

Colorado Legislative Council Staff
STATE and LOCAL
REVISED FISCAL IMPACT

No State General Fund Impact
 (replaces fiscal impact dated February 28, 2005)

Drafting Number: LLS 05-0814	Date: April 28, 2005
Prime Sponsor(s): Rep. Pommer Sen. Tupa	Bill Status: Senate Finance
	Fiscal Analyst: Chris Ward (303-866-5834)

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	FY 2007/2008
State Revenues General Fund			Minimal Decrease
State Expenditures General Fund			
FTE Position Change	0.0 FTE	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

This bill extends some of the state income tax credits allowed for the purchase of alternative fuel and hybrid fuel 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 beginning in income tax year 2007, so that it is effective through income tax year 2009. The bill also extends the 25 percent credit, which is set to expire after income tax year 2009, to be effective through income tax 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 2007-08, 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 Appropriations

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

Departments Contacted

Public Safety Revenue Transportation