

Colorado allows a refundable income tax credit for the purchase or lease of a qualifying motor vehicle. In general, the credit is allowed for new electric and plug-in hybrid electric motor vehicles that are titled and registered in Colorado, although several additional requirements apply. The amount of the credit varies by tax year. A purchaser or lessee of a qualifying motor vehicle can assign the credit to the financing entity or, for purchases or leases on or after January 1, 2024, to the motor vehicle dealer.

This publication is designed to provide general guidance regarding the innovative motor vehicle credit and to supplement guidance provided in the *Colorado Individual Income Tax Guide* and *Colorado Corporate Income Tax Guide*. Nothing in this publication modifies or is intended to modify the requirements of Colorado's statutes and regulations. Taxpayers are encouraged to consult their tax advisors for guidance regarding specific situations.

For information about the innovative truck credit, please see Department publication *Income Tax Topics: Innovative Truck Credit*, available online at [Tax.Colorado.gov/current-guidance-publications](https://tax.colorado.gov/current-guidance-publications).

## Eligible purchasers and lessees

Any taxpayer that purchases or leases a qualifying motor vehicle during the tax year can claim the credit. Individuals, estates, trust, and C corporations may claim a credit with respect to each qualifying motor vehicle they purchase or lease. In the case of a qualifying motor vehicle purchased or leased by a partnership or S corporation, the credit is allowed to its partners or shareholders.

For income tax years commencing on or after January 1, 2024, tax-exempt entities and local governments in Colorado may claim a credit for qualifying motor vehicles they purchase or lease.

Special rules discussed later in this publication apply to qualifying motor vehicles leased by transportation network companies.

## Qualifying motor vehicles

A credit is allowed for the purchase or lease of an electric or plug-in hybrid electric motor vehicle that meets all of the following requirements:

- A qualifying motor vehicle must have four wheels;
- It must have a maximum speed of at least 55 mph;
- It must have a gross vehicle weight rating (GVWR) of 8,500 pounds or less;
- It must be propelled to a significant extent by an electric motor;
- Its battery must be capable of being recharged from an external power source;
- Its battery must have a capacity of at least 4 kWh;
- It must be new at the time of purchase or lease; and
- It must be titled and registered in Colorado.

A light-duty passenger motor vehicle with a GVWR of more than 8,500 pounds may qualify for the innovative truck credit, rather than the innovative motor vehicle credit. For additional information, please see Department publication *Income Tax Topics: Innovative Truck Credit*, available online at [Tax.Colorado.gov/current-guidance-publications](https://tax.colorado.gov/current-guidance-publications).

## New motor vehicles

A credit is allowed only for qualifying motor vehicles that are new at the time of purchase or lease. A motor vehicle is new only the first time it is transferred from a manufacturer or importer, or dealer or agent of a manufacturer or importer, to the end user or customer.

A motor vehicle that has been used by a dealer for the purpose of demonstration to prospective customers is considered new unless such demonstration use has been for more than 1,500 miles.

Any motor vehicle that has been titled or registered or both in Colorado or any other state or jurisdiction prior to purchase or lease is not considered new.



## Titling and registration requirements

A credit is allowed only for motor vehicles that are titled in Colorado and registered by the purchaser or lessee in Colorado. A temporary registration permit issued by the motor vehicle dealer is not sufficient to satisfy the Colorado registration requirement.

A qualifying motor vehicle may be acquired by the purchaser or lessee outside of Colorado, but it will not qualify for a credit if it has been titled or registered or both in any other state prior to being titled and registered in Colorado.

## Nonqualifying motor vehicles

Any motor vehicle that does not meet all applicable requirements does not qualify for the credit. Non-qualifying motor vehicles include, but are not limited to, the following types of motor vehicles:

- Any motor vehicle with fewer than four wheels;
- Any used motor vehicle;
- Any motor vehicle with a maximum speed of less than 55 mph; and
- Any motor vehicle titled or registered or both in another state prior to being titled and registered in Colorado.

## Qualifying leases

If the qualifying motor vehicle is leased, the credit is allowed to the lessee, not the lessor. The lease must be for a 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. The lessee may elect to assign the credit to a financing entity, as discussed later in this publication.

