



Indiana Department of Revenue

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Income Tax Information Bulletin #109

Subject: Income Tax Credit for Natural Gas-powered Vehicles

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References: IC 6-3.1-34.6

Replaces Bulletin #109, dated July 2015

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Summary of Changes

Aside from nonsubstantive, technical changes, this bulletin has been changed to clarify that the last year a new credit could be claimed was the 2016 tax year. It was also changed to clarify the last year that the income tax credit can be carried forward is the 2022 tax year, as well as to remove information on the sales tax exemption for natural gas, as that exemption is no longer in statute.

Introduction

The purpose of this information bulletin is to discuss the Indiana income tax credit for natural gas-powered vehicles. This credit can no longer be claimed, and the last year that the credit can be claimed is the 2022 tax year.

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

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

Claiming the Credit

A person is not entitled to this credit for placing a qualified vehicle into service after December 31, 2016, and the credit had to be claimed the tax year in which the qualified vehicle was placed into service. Therefore, this credit can no longer be claimed.

Credits were awarded on a first-come, first-served basis for each tax year. The credit was awarded only to those who filed a Form NGV-C and received a certification number. Receiving a certification number did not guarantee the ability to claim the credit if Indiana sales tax collections are less than the \$3 million cap.

If a pass-through entity placed a qualified vehicle into service but did not have state tax liability against which a tax credit could be applied, a shareholder, partner, or member of the pass-through entity could claim a tax credit 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 was in addition to any other tax credit to which a shareholder, partner, or member of a pass-through entity was otherwise entitled. However, a pass-through entity and a shareholder, partner, or member of the pass-through entity could not claim more than one credit for the same qualified vehicle placed into service.

If the amount of the credit for a person in a taxable year exceeded the person's Indiana state tax liability for that taxable year, the person is allowed to 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 this credit 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. Since the 2016 tax year was the last year that a person could claim the credit, the 2022 tax year is the last year that the credit can be carried forward. 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.

If you have any questions concerning this bulletin, please contact the Tax Policy Division at taxpolicy@dor.in.gov.

A handwritten signature in black ink that reads "Robert J. Grennes, Jr." in a cursive style.

Robert J. Grennes, Jr.
Commissioner
Indiana Department of Revenue