



# Instructions for Form IT-253

## Alternative Fuels Credit

(Personal Income Tax)

### General information

Section 606(p) of the New York State Tax Law allows a credit to certain taxpayers who purchase new electric vehicles or convert gasoline or diesel-powered vehicles to alternative fuel (clean-fuel) use. Investments in new clean-fuel vehicle refueling property also qualify for the credit. The credit applies to property placed in service in tax years beginning after 1997 and before 2003.

The credit for vehicles is available for both business and personal vehicles registered in New York State. The credit for refueling property is available only when the property is used in a trade or business located in New York State. This credit is not refundable, but any unused credit may be carried forward indefinitely.

### Who is eligible

- individuals, estates, and trusts,
- partners in a partnership (including members of an LLC treated as a partnership for federal tax purposes),
- shareholders of a New York S corporation, and,
- beneficiaries of an estate or trust.

### Who must file

File Form IT-253 if you are an individual, a partnership, or an estate or trust and you qualify for the credit (or are claiming a carryover of the credit from a preceding period). In addition, if you are a partner in a partnership (including members of an LLC treated as a partnership for federal tax purposes), a shareholder of a New York S corporation, or a beneficiary of an estate or trust, file Form IT-253 to claim your share of the credit from your entity.

A partnership must file Form IT-253 with Form IT-204, *Partnership Return*, showing the partnership's total credit for alternative fuels for its qualifying vehicles and refueling property.

An S corporation cannot file Form IT-253. It must file Form CT-40, *Claim for Alternative Fuels Credit*. If you are a shareholder of an S corporation that has made the election under section 660 of the Tax Law, obtain your share of the corporation's credit from the corporation.

If you use a delivery service other than the U.S. Postal Service, see *Private Delivery Services*, in the instructions for the return you are filing.

### Amount of credit

#### • Electric vehicles

The credit for electric vehicles is equal to **fifty percent** of the incremental cost of any vehicle:

- that is placed in service during the taxable year, and
- that is registered in this state, and

— for which a credit is allowed under section 30 of the Internal Revenue Code (IRC). (**Note:** If you are eligible to claim the federal credit but elect not to, you may still claim the New York State credit. In addition, the credit is computed on the entire incremental cost, even if some of the cost was expensed under section 179 of the IRC).

The maximum credit is \$5,000 per vehicle.

**Example:** *In 1999, an individual purchases a new electric vehicle for \$40,000 that qualifies for the federal 10% electric vehicle credit. The vehicle is for personal use and is registered in New York State. The cost of a comparable gasoline-powered vehicle is \$25,000, making the incremental cost of the electric vehicle \$15,000 (\$40,000 - \$25,000). This incremental cost multiplied by the credit rate of 50% results in a tentative credit of \$7,500.*

*However, since \$7,500 exceeds the \$5,000 per vehicle limitation, this taxpayer will receive the maximum credit of \$5,000 for the purchase of this vehicle.*

#### • Clean-fuel vehicle property

The credit for clean-fuel vehicle property is equal to **sixty percent** of the cost of the property:

- for which a deduction is allowed under section 179-A of the IRC, and
- that is installed in or manufactured as part of a motor vehicle that is 1) placed in service during the taxable year; and 2) registered in this state. The cost includes the cost of installing the property either in the retrofit of an existing vehicle or in a manufacturer's original equipment vehicle.

The maximum credit is \$5,000 per vehicle for vehicles with a gross vehicle weight rating of 14,000 pounds or less, and \$10,000 per vehicle for all other vehicles.

**Note:** The New York credit is allowed on the entire cost of the property even if some or all of the cost was expensed under section 179 of the IRC.

**Example:** *In 1999, an individual converts both a gasoline-powered car weighing 4,000 pounds and a diesel-powered truck weighing 18,000 pounds to run on alternative fuels. Both vehicles are registered in New York State. The cost of the clean-fuel components of the car are \$3,000, and the cost of the clean-fuel components of the truck are \$20,000. These costs include installation.*

*The credit is computed as follows:*

|                           |   |
|---------------------------|---|
|                           | Credit allowed  |
| Car ....                  | $\$3,000 \times 60\% = \$1,800$ (limited to \$5,000) .. \$1,800     |
| Truck ..                  | $\$20,000 \times 60\% = \$12,000$ (limited to \$10,000) .... 10,000 |
| <b>Total Credit</b> ..... | <b>\$11,800</b>   |

#### • Clean-fuel vehicle refueling property

The credit for clean-fuel vehicle refueling property is equal to **fifty percent** of the cost of such property:

- that is located in this state, and

- fifty percent or more of the use of the property in the taxable year is in a trade or business carried on in New York, and
- for which a deduction is allowed under section 179-A of the IRC.

