

Revenue Ruling

No. 02-019

November 8, 2002

Fiduciary Income Tax, Individual Income Tax, and Corporation Income Tax

Credit for Converting Vehicles to Alternative Fuel Usage

Purpose: The purpose of this Revenue Ruling is to clarify whether hybrid motor vehicles qualify for the credit for converting vehicles to alternative fuel usage.

Analysis/Discussion: A hybrid vehicle is one that combines a conventional fuel powered engine with an alternate fuel motor. A combining of the two creates greater fuel efficiency and produces fewer emissions than vehicles powered solely by a conventional fuel powered engine. The conventional fuel used in hybrids in the context of this ruling is either gasoline or diesel fuel.

In 1991, La. Rev. Stat. Ann. §§ 47:38 and 47:287.757 were enacted to provide an incentive to individuals and corporations who invest in qualified clean-burning motor vehicle fuel property. There are three categories of cost that are eligible for the credit:

- Cost related to the converting of certain vehicles to hybrid vehicles,
- Cost related to the manufacture of a hybrid vehicle, and
- Cost of the property that is directly and exclusively related to the delivery of an alternative fuel into the fuel tank of a vehicle.

This revenue ruling is only relevant in computing the credit using the cost in the first two categories.

In the first category, the cost of equipment installed in converting a motor vehicle that uses gasoline into a hybrid vehicle is eligible for the credit. The credit does not apply to the cost to convert vehicles that were diesel fuel powered.

In the second category, the cost of qualifying equipment installed by a manufacturer of hybrid vehicles is allowed in computing the credit. The cost used here is not limited in the statute to only hybrids that use gasoline powered engines. This allows the credit to be available on those hybrids that also use diesel fuel powered engines.

Conclusion: The cost of the equipment involved in converting to a hybrid vehicle or installed by a manufacturer of hybrid vehicles can be used to compute this credit. In the area of conversion of vehicles into hybrids, the cost of the equipment to convert those that were gasoline powered qualifies for the credit, but not the costs to convert those that were diesel powered. For vehicles built as

hybrids by a manufacturer, it makes no difference as to the conventional fuel (gasoline or diesel) used. The credit is on the cost of the qualifying equipment originally installed on the hybrid vehicle.

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