New York State Department of Taxation and Finance

Instructions for Form IT-253

Alternative Fuels Credit

IT-253-I

New for 2002

The Laws of 2002 retroactively provided a definition of and prescribed an amount of credit available for qualified hybrid vehicles. The amount of credit available for a qualified hybrid vehicle placed in service in a tax year beginning on or after January 1, 2000, is $2,000 per vehicle registered in New York State. The credit must be claimed on the tax return for the year in which you purchased the vehicle. Accordingly, if you purchased a qualified hybrid vehicle in 2000 or 2001, you may amend your personal income tax return for 2000 or 2001 to claim the alternative fuels credit for qualified hybrid vehicles by completing 2000 or 2001 Revised Form IT-253 and attaching it to Form IT-201-X, *Amended Resident Income Tax Return*, Form IT-203-X, *Amended Nonresident and Part-Year Resident Income Tax Return*, Form IT-204, *Partnership Return*, or Form IT-205, *Fiduciary Income Tax Return*.

Note: If you previously claimed the credit for clean-fuel vehicle property for a qualified hybrid vehicle that you purchased in 2000 or 2001, you cannot claim the new credit for qualified hybrid vehicles for the same vehicle. However, if the new credit is larger than the credit you previously claimed, you may file an amended return to claim the difference between the new credit and the credit previously claimed.

General information

Section 606(p) of the New York State Tax Law allows a credit to certain taxpayers who purchase new electric vehicles or qualified hybrid vehicles, or who convert gasoline-powered or diesel-powered vehicles to alternative fuel (clean-fuel) use. Investments in new clean-fuel vehicle refueling property also qualify for the credit. Except for qualified hybrid vehicles, which must have been placed in service in a tax year beginning on or after January 1, 2000, the credits are available for vehicles and property placed in service in tax years beginning after 1997 and before 2004.

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 a limited liability company (LLC) treated as a partnership for federal tax purposes)
- shareholders of a New York S corporation
- beneficiaries of an estate or trust

Who must file

File Form IT-253, *Alternative Fuels Credit,* 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.

Amount of credit

• Electric vehicles

The credit for electric vehicles is equal to **50%** of the incremental cost of any vehicle:

– that is placed in service during the tax 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. The New York credit is allowed without regard to the federal limitations under section 30(b) of the IRC. 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 2002, 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.

Caution: Gasoline/electric hybrid vehicles that are not powered primarily by an electric motor are not qualified electric vehicles. However, part of the cost of these vehicles may qualify for the clean-fuel vehicle property credit (see below) or the credit for qualified hybrid vehicles (see page 2). The same vehicle may **not** qualify for both the clean-fuel vehicle property credit and the qualified hybrid vehicle credit.

• Clean-fuel vehicle property

The credit for clean-fuel vehicle property is equal to **60%** 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 tax 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.

Note: The New York credit is determined without regard to the federal deduction limitations under section 179-A(b)(1) of the IRC. In addition, 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.

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.

Example: *In 2002, 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 x 60% = $1,800 (limited to $5,000)*	*$1,800*
Truck	*$20,000 x 60% = $12,000 (limited to $10,000)*	*10,000*
Total credit		*$11,800*

• Clean-fuel vehicle refueling property

The credit for clean-fuel vehicle refueling property is equal to **50%** of the cost of the property:

– that is located in this state, and

– fifty percent or more of the use of the property in the tax 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-A(b)(2), and the cost includes that portion that is expensed under section 179 of the IRC.

Example: *In 2002, 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 x 50% =*	*$20,000*
Total credit		*$20,000*

• Qualified hybrid vehicle

The credit for qualified hybrid vehicles is equal to $2,000 per vehicle registered in this state provided, however, that the same vehicle may **not** qualify for both the qualified hybrid vehicle credit and the clean-fuel vehicle property credit.

Definitions

A *qualified 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.

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.

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.

Qualified 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, either in the retrofit of an existing vehicle or in a manufacturer's original equipment vehicle. The term qualified clean-fuel vehicle property does not include any qualified electric vehicle as defined in section 30(c) of the IRC. 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.

Qualified 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.

Qualified hybrid vehicle means a motor vehicle as defined in section 125 of the Vehicle and Traffic Law, other than an electric vehicle, that:

(i) draws propulsion energy from both:

1) an internal combustion engine (or heat engine that uses combustible fuel) and

2) an energy storage device; and

(ii) employs a regenerative vehicle braking system that recovers waste energy to charge the energy storage device.

