

Federal Tax Credit for the Purchase of a Hybrid Electric Vehicle ([Colorado Tax Credits](#))

What is a tax credit?

You don't receive an income tax credit when you buy the product, like an instant rebate. You claim the credit on your federal income tax form at the end of the year. The credit then increases the tax refund you receive or decreases the amount you have to pay.

What is the difference between a tax credits and a tax deductions?

In general, a *tax credit* is more valuable than a similar *tax deduction*. A tax credit reduces the tax you pay, dollar-for-dollar. Tax deductions – such as those for home mortgages and charitable giving – lower your taxable income. If you are in the highest 35-percent tax bracket, the income tax you pay is reduced by 35 percent of the value of a tax deduction. But a tax credit reduces your federal income tax by 100 percent of the amount of the credit.

Federal Tax Credits for the Purchase of a Hybrid Electric Vehicle

What are the IRS requirements?

- The vehicle must be purchased on or before 12-31-10.
- The original use of the vehicle must begin with the taxpayer claiming the credit.
 - a. The credit may only be claimed by the original owner of a new, qualifying, hybrid vehicle and does not apply to a used hybrid vehicle.
- The vehicle must be acquired for use or lease by the taxpayer claiming the credit.
 - The credit is only available to the original purchaser of a qualifying hybrid vehicle. If a qualifying vehicle is leased to a consumer, the leasing company may claim the credit.
 - For qualifying vehicles used by a tax-exempt entity, the person who sold the qualifying vehicle to the person or entity using the vehicle is eligible to claim the credit, but only if the seller clearly discloses in a document to the tax-exempt entity the amount of credit.
- The vehicle must be used predominantly within the United States.

IRS source: <http://www.irs.gov/newsroom/article/0,,id=157557,00.html>

Is the tax credit enough to justify the extra cost of a hybrid?

When considering the economics of buying a hybrid car, a shopper's first best question has nothing to do with gas consumption, maintenance costs, or resale value. Surprisingly, the most important dollars-and-sense consideration is whether or not you pay the Alternative Minimum Tax (AMT). The answer to that question will determine if you qualify for the federal hybrid tax credit.

- If you owed AMT in the past, you are likely to pay it again.
- Homeowners with incomes between \$150,000 and \$400,000 are very likely to be subject to AMT.
- Single people earning between about \$25,000 and \$115,000 should escape AMT, and therefore find the hybrid tax credit useful.
- If you earn more than \$750,000 per year, then your taxes are likely to exceed the AMT. The hybrid tax credit would be allowable.

(These are rough guidelines. See a tax professional for detailed advice.)

To which vehicles does the Federal tax credit apply?

2007

Make	Model	Credit Amount		Make	Model	Purchase Date	Credit Amount
Chevrolet	Silverado 2WD Hybrid Pickup Truck	\$250		Lexus*	RX 400h 2WD	1/1/06 - 9/30/06	\$2,200
						10/1/06 - 3/31/07	\$1,100
		4/1/07 - 9/30/07	\$550				
		10/1/2007	\$0				
Chevrolet	Silverado 4WD Hybrid Pickup Truck	\$650		Mercury	Mariner Hybrid 4WD	\$1,950	
Ford	Escape Hybrid 2WD	\$2,600		Saturn	Vue Green Line	\$650	
Ford	Escape Hybrid 4WD	\$1,950		Toyota*	Camry Hybrid	Purchase Date	Credit Amount
GMC	Sierra 2WD Hybrid Pickup Truck	\$250				1/1/06 - 9/30/06	\$2,600
GMC	Sierra 4WD Hybrid Pickup Truck	\$650				10/1/06 - 3/31/07	\$1,300
Honda	Accord AT	\$1,300				4/1/07 - 9/30/07	\$650
Honda	Accord Navi	\$1,300		10/1/2007	\$0		
Honda	Civic CVT	\$2,100		Toyota*	Prius	Purchase Date	Credit Amount
Lexus*	GS450h	Purchase Date	Credit Amount			1/1/06 - 9/30/06	\$3,150
		1/1/06 - 9/30/06	\$1,550			10/1/06 - 3/31/07	\$1,575
		10/1/06 - 3/31/07	\$775			4/1/07 - 9/30/07	\$787.50
		4/1/07 - 9/30/07	\$387.50	10/1/2007	\$0		
		10/1/2007	\$0	Toyota*	Highlander Hybrid 2WD	Purchase Date	Credit Amount
Lexus *	RX 400h 4WD	Purchase Date	Credit Amount			1/1/06 - 9/30/06	\$2,600
		1/1/06 - 9/30/06	\$2,200			10/1/06 - 3/31/07	\$1,300
		10/1/06 - 3/31/07	\$1,100			4/1/07 - 9/30/07	\$650
		4/1/07 - 9/30/07	\$550	10/1/2007	\$0		
		10/1/2007	\$0	Toyota*	Highlander Hybrid 4WD	Purchase Date	