**Note:** For New York purposes, the cost is not limited by the federal expense limits in section 179(b)(2), and cost includes that portion that is expensed under section 179 of the IRC.

**Example:** *In 1999, an individual purchases a building for \$100,000 and refueling property for \$40,000 to be used in the individual's business of operating a compressed natural gas station in New York. The building and refueling property qualify for a depreciation deduction, and the individual is the original user of the property.*

The credit is computed as follows:

|                           |                                |          |
|---------------------------|--------------------------------|----------|
| Building .....            | Not qualified .....            | -0-      |
| Refueling property .....  | $\$40,000 \times 50\% =$ ..... | \$20,000 |
| <b>Total credit</b> ..... |                                | \$20,000 |

### Definitions

An *electric vehicle* is defined by reference to section 30(c) of the IRC. It is a motor vehicle that is powered primarily by an electric motor drawing current from rechargeable batteries, fuel cells, or other portable sources of electric current. The original use must commence with the taxpayer, and the vehicle must be acquired for use by the taxpayer and not for resale, although it may be rented or leased.

*Clean-fuel* means natural gas, liquefied petroleum gas, hydrogen, and electricity. It also means any other fuel that is at least 85%, singly or in combination, methanol, ethanol, any other alcohol, or ether.

*Clean-fuel vehicle property* is the same as federal qualified clean-fuel vehicle property defined by section 179-A(c) of the IRC. This property includes the engine, exhaust components, and fuel storage and delivery components that enable the motor vehicle to use clean fuel (other than electricity) either in the retrofit of an existing vehicle or in a manufacturer's original equipment vehicle. The original use must commence with the taxpayer, and the vehicle must be acquired for use by the taxpayer and not for resale, although it may be rented or leased.

*Clean-fuel vehicle refueling property* is defined by section 179-A(d) of the IRC. This includes property, other than buildings and structural components of buildings, that is used for storing or dispensing clean fuel into the tank of a motor vehicle powered by such fuel or for recharging electric vehicles. The property must be located at the point where the vehicles are refueled or recharged, it must be eligible for the depreciation deduction, and the original use must commence with the taxpayer.

*Incremental cost* for an electric vehicle means the excess of the cost of an electric vehicle over the cost of a gasoline powered vehicle that is similar in size and style.

*Motor vehicle* means any vehicle that is manufactured primarily for use on public streets, roads, and highways, and that has at least four wheels. It does not include a vehicle operated exclusively on a rail or rails.

### Leased property

Taxpayers who acquire vehicles or property for use in their leasing business, and not for resale, may qualify for the New York credit if the vehicles or property qualify for a federal credit or deduction. However, leases to public (governmental) or tax-exempt (charitable) organizations generally do not qualify for a federal credit or deduction, and accordingly would not qualify for the New York credit.

### Filling in your tax return

This form has been designed to let us use the latest scanning and image-processing equipment.

Please write your numbers like this in the scannable entry areas on lines 13 and 16:



### Line instructions

Individuals (including sole proprietorships), partnerships, and fiduciaries must complete Schedules A, D, and E.

Partners in a partnership, shareholders of an S corporation, and beneficiaries of an estate or trust must complete Schedules B through E.

### Credit recapture

If you have claimed the alternative fuels credit on electric vehicles, clean-fuel vehicle property, or clean-fuel vehicle refueling property and that property was disposed of, modified, or removed from qualified use, you may be required to recapture all or part of the credit you claimed. For more information, see the instructions on page 3 for Schedule F, *Recapture of credit*.

### Schedule A - Individuals, including sole proprietorships, partnerships, and estates and trusts

#### Part I

Complete Part I for each electric vehicle placed in service during the tax year that qualifies for the credit. However, do not include any electric vehicle which, by the end of your tax year, has been:

- modified by you so that it no longer is powered primarily by electricity, or
- sold or disposed of, and you know or have reason to know that the vehicle will be so modified.

**Column B** - enter in column B the total cost of the electric vehicle, even if some of the cost was expensed under section 179 of the IRC.

