

*Colorado Legislative Council Staff Fiscal Note*

**FINAL  
FISCAL NOTE**

**Drafting Number:** LLS 11-0553  
**Prime Sponsor(s):** Rep. Brown  
 Sen. Schwartz

**Date:** July 29, 2011  
**Bill Status:** Signed into Law  
**Fiscal Analyst:** Natalie Mullis (303-866-4778)

**TITLE:** CONCERNING THE INCLUSION OF LIQUEFIED PETROLEUM GAS CONVERSION VEHICLES IN THE LIST OF QUALIFIED VEHICLES AVAILABLE FOR EFFICIENT MOTOR VEHICLE INCENTIVES.

<b>Fiscal Impact Summary</b>	<b>FY 2011-2012 &amp; FY 2012-13</b>	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>	<b>FY 2015-2016</b>
<b>State Revenue</b> General Fund		(\$150,000)*	(\$310,000)	(\$160,000)*
<b>State Expenditures</b>				
<b>FTE Position Change</b>				
<b>Effective Date:</b> The bill was signed into law by the Governor on June 2, 2011 and takes effect on January 1, 2014.				
<b>Appropriation Summary for FY 2011-2012:</b> None.				
<b>Local Government Impact:</b> None.				

*\*The revenue impacts for FY 2013-14 and FY 2015-16 represent half-year impacts.*

**Summary of Legislation**

Starting with tax year 2014, this bill makes vehicles converted to run on liquefied petroleum gas (LPG), or propane, eligible for the state's income tax credit for alternative fuel or innovative vehicles.

**Background.** The state has had an income tax credit for purchases of alternative fuel vehicles (or for the cost of converting vehicles to run on alternative fuel) since the late 1990s. House Bill 09-1331 extended the credit and made changes to the types of vehicles that qualify and the credit amounts. Existing LPG vehicles, or conversions to such vehicles, do not qualify for a credit under the changes made. However, before HB 09-1331, conversions of LPG vehicles were eligible for a credit.

Although the definition of alternative fuel referenced by current law includes propane, existing LPG vehicles are not eligible for the tax credit under current law because they do not fit under any of the definitions of the categories of eligible vehicles. This is the case because current LPG vehicles do not meet the required emissions or fuel efficiency standards in any of the categories.

Further, unlike CNG vehicle conversions, the law does not explicitly include LPG conversions in the categories eligible for the credit, regardless of the vehicle's emissions and fuel efficiency levels. The Department of Revenue has denied at least one tax credit to a taxpayer trying to claim the credit for the costs of converting a vehicle to run on LPG.

The alternative fuel or innovative vehicle income tax credit is based on a percentage of the additional cost of the vehicle because it runs on alternative fuel or the cost of a conversion. The percentage used depends on the type of vehicle and the year the vehicle is purchased or a conversion is made. For tax years 2014 and 2015, the percentage of LPG conversions is equal to 25 percent of the cost of the conversion. The credit is no longer available after tax year 2015.

The credit is refundable, meaning that any credit amount that exceeds a taxpayer's income tax liability is refunded to the taxpayer. The amount of each credit that can be claimed for the conversion cost is capped at \$6,000 starting with tax year 2012; there is no cap on the credit for tax year 2011. To be eligible for the tax credit, the vehicles must be titled and registered in the state.

The rebate program related to the credit that had previously been affected by this bill was repealed by Senate Bill 11-163.

## **State Revenue**

The bill will decrease General Fund revenue by \$150,000 in FY 2013-14 (half-year impact), \$310,000 in FY 2014-15, and \$160,000 in FY 2015-16 (half-year impact). Table 2 shows the estimated revenue impact of House Bill 11-1081 through FY 2015-16.

**Table 2. Estimated General Fund Revenue Impact of House Bill 11-1081**

<b>FY 2010-11</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
\$0	\$0	\$0	(\$150,000)*	(\$310,000)	(\$160,000)*

*\*The revenue impacts for FY 2013-14 and FY 2015-16 represent half-year impacts.*

This fiscal note assumes that credits will be claimed for 240 conversions in tax year 2014 and 260 conversions in tax year 2015. An average conversion cost of \$5,000 was used to estimate the revenue impact of the credits.

Data are not currently available on the number of LPG conversions that occur each year for vehicles that are registered in Colorado. The estimates for the number of conversions and the dollar amount of the tax credits were derived from information provided from representatives from the LPG industry and the U.S. Department of Energy's Office of Energy Efficiency and Renewable Energy (EERE). About 150 conversions are expected to occur in 2011 and the number of conversions are expected to grow by about 10 percent annually.

The revenue impact of this bill could be higher or lower than the estimates depending on the extent to which vehicles are converted to use LPG. This will be influenced by several factors, most notably gasoline price, the state of the economy, preference for and accessibility of LPG vehicle technology, and the extent to which the tax credit induces more LPG conversions. It will also be affected by the number and location of LPG fueling facilities in the state in the future.

**Departments Contacted**

Personnel and Administration

Revenue