

# MINNESOTA • REVENUE

## CORPORATE FRANCHISE TAX INDIVIDUAL INCOME TAX Alternative Fuel Conversion Credit

March 8, 2007

Department of Revenue  
Analysis of S. F. 206 (Rosen) / H. F. 435 (Cornish)

|                                  | Yes | No |
|----------------------------------|-----|----|
| DOR Administrative Costs/Savings | X   |    |

### Fund Impact

|              | <u>F.Y. 2008</u> | <u>F.Y. 2009</u> | <u>F.Y. 2010</u> | <u>F.Y. 2011</u> |
|--------------|------------------|------------------|------------------|------------------|
|              |                  | (000's)          |                  |                  |
| General Fund | (Unknown)        | (Unknown)        | (Unknown)        | (Unknown)        |

Effective for expenses incurred on or after July 1, 2007.

### EXPLANATION OF THE BILL

This bill would allow a taxpayer who conducts a trade or business to claim a credit against the individual income tax or corporate franchise tax for expenses related to converting one or more vehicles used in the business to an alternative fuel vehicle. The credit is equal to 50% of expenses incurred and is limited to \$500 for vehicles weight less than 10,000 pounds and \$1,000 for vehicles weighing more than 10,000 pounds. If the amount of the credit exceeds the liability for tax, the excess credit may be carried over to the next taxable year.

### REVENUE ANALYSIS DETAIL

- Conversion kits can be purchased to convert a standard gasoline vehicle to run on compressed natural gas (CNG) or liquefied petroleum gas (LPG).
- According to the Minnesota Department of Commerce, there were approximately 200 CNG vehicles and 1,500 LPG vehicles operating in Minnesota in 2003. Figures on how many of these vehicles were converted after purchase are not available, but it is expected to be small.
- There are currently no E85 conversion products available which have been certified by the Environmental Protection Agency's exhaust emissions standards. There is at least one company working to develop an E85 conversion product that will meet EPA standards. EPA certification of an E85 conversion kit would affect the number of taxpayers using this credit.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

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