#### Part II

Complete Part II for each clean-fuel vehicle property placed in service during the tax year that qualifies for the credit. However, do not include any vehicle which, by the end of your tax year:

- has been modified by you so that it may no longer be propelled by a clean-burning fuel, or
- ceases to qualify as property defined in section 179-A(c) of the IRC, or

- has been sold or disposed of, and you know or have reason to know that the vehicle will be modified or will cease to qualify as described above.

**Column B** - enter in column B the cost of the clean-fuel vehicle property, which includes the cost of installing the property either in the retrofit of an existing vehicle or in a manufacturer's original equipment vehicle. The credit is allowed on the entire cost of the property, even if some or all of the cost was expensed under section 179 of the IRC.

### Part III

Complete Part III for clean-fuel vehicle refueling property placed in service during the tax year. However, do not complete Part III for any property that, by the end of your tax year, met one of the following conditions:

- ceased to qualify as property described in section 179-A as of the IRC, or
- fifty percent or more of the use of the property during the taxable year was other than in a trade or business carried on in New York, or
- you sold or disposed of the property and you know or had reason to know that the property will meet one of the two conditions previously stated.

**Column B** - enter in column B the cost of the clean-fuel vehicle refueling property. The cost is not limited by the federal expense limits in section 179(b)(2), and cost includes that portion that is expensed under section 179 of the IRC.

### Schedule B - Partnership, S corporation, and estate and trust information

Enter the appropriate information for each partnership, S corporation, or estate or trust for which you received a share of the alternative fuels credit. If you need more space, attach a separate schedule.

### Schedule C - Partner's, shareholder's, or beneficiary's share of credit

Enter your share of the total credit received from a partnership, New York S corporation, or an estate or trust. If you belong to more than one partnership, New York S corporation or estate or trust, enter the total of all your shares on the appropriate line.

#### Partner

**Line 6** - Enter your share of the credit for alternative fuels from your partnership. This information should be provided to you by your partnership.

#### S corporation shareholder

**Line 7** - Enter your share of the total credit for alternative fuels made by S corporations. Obtain your share of the credit from your S corporation.

#### Beneficiary

**Line 8** - Enter your share of the total credit for alternative fuels made by estates and trusts. This information should be provided to you by your fiduciary.

### Schedule D - Beneficiary's and fiduciary's share of credit

An estate or trust must complete Schedule D. If an estate or trust allocates or assigns the credit to its beneficiaries, base the division on each beneficiary's proportionate share of the income of the estate or trust.

### Schedule E - Computation of credit

Complete line 10, 11, 12 or 12a, whichever line(s) may be applicable to you. Add lines 10, 11, and 12 and enter the total on line 13. Transfer the line 13 amount to the schedule and line of the form that you are filing, as noted on line 13.

### Schedule F - Recapture of credit

#### Part I - Computation of credit recapture on vehicles and clean-fuel vehicle property

Do not complete Schedule F for any electric vehicle, clean-fuel vehicle property, or clean-fuel vehicle refueling property that ceased to qualify within the taxable year in which it was placed in service.

If an **electric vehicle** or clean-fuel vehicle is disposed of or modified within three years of the date it is placed in service so that it is no longer a qualified vehicle, a portion of the credit allowed must be recaptured.

An electric vehicle ceases to be qualified if:

- (1) it is modified by the taxpayer so that it is no longer powered primarily by electricity, or
- (2) the taxpayer receiving the credit sells or disposes of the vehicle and knows or has reason to know that the vehicle will be converted to nonqualified use.

**Clean-fuel vehicle property** ceases to qualify if:

- (1) the vehicle of which it is a part is modified so that it can no longer be propelled by a clean burning fuel, or
- (2) the vehicle ceases to qualify as a property defined in section 179A(c) of the IRC, or
- (3) the taxpayer receiving the credit sells or disposes of the vehicle and knows or has reason to know that the vehicle will be used in a manner described in (1) or (2) above.

#### Columns A and B

If a recapture is required, enter the tax year the credit was originally allowed in column A and the amount of original credit allowed in column B.

#### Column C

In column C, enter the appropriate recapture percentage as follows:

- 100% (1.00) if the vehicle ceases to qualify within the first full year after the date the vehicle is placed in service.
- 66 2/3% (.6667) if the vehicle ceases to qualify within the second full year after the date the vehicle is placed in service.
- 33 1/3% (.3333) if the vehicle ceases to qualify within the third full year after the date the vehicle is placed in service.



