

Colorado Legislative Council Staff Fiscal Note
STATE and LOCAL
REVISED FISCAL IMPACT
(replaces fiscal note dated April 1, 2011)

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

Date: May 6, 2011
Bill Status: Senate Agriculture
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TITLE: CONCERNING THE INCLUSION OF LIQUEFIED PETROLEUM GAS CONVERSION VEHICLES IN THE LIST OF QUALIFIED VEHICLES AVAILABLE FOR EFFICIENT MOTOR VEHICLE INCENTIVES.

Fiscal Impact Summary	FY 2011-2012 & FY 2012-13	FY 2013-2014	FY 2014-2015	FY 2015-2016
State Revenue General Fund		(\$150,000)*	(\$310,000)	(\$160,000)*
State Expenditures				
FTE Position Change				
Effective Date: Upon signature of the Governor, or upon becoming law without his signature. The bill applies to conversions of vehicles for tax years commencing on or after January 1, 2014.				
Appropriation Summary for FY 2011-2012: None.				
Local Government Impact: 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 **reengrossed** 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

FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
\$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