## Allowable credit amounts

The following table lists allowable credit amounts based on the tax year and whether the qualifying motor vehicle was purchased or leased. For tax year 2023, the allowable credit amount also depends on whether the qualifying motor vehicle was purchased or leased before or after July 1, 2023. For the purpose of determining the allowable credit amount, the purchase or lease generally is not considered complete until the purchaser or lessee takes possession of the motor vehicle.

For fiscal year filers, the tax year is determined by its starting date. For example, a fiscal year beginning July 1, 2023, and ending June 30, 2024, is considered tax year 2023.

### Credits Amounts for Each Tax Year

Tax Year	Purchase	Lease
2018	\$5,000	\$2,500
2019	\$5,000	\$2,500
2020	\$4,000	\$2,000
2021	\$2,500	\$1,500
2022	\$2,500	\$1,500
2023 (qualifying motor vehicles purchased or leased prior to July 1)	\$2,000	\$1,500
2023 (qualifying motor vehicles purchased or leased on or after July 1)	\$5,000	\$5,000
2024	\$5,000	\$5,000
2025	\$3,500	\$3,500

Credit amounts for tax years 2026 through 2028 will be determined based on revenue forecasts prepared by the Legislative Council Staff or the Office of State Planning and Budgeting.



## Income Tax Topics: Innovative Motor Vehicle Credit

No credit is allowed for any motor vehicle purchased or leased after June 30, 2023, that has a manufacturer's suggested retail price (MSRP) greater than \$80,000. For the purpose of determining eligibility for the credit, the manufacturer's suggested retail price includes the following amounts shown on the label the manufacturer has affixed to the windshield or side window of the vehicle pursuant to federal law:

- the retail price of such motor vehicle suggested by the manufacturer; and
- the retail price suggested by the manufacturer for each accessory or item of optional equipment physically attached to such vehicle prior to the sale to the retail purchaser.

The manufacturer's suggested retail price does not include destination charges or optional items added by the dealer, or taxes and fees.

### Additional credits

For tax years commencing on or after January 1, 2024, but prior to January 1, 2029, an additional credit of \$2,500 is allowed for any qualifying vehicle that has a manufacturer's suggested retail price (MSRP) under \$35,000. For the purpose of determining eligibility for the additional credit, the manufacturer's suggested retail price includes the following amounts shown on the label the manufacturer has affixed to the windshield or side window of the vehicle pursuant to federal law:

- the retail price of such motor vehicle suggested by the manufacturer; and
- the retail price suggested by the manufacturer for each accessory or item of optional equipment physically attached to such vehicle prior to the sale to the retail purchaser.

The manufacturer's suggested retail price does not include destination charges or optional items added by the dealer, or taxes and fees.

For tax years commencing on or after January 1, 2024, but prior to January 1, 2026, an additional credit of \$600 is allowed if the purchaser or lessee assigns the entire allowable credit to a financing entity or motor vehicle dealer.

### Credits for multiple qualifying motor vehicles

A purchaser or lessee of multiple qualifying motor vehicles may claim credit for each qualifying motor vehicle they purchase or lease. There is no limit on number of qualifying motor vehicles for which a purchaser or lessee may claim a credit. No more than one credit may be claimed for any particular motor vehicle.

### Transportation network companies

For tax years commencing on or after January 1, 2019, special rules apply to the lease of a qualifying motor vehicle by a transportation network company ("TNC") or a third-party vehicle supplier that contracts with a TNC. The lease is treated as the purchase of the vehicle for the purpose of determining the allowable credit if all of the following conditions are met:

- The TNC or third-party vehicle supplier leases a qualifying motor vehicle;
- The lease term is at least two years; and
- The TNC or third-party vehicle supplier offers the qualifying motor vehicle to TNC drivers for short-term rental periods of no more than 60 days.

Information about TNCs can be found online at [PUC.Colorado.gov/tnc](https://PUC.Colorado.gov/tnc).



## Credit assignment

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A purchaser or lessee who obtains financing for the purchase or lease of a qualifying motor vehicle may, by mutual agreement with the financing entity, assign the credit to the financing entity. The assignment must be completed at the time of purchase or lease by executing the required election statement. The financing entity must compensate the motor vehicle purchaser or lessee for the assigned credit. A purchaser or lessee who assigns the credit to a financing entity forfeits the right to claim the credit on the purchaser's or lessee's income tax return. The purchaser or lessee must title and register the motor vehicle in Colorado as required by state law.