**Column D**

To compute the recapture, multiply column B by column C and enter the result in column D.

**Part II - Computation of credit recapture on clean-fuel vehicle refueling property**

If clean-fuel vehicle refueling property ceases to be qualified at any time before the end of its recovery period (depreciable life), a portion of the credit allowed must be recaptured.

Clean-fuel vehicle refueling property ceases to be qualified if:

- (1) the property no longer qualifies as property described in section 179A(d) of the IRC, or
- (2) 50% or more of the use of the property in a taxable year is other than in a trade or business in New York, or
- (3) the taxpayer receiving the credit sells or disposes of the property and knows or has reason to know that the property will be used in a manner described in (1) or (2) above.

If a recapture is required, enter in column A the tax year the credit was originally allowed. Column B is the total recovery period (depreciable life) of the property for federal tax purposes. In column C, enter the number of years the property was in service prior to the recapture year.

To compute the recapture percentage in column E, divide column D by column B. To compute the recapture in column G, enter the original credit allowed in column F and multiply by the column E percentage.

The amount to be recaptured is equal to the credit allowed multiplied by a fraction, the numerator being the total recovery years of the property, minus the years the property was in service (not including the recapture year), and the denominator being the total recovery years.

**Example:** *In year 1, a taxpayer claims a credit of \$10,000 on refueling property that had a recovery period of 10 years. The taxpayer uses the property for 3 years and disposes of it in year 4. The recapture is computed as follows:*

|  |                 |
|--|-----------------|
| <i>Total recovery period less number of years prior to recapture year (10-3) .....</i> | <i>7 years</i>  |
| <i>Total recovery period .....</i>   | <i>10 years</i> |
| <i>Recapture % (7/10) .....</i>  | <i>70%</i>      |
| <i>Credit originally allowed .....</i>   | <i>\$10,000</i> |
| <i>Recaptured credit .....</i>   | <i>\$7,000</i>  |

 **Need help?**

**Telephone assistance** is available from 8:30 a.m. to 4:25 p.m. (eastern time), Monday through Friday.

Tax information: 1 800 225-5829

Forms and publications: 1 800 462-8100

Refund status: Access our website or call 1 800 443-3200;

if electronically filed 1 800 353-0708; direct deposit refunds: 1 800 321-3213

Automated service for refund status is available 24 hours a day, seven days a week.

From outside the U.S. and outside Canada: (518) 485-6800

Fax-on-demand forms (available 24 hours a day, seven days a week): 1 800 748-3676

Internet access: <http://www.tax.state.ny.us>

Hearing and speech impaired (telecommunications device for the

deaf (TDD) callers only): 1 800 634-2110 (8:30 a.m. to 4:25 p.m., eastern time)



**Persons with disabilities:** In compliance with the Americans with Disabilities Act, we will ensure that our lobbies, offices, meeting rooms, and other facilities are accessible to persons with disabilities. If you have questions about special accommodations for persons with disabilities, please call 1 800 225-5829.



**If you need to write,** address your letter to: NYS Tax Department, Taxpayer Assistance Bureau, Taxpayer Correspondence, W A Harriman Campus, Albany NY 12227.

**Privacy notification**

The right of the Commissioner of Taxation and Finance and the Department of Taxation and Finance to collect and maintain personal information, including mandatory disclosure of social security numbers in the manner required by tax regulations, instructions, and forms, is found in Articles 22, 26, 26-A, 26-B, 30, 30-A, and 30-B of the Tax Law; Article 2-E of the General City Law; and 42 USC 405(c)(2)(C)(i).

The Tax Department uses this information primarily to determine and administer tax liabilities due the state and city of New York and the city of Yonkers. We also use this information for certain tax offset and exchange of tax information programs authorized by law, and for any other purpose authorized by law.

Information concerning quarterly wages paid to employees and identified by unique random identifying code numbers to preserve the privacy of the employees' names and social security numbers is provided to certain state agencies, for research purposes to evaluate the effectiveness of certain employment and training programs.

Failure to provide the required information may subject you to civil or criminal penalties, or both, under the Tax Law.

This information is maintained by the Director of the Registration and Data Services Bureau, NYS Tax Department, Building 8 Room 924, W A Harriman Campus, Albany NY 12227; telephone 1 800 225-5829. From areas outside the U.S. and outside Canada, call (518) 485-6800.