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 therefore 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 15 and 19:

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, qualified hybrid 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, 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

– has ceased 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:

– It 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 tax 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-A(b)(2), and cost includes that portion that is expensed under section 179 of the IRC.

Part IV

Complete Part IV for each qualified hybrid vehicle registered in New York State and placed in service during the tax year. However, do not include any hybrid vehicle for which a credit was claimed in Part II. In addition, do not include any vehicle which, by the end of your tax year, has been:

- modified by you so that it no longer meets the requirements of a qualified hybrid vehicle, or
- sold or disposed of, and you know or have reason to know that the vehicle will be so modified.

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

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

Partner

Line 7 — Enter your share of the total credit for alternative fuels from your partnership. This information should be provided to you by your partnership.

S corporation shareholder

Line 8 — Enter your share of the total credit for alternative fuels made by S corporations. This information should be provided to you by your S corporation.

Beneficiary

Line 9 — 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 and recapture of credit

An estate or trust must complete Schedule D. If an estate or trust allocates or assigns the credit and recapture of 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 11, 12, 13, or 14, whichever line(s) may be applicable to you.

Line 14 — Enter the amount of net credit available for carryover to 2002. The net credit available for carryover is that portion of your prior alternative fuels credit from 2001 Form IT-201-ATT, line 58; 2001 Form IT-203-B, line 44; or 2001 Form IT-205, line 10, that was not applied to your 2001 tax.

Line 15 — Add lines 11 through 14, and enter the total on line 15. Transfer the line 15 amount to the schedule and line of the form that you are filing, as noted on line 15.

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, qualified hybrid vehicle, clean-fuel vehicle property, or clean-fuel vehicle refueling property that ceased to qualify within the tax year in which it was placed in service.

If an **electric vehicle,** qualified hybrid 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 in the tax year in which it ceases to qualify.

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.

An **qualified hybrid vehicle** ceases to be qualified if:

(1) It is modified by the taxpayer so that it no longer meets the requirements of a qualified hybrid vehicle as defined on page 2; 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 so modified.

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 179-A(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 179-A(d) of the IRC; or

(2) Fifty percent or more of the use of the property in a tax 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 it by the column E recapture percentage.

The amount to be recaptured is equal to the credit allowed multiplied by a fraction. The numerator of the fraction 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 one, a taxpayer claims a credit of $10,000 on refueling property that had a recovery period of ten years. The taxpayer uses the property for three years and disposes of it in year four. The recapture is computed as follows:*

Total recovery period less number of years prior to recapture year (10-3)	.....	*seven years*
Total recovery period	.....	*ten years*
Recapture % (7/10)	.....	*70%*
Credit originally allowed	.....	*$10,000*
Recaptured credit	.....	*$7,000*

Line 18 — Partner in a partnership, shareholder of an S corporation, or beneficiary of an estate or trust, enter your share of the credit recapture. You can get this information from your partnership, S corporation, estate, or trust.

Line 19 — Add lines 16, 17, and 18, and enter the total on line 19. Transfer the line 19 amount to the schedule and line of the form that you are filing, as noted on line 19.

Need help?

Telephone assistance is available from 8 a.m. to 5:55 p.m. (eastern time), Monday through Friday.

For tax information:	1 800 225-5829
To order forms and publications:	1 800 462-8100
Refund status: (electronically filed)	1 800 353-0708
(direct deposit)	1 800 321-3213
(all others)	1 800 443-3200
(Automated service for refund status is available 24 hours a day, 7 days a week.)	
From areas outside the U.S. and outside Canada:	(518) 485-6800

Fax-on-demand forms: Forms are available 24 hours a day, 7 days a week. 1 800 748-3676

Internet access: *www.tax.state.ny.us* (for forms, publications, your refund status, to check your estimated tax account, and other information)

Hotline for the hearing and speech impaired: 1 800 634-2110 from 8 a.m. to 5:55 p.m. (eastern time), Monday through Friday. If you do not own a telecommunications device for the deaf (TDD), check with independent living centers or community action programs to find out where machines are available for public use.

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 CONTACT CENTER
W A HARRIMAN CAMPUS
ALBANY NY 12227