gov/verified-diesel-tech/idling-reduction-technologies-irts-trucks-and-school-buses](https://epa.gov/verified-diesel-tech/idling-reduction-technologies-irts-trucks-and-school-buses) (for information about idling reduction technologies)

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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.