The amount of the credit is determined by the tax year in which the qualifying motor vehicle is purchased or leased. For the purpose of determining the allowable credit amount, the purchase or lease generally is not considered complete until the purchaser or lessee takes possession of the motor vehicle. If the financing entity has a different tax year (e.g. a fiscal tax year) than the purchaser or lessee, the amount of the credit is determined with respect to the purchaser's or lessee's tax year and not the financial entity's tax year.

Beginning January 1, 2024, motor vehicle dealers as defined in section 44-20-102(18), C.R.S., may also accept assignment of the credit.

## Compensation for credit assignment

The financing entity that accepts assignment of the credit must compensate the motor vehicle purchaser or lessee for the full amount of the assigned credit. Such compensation must be made effective on the date the election statement to assign the credit is executed and not applied at any subsequent date. 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 the fee cannot exceed \$150. Effective January 1, 2024,

the maximum allowable administrative fee the financing entity or motor vehicle dealer may charge increases to \$250.

## Election statement

The motor vehicle purchaser or lessee and the financing entity must complete and sign an election statement (form DR 0618) to assign the credit. The election statement must be completed at the time of the purchase or lease. A separate election statement must be completed for each assigned 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, 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 income tax account.

Financing entities can either manually enter the information from an election statement or upload an electronic file with information from one or more election statements. Information about formatting requirements for electronic files can be found online at [Tax.Colorado.gov/forms-in-number-order](https://Tax.Colorado.gov/forms-in-number-order) by clicking the hyperlink for "Approved File Format for Electronic Submissions" next to the link for form DR 0618.

## Advance payment

Beginning January 1, 2025, a financing entity or motor vehicle dealer who accepts assignment of a credit from a purchaser or lessee may elect to receive advanced payment of the credit pursuant to section 39-22-629, C.R.S. Additional information about making the election will be made available prior to January 1, 2025.

## Claiming the credit

A purchaser, lessee, or financing entity who has accepted assignment of the credit must file a Colorado income tax return to claim the credit. The credit may be claimed only on the return filed for the tax year in which the purchaser or lessee purchased or leased the qualifying motor vehicle. In general, the purchase or lease is not considered complete until the purchaser or lessee takes possession of the motor vehicle.

Anyone claiming the credit must complete and submit form DR 0617 with their return. For information about other required documentation, please see the instructions for form DR 0617, available online at [Tax.Colorado.gov/DR0617](https://tax.colorado.gov/DR0617).

If the allowable credit exceeds the taxpayer's tax liability for the tax year, the excess credit will be refunded to the taxpayer.

## Estimated tax payments

Although credits may not be claimed prior to the filing of the taxpayer's Colorado income tax return, a taxpayer may take any allowable credit into account in calculating their required estimated payments for the tax year. Any allowable credit reduces the taxpayer's tax liability for the tax year in which the qualifying motor vehicle is purchased or leased and thereby reduces the amount of their required estimated payments.

Please see Part 7 of the *Colorado Individual Income Tax Guide* and Part 8 *Colorado Corporate Income Tax Guide* for additional information regarding estimated payments.

## Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to the innovative motor vehicle credit. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Individuals and businesses with specific questions should consult their tax advisors.

### Statutes and regulations

- § 39-22-516.7. Tax credit for innovative motor vehicles - definitions - repeal.
- Rule 39-22-516. Innovative Motor Vehicle and Innovative Truck Credits.

### Forms and guidance

- [Colorado.gov/Tax](https://tax.colorado.gov/Tax)
- [Colorado Individual Income Tax Guide](#)
- [Colorado Corporate Income Tax Guide](#)
- [Tax.Colorado.gov/current-guidance-publications](https://tax.colorado.gov/current-guidance-publications)
- [Income Tax Topics: Innovative Truck Credit](#)
- [Tax.Colorado.gov/forms-in-number-order](https://tax.colorado.gov/forms-in-number-order)
- [Innovative Motor Vehicle and Truck Credit Schedule \(DR 0617\)](#)
- [Innovative Motor Vehicle Tax Credit - Election Statement \(DR 0618\)](#)