DEPARTMENT OF STATE REVENUE

Information Bulletin #109
Income Tax
January 2014
Effective Date: Upon Publication

SUBJECT: Income Tax Credit for Natural Gas-powered Vehicles

REFERENCES: IC 6-3.1-34.6

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SUMMARY

For taxable years beginning after Dec. 31, 2013, an Indiana income tax credit is available for certain vehicles powered with natural gas. The credit applies only to vehicles weighing more than 33,000 pounds and purchased from an Indiana dealer. The credit is effective for the period of Jan. 1, 2014 through Dec. 31, 2016, and can be applied against the purchaser's state tax liability.

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.

"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. 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 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 credit form and receive a confirmation number. Receiving a confirmation 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 (6) 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.

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Posted: 02/26/2014 by Legislative Services Agency
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