DEPARTMENT OF STATE REVENUE
Information Bulletin #103
Income Tax
August 2007

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SUBJECT: Alternative Fuel Vehicle Manufacturer Tax Credit

REFERENCES: IC 6-3.1-1-3; IC 6-3.1-31.9

INTRODUCTION

Indiana provides an income tax credit for assemblers or manufacturers of alternative fuel vehicles. The credit was created in 2007, and applies to taxable years beginning after December 31, 2006. The Indiana Economic Development Corporation (IEDC) certifies qualified investments. The credit is for up to 15 percent of the qualified investment made in a given tax year, as determined by the IEDC.

The IEDC may not award any credits for investments made after December 31, 2012.

I. DEFINITIONS

A. "Alternative fuel vehicle" means any vehicle designed to operate using at least one (1) of the following: methanol, denatured ethanol, other alcohols, E85 (mixtures containing 85 percent or more by volume of methanol, denatured ethanol, and other alcohols with gasoline or other fuel), natural gas, liquefied petroleum gas, hydrogen, coal-derived liquid fuels, non alcohol fuels derived from biological material, P-Series fuels or electricity.

B. "Qualified investment" means the amount of a taxpayer's expenditures in Indiana that are reasonable and necessary for the manufacture or assembly of alternative fuel vehicles, as certified by the Indiana Economic Development Corporation (IEDC).

Qualified investments include:

(1) construction of new (or the modernization of existing) telecommunications, production, manufacturing, fabrication, assembly, finishing, distribution, transportation or logistical distribution facilities;
(2) purchase of new equipment used for telecommunications, production, manufacturing, fabrication, assembly, finishing, distribution, transportation or logistical distribution;
(3) purchase of new computers and related equipment;
(4) onsite infrastructure improvements;
(5) costs associated with retooling existing machinery and equipment;
(6) costs associated with the construction of special purpose buildings, pits and foundations; and
(7) costs associated with the purchase of machinery, equipment or special purpose buildings used to manufacture or assemble alternative fuel vehicles.

A taxpayer cannot claim the credit for any jobs that the taxpayer relocates from one site in Indiana to another site in Indiana.

C. "Taxpayer" means an individual, corporation, partnership or other entity that has state tax liability.

II. APPLYING FOR THE CREDIT

A taxpayer who wishes to qualify for the credit, must first apply to the IEDC for certification of qualifying investments.

If the taxpayer is awarded the credit by the IEDC, the IEDC will then enter into an agreement with the taxpayer. The agreement must include all of the following:

(1) A detailed description of the project.
(2) The first taxable year for which the credit may be claimed.
(3) Taxpayer's state tax liability for each tax in the year immediately preceding the year in which the credit may be claimed.

(4) The maximum credit that will be allowed each year.
(5) A requirement that operations be maintained at the location for at least 10 years during the term the credit is offered.
(6) A specific method for determining the number of new employees per year performing tasks not performed by other employees.
(7) A requirement for the taxpayer to annually report to IEDC:
  a. The number of new employees per year performing tasks not performed by other employees
  b. The average wage of all employees at project location
  c. Any other information IEDC needs to perform its duties.
(8) A requirement that IEDC verify the taxpayer's information required in #(7) with appropriate state agencies; and once verified IEDC issues a certificate to taxpayer stating such.
(9) The average wage paid to employees at the project location will be at least 150 percent of the hourly minimum wage under IC 22-2-2-4 or its equivalent – the average excludes highly compensated employees.
(10) A requirement that taxpayer keep the project property for at least 10 years or its "useful life for federal tax purposes" whichever is less.
(11) A requirement that payroll at the project location during the term of the credit should be at least at the same level as before the qualified investment was made.
(12) A requirement that taxpayer notify IEDC within 30 days of receiving or making a proposal that would transfer taxpayer's state tax liabilities to a successor taxpayer.
(13) Any other performance conditions IEDC determines are appropriate.

A taxpayer that proposes a project to manufacture or assemble alternative fuel vehicles that would create new jobs, increase wage levels, or involve substantial capital investment in Indiana may apply to the IEDC for the tax credit before the qualified investment is made. After receipt of the application, the IEDC may enter into an agreement for a tax credit with the applicant if certain conditions are met. These conditions are:
(1) The project will raise the total earnings of the taxpayer's Indiana employees.
(2) The project is economically sound, will increase Indiana employment opportunities, and will strengthen the Indiana economy.
(3) The project will reduce air pollution.
(4) The project will reduce dependence on foreign energy sources.
(5) Receiving credit is a major factor in the taxpayer going forward.
(6) The project will result in an overall positive fiscal impact to Indiana.
(7) The credit is not prohibited because of job relocations by the taxpayer.
(8) The average wage paid to employees at the project location will be at least 150 percent of hourly minimum wage.

III. CLAIMING THE CREDIT

A taxpayer may apply the credit against their state income tax liability (adjusted gross income, financial institutions tax, or insurance premiums taxes) if the taxpayer is awarded the credit by IEDC, and if the taxpayer has complied with all the terms of the agreement.

A taxpayer claiming the credit is required to submit to the Department a copy of the certificate of verification from the IEDC.

A taxpayer may carry forward unused credit for up to nine consecutive years, as determined by the IEDC. The amount carried forward will be the amount of the unused credit.

The alternative fuel vehicle manufacturer tax credit cannot be claimed with any of the other tax credits listed in IC 6-3.1-1-3. If a taxpayer has been granted more than one of the tax credits listed under IC 6-3.1-1-3 for the same project, the taxpayer must elect to apply only one of the tax credits in the manner prescribed by the Department.

If a taxpayer does not comply with the agreement, the Department, after notification from the IEDC, may make an assessment against the taxpayer to reclaim the amount of tax credits previously claimed.

John Eckart
Commissioner

Posted: 08/22/2007 by Legislative Services Agency
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