2008

Make	Model	Credit Amount
Ford	Escape Hybrid 2WD	\$3,000
Ford	Escape Hybrid 4WD	\$2,220
Mercury	Mariner Hybrid 2WD	\$3,000
Mercury	Mariner Hybrid 4WD	\$2,200

How do I apply for the credit?

[Form 8910](#), Alternative Motor Vehicle Credit, is used to claim the qualified hybrid vehicle credit as well as for vehicles qualifying for other provisions of the alternative motor vehicle credit.

If the qualifying hybrid vehicle is purchased for business use, the credit for the business use of a qualifying hybrid vehicle is reported on [Form 3800](#), General Business Credit.

For qualifying hybrid vehicles acquired for personal use, the credit is reported on the appropriate line of the taxpayer's [Form 1040](#), U.S. Individual Income Tax Return.

Colorado Tax Credits for the Purchase of a Hybrid Electric Vehicle

Does Colorado offer a tax credit?

Yes, the state of Colorado provides a tax credit for the purchase of a hybrid electric vehicle. This credit also applies to alternative fueled vehicles (a motor vehicle that is converted to use alternative fuel, or for the replacement of the power source with a power source that uses alternative fuel).

Colorado also exempts Toyota Prius and Honda Insight models from emissions testing.

What is the applicability of the tax credit?

The credit is only available in the year during which the vehicle was purchased or converted. If the credit allowed exceeds the net tax liability for that year, any excess

credit may be carried forward and claimed on future year returns for up to five years until the credit is fully utilized. A vehicle can qualify for this credit only one time.

For hybrid electric vehicles, the credit is a percentage of the difference between the cost of the hybrid vehicle and the cost of the same or most similar non-hybrid vehicle.

To which vehicles does the Colorado tax credit apply?

**Colorado Tax Credit for 2007 Model Year
Hybrid Vehicles**

Make	Model	Incremental Price Difference	Credit Amount
Ford	Escape Hybrid 2WD	\$2,285	\$1,942
Ford	Escape Hybrid 4WD	\$2,320	\$1,972
Honda	Accord	\$3,775	\$3,209
Honda	Civic (Nat. Gas)	\$6,830	\$5,806
Honda	Civic Hybrid	\$3,675	\$2,756
Lexus	GS450h	\$7,590	\$6,452
Lexus	RX 400h	\$4,595	\$3,906
Mercury	Mariner Hybrid 4WD	\$2,665	\$2,265
Toyota	Camry Hybrid	\$2,665	\$2,265
Toyota	Prius	\$3,545	\$3,013
Toyota	Highlander Hybrid	\$4,075	\$3,464

How do I apply for the Colorado tax credit?

[Form DR 0166](#) contains the instructions to complete the tax credit form.

[Form DR 0167](#) is the form for a charitable or governmental entity tax credit.

[Form DR 0168](#) is the form for an individual to complete.