

Revenue Information Bulletin 17-016

February 9, 2018

Individual and Corporate Income Tax

Changes to the Alternative Fuel Vehicle Tax Credit

Acts 325 and 403 of the 2017 Regular Session

Acts 325 and 403 of the 2017 Regular Session of the Louisiana Legislature made several changes to the tax credit for conversion of vehicles to alternative fuel usage. The purpose of this guidance is to summarize these changes and their implications for taxpayers seeking to utilize this credit.

Changes Effective June 22, 2017

Reduced Credit Amount for Conversions and Fueling Stations

Act 325 permanently reduces the credit from 36 percent to 30 percent of the cost of the qualified clean-burning motor vehicle fuel property being purchased to (1) convert vehicles propelled by gasoline or diesel to an alternative fuel or (2) build fueling stations.

Calculation of Credit Changed for New Motor Vehicle Purchases

For new motor vehicles originally equipped to be propelled by an alternative fuel, Act 325 eliminates the option of determining the exact cost that is attributable to the alternative fuel property. Instead, the amount of the credit for purchases of new motor vehicles is now equal to 7.2 percent of the cost of the qualified motor vehicle or \$1,500, whichever is less, provided that the motor vehicle is registered in Louisiana.

New Registration and Use Requirements for Credits for Converted Commercial Vehicles

Pursuant to Act 325, in order to be eligible for the credit for costs associated with converting a vehicle to alternative fuel usage, commercial vehicles must be registered and primarily used in Louisiana for four years after the date of the conversion. For purposes of this requirement, a commercial vehicle is deemed primarily used in Louisiana when 80% of the miles traveled in the four years after the conversion occur in Louisiana.

Qualified Costs for Fueling Stations Clarified

Act 325 clarifies that the costs associated with fueling station infrastructure that are not directly related to the delivery of an alternative fuel into the fuel tank of motor vehicles are not eligible for the credit.

Changes Effective June 26, 2017

Calculation of Credit Changed for New Motor Vehicle Purchases

Act 403 changed the credit for purchases of new motor vehicles to ten percent of the cost of the qualified motor vehicle or \$2,500, whichever is less, provided that the motor vehicle is registered in Louisiana.

Changes Effective January 1, 2018

Credit is Classified as Nonrefundable

Act 325 changes the credit to nonrefundable for all purchases of qualified clean-burning motor vehicle fuel property on or after January 1, 2018. Credits for the purchase of qualified clean-burning motor vehicle fuel property made before January 1, 2018, remain refundable.

Sunset Provision

Act 403 provides for a sunset date for the credit of January 1, 2022. Accordingly, purchases made on or after this date will not be eligible for the alternative fuel vehicle tax credit.

For questions concerning this matter, please contact the Policy Services Division at (225) 219-2780. For questions concerning a taxpayer's return, please contact (855) 307-3893.

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Secretary