Regulation 39-22-516. Credit allowed for purchase of vehicles using alternative fuel.

(1) Credit allowed. A credit is allowed by section 39-22-516, C.R.S., against the tax imposed by sections 39-22-104, 39-22-105, or 39-22-301, C.R.S., for the purchase of vehicles licensed in Colorado which use, or which are converted within 120 days of purchase to use, clean-burning fuel.

(2) Amount of credit allowed.

(a) In general, the credit allowed by section 39-22-516, C.R.S., is allowed with respect to the first 50 vehicles purchased by the taxpayer during the income tax year and is limited to the smaller of the amount determined under paragraph (i) or paragraph (ii) following:

(i) The credit allowed by this section is limited to 5% of the purchase price of the qualified vehicles; and

(ii) The credit allowed by this section is limited to 50% of the cost of the clean-burning fuel systems option on such vehicles, or 50% of the cost of converting such vehicles to use clean-burning fuel, whichever applies.

(b) Lessees of vehicles. Lessees of qualifying vehicles are eligible for the alternative fuels tax credit. The available credit 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). The result is then multiplied by the statutory five percent to determine the amount of the credit subject to other limitations in C.R.S. 39-22-516.

Only the lessor or the lessee of the vehicle may claim the credit. If the vehicle is converted at the factory, the lessor has the option of claiming the credit or passing the right to claim the credit to the lessee. If the lessee converts the vehicle, then only he may claim the credit. With respect to vehicles purchased between July 1, 1992, and July 1, 1994, the lessee must discount his credit by the percentage of his personal use of the vehicle, if any, as proscribed in C.R.S. 39-22-516(1)(a).

(c) Carryover of excess credit. If the credit allowed by section 39-22-516 exceeds the tax otherwise due, such excess may be carried forward for a period of up to three years.

(3) Period for which credit may be claimed. There are two separate periods during which the section 39-22-516 credit may be claimed:

(a) The first period during which the section 39-22-516 credit is allowed begins with the beginning of the taxpayer's first taxable year beginning on or after July 1, 1992, and ends on July 1, 1994. During this first period the credit may be claimed with respect to qualifying vehicles only to the extent they are used in the taxpayer's business.

(b) The second period during which the section 39-22-516 credit is allowed begins with the beginning of the taxpayer's first taxable year beginning on or after July 1, 1994, and ends on July 1, 1998. During this second period the credit may be claimed with respect to qualifying vehicles whether or not they are used in the taxpayer's business.

(4) Clean-burning alternative fuel defined. Clean burning alternative fuel means natural gas, liquified petroleum gas, a fuel mixture containing not less than eighty-five percent ethanol or methanol, electricity, or any other alternative fuel approved by the Air Quality Control Commission pursuant to section 25-7-106.9(1), C.R.S.