



INFORMATION BULLETIN #109
INCOME TAX
JULY 2015
Effective Date: Upon Publication

SUBJECT: Income Tax Credit for Natural Gas-powered Vehicles

REFERENCES: IC 6-3.1-34.6

DISCLAIMER: Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

SUMMARY

Apart from nonsubstantive, technical changes, this version of the bulletin has been changed to incorporate statutory changes contained in HEA 1001-2015 that provides that a person who brought a qualified vehicle into service in 2013 may claim a sales tax credit on natural gas products purchased after June 30, 2015, and before January 1, 2017, and used in public transportation.

DEFINITIONS

“Natural gas” means compressed natural gas (CNG) or liquefied natural gas (LNG).

“Qualified vehicle” means a natural gas-powered vehicle that has a gross vehicle weight rating of more than 33,000 pounds and is purchased or leased from a dealer located in Indiana.

“State tax liability” means a person’s total tax liability that is incurred under:

- IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
- IC 6-5.5 (the financial institutions tax); or
- IC 27-1-18-2 (the insurance premiums tax).

CALCULATION OF THE CREDIT

A person who places a qualified vehicle into service in a particular taxable year may claim a credit against the person's state tax liability for that taxable year. When the transaction involves the actual purchase of a qualified vehicle, the person that "places a qualified vehicle into service" is the purchaser. Within the context of a lease, the parties to the transaction may decide between themselves which party "places a qualified vehicle into service" and, therefore, whether the lessor or the lessee will claim the credit. However, whether the transaction involves a purchase or a lease, only one party may claim credit with respect to each qualified vehicle placed into service.

The amount of the credit is the lesser of the following two amounts:

- The difference between the price of the qualified vehicle and the price of a comparably equipped vehicle that is powered by a gasoline or diesel engine multiplied by 50%; or \$15,000.

LIMITATIONS

The total value of credits granted to a single taxpayer in a taxable year is limited to \$150,000. The total of all credits for all taxpayers in a taxable year is the lesser of either \$3 million or the amount of sales tax collected on fuel purchased to power natural-gas vehicles.

CLAIMING THE CREDIT

Credits will be awarded on a first-come, first-served basis for each tax year. To claim the credit, a dealer or purchaser must complete the Commercial Natural Gas Vehicle Credit Form (Form NGV-C) found at www.in.gov/dor/5051.htm. After the department receives the form and all necessary supporting documentation and verifies the credit, the taxpayer will receive a certification number. The taxpayer will also receive instructions on how to claim the credit on an income tax return. The credit will be awarded only to those who file a Form NGV-C and receive a certification number. Receiving a certification number does not guarantee the ability to claim the credit if sales tax collections are less than the \$3 million cap.

If a pass-through entity places a qualified vehicle into service but does not have state tax liability against which a tax credit may be applied, a shareholder, partner, or member of the pass-through entity may claim a tax credit under this chapter equal to:

- (1) The amount of the tax credit determined for the pass-through entity; multiplied by
- (2) The percentage of the pass-through entity's distributive income to which the shareholder, partner, or member is entitled.

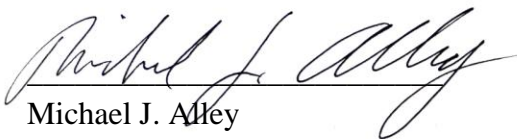
The credit is in addition to any other tax credit to which a shareholder, partner, or member of a pass-through entity is otherwise entitled. However, a pass-through entity and a shareholder,

partner, or member of the pass-through entity may not claim more than one (1) credit for the same qualified vehicle placed into service.

If the amount of the credit for a person in a taxable year exceeds the person's state tax liability for that taxable year, the person may carry over the excess to the following taxable years. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the person to obtain a credit under IC 6-3.1-34.6 for any subsequent taxable year. A credit may not be carried forward for more than six taxable years following the taxable year in which the person is first entitled to claim the credit. A person is not entitled to a carryback or refund of any unused credit. A person may not sell, assign, convey, or otherwise transfer this tax credit.

SALES TAX CREDIT FOR QUALIFIED VEHICLES PUT INTO SERVICE IN 2013

Effective July 1, 2015, HEA 1001-2015 amended IC 6-3.1-24.6 to provide that a person who placed a qualified vehicle into service in 2013 may claim a credit against the person's sales tax liability on transactions involving a natural gas product occurring after June 30, 2015, and before Jan. 1, 2017, if it was subject to taxation under IC 6-2.5-5-27(b). To claim a credit, a person first must file the NGV-C and supporting documentation with the department. Once approved by the department, the person may file a Claim for Refund form (Form GA-110L), found at <https://forms.in.gov/Download.aspx?id=7168>, for any sales tax liability on transactions involving a natural gas product during the timeframe mentioned previously. A person is still only eligible for a credit of up to \$15,000 per qualified vehicle, but he will not be subject to the \$150,000 limitation for a taxable year. However, any sales tax liabilities occurring prior to July 1, 2015, or after Dec. 31, 2016, will not be eligible for a refund based on the qualified vehicle credit, even if a person may have additional credits remaining.



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