

**Notice of Expiring New York State Tax Law Provisions Relating to
the Alternative Fuels Credit and the Sales Tax Exemption for
the Purchase of Alternative Fuel Property**