


Colorado Legislative Council Staff
STATE and LOCAL
FISCAL IMPACT
No State General Fund Impact

Drafting Number: LLS 05-0814
Prime Sponsor(s): Rep. Pommer
 Sen. Tupa

Date: February 19, 2005
Bill Status: House Transportation & Energy
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TITLE: CONCERNING INCENTIVES TO INCREASE THE USE OF VEHICLES THAT USE ALTERNATIVE FUELS, AND, IN CONNECTION THEREWITH, EXTENDING THE INCOME TAX CREDIT FOR THE PURCHASE OF CERTAIN ALTERNATIVE FUEL VEHICLES AND ALLOWING ALTERNATIVE FUEL VEHICLES TO BE OPERATED ON PUBLICLY FINANCED TOLL HIGHWAYS AND TOLL LANES WITHOUT PAYING TOLLS.

Fiscal Impact Summary	FY 2005/2006	FY 2006/2007
State Revenues General Fund		Minimal Decrease
State Expenditures General Fund		
FTE Position Change	0.0 FTE	0.0 FTE
Other State Impact: TABOR Impact		
Effective Date: August 10, 2005, unless a referendum petition is filed		
Appropriation Summary for FY 2005/2006: None required		
Local Government Impact: None		

Summary of Legislation

Current law allows a variety of state income tax credits for the purchase of alternative fuel and hybrid fuel vehicles. This bill extends some of the credits. The bill also allows hybrid and inherently low-emission vehicles to be operated on a publicly-financed toll highway without paying a toll. The bill requires the Department of Transportation to establish rules to identify such vehicles and use official traffic control devices to indicate that no toll is required of such vehicles.

State Revenues

The bill extends the current 50 percent state income tax credit for low-emitting alternative fuel vehicles, which would otherwise be reduced in the year 2006, until the year 2009. The bill also extends the 25 percent credit, which would otherwise expire in the year 2009, to the year 2011. The credit is applied to the difference in cost between an alternative fuel vehicle and a traditional gasoline-

powered vehicle of the same or a similar model. Table 1 shows the current and proposed credits. Unless otherwise noted, the table shows the credit under current law.

Table 1. Current and Proposed Alternative Fuel Tax Credits under HB 05-1290			
Certification level	Tax years commencing on or after July 1, 1998, but prior to July 1, 2006:	Tax years commencing on or after July 1, 2006, but prior to July 1, 2009:	Tax years commencing on or after July 1, 2009, but prior to July 1, 2011:
Low-emitting vehicle	50%	Current 25% Proposed 50%	Current 0% Proposed 25%
Ultra-low-emitting or inherently low-emitting vehicle	75%	50%	25%
Zero-emitting vehicle	85%	75%	50%

Extending the tax credits could reduce state General Fund revenues from the current estimated levels beginning in FY 2006-07, but the reduction is expected to be minimal. According to the Department of Revenue, most alternative fuel and hybrid vehicles already qualify as "ultra-low-emitting", "inherently-low-emitting", or "zero emitting", not under the "low-emitting" category extended under the bill.

A total of \$988,536 in alternative fuel tax credits were provided to 738 taxpayers in FY 2003-04. In the prior year, the credits totaled \$762,722 for 622 taxpayers. Although the exact portion is unknown, it is estimated that nearly all of these credits were provided for hybrid vehicles, which operate on both gasoline and electricity.

Any reduction in income taxes caused by the bill will reduce the amount of excess state revenue required to be refunded to taxpayers under TABOR. Taxpayer refunds are currently paid from the General Fund.

State Expenditures

The bill allows hybrid vehicles and other inherently low-emission vehicles to be operated on publicly-financed toll highways without paying a toll, as long as it doesn't affect federal funds or violate federal law or regulations. This will reduce toll collections. The bill also specifically requires the Department of Transportation (CDOT) to promulgate rules establishing a procedure for identifying such vehicles while on a publicly financed toll highway using a transponder or other device recognized by the toll collection system. In addition, CDOT and local authorities must indicate via official traffic control devices that hybrids and other eligible vehicles may be operated on publicly-financed toll highways without paying the toll. These new requirements will increase costs for CDOT, although the increase has not been estimated. These costs would be paid from the State Highway Fund, or another special fund earmarked for state toll roads. It should be noted that the

state currently operates no toll highways and it is assumed that this bill will not affect other publicly-financed toll highways such as E-470 or the Northwest Parkway.

Local Government Impact

The bill requires local authorities to provide information via official traffic control devices to indicate that hybrids and other eligible vehicles may be operated on publicly financed toll highways and toll lanes without paying the toll.

State Appropriations

No new state appropriations are required to implement the bill in FY 2005-06.

Departments Contacted

Public Safety

Revenue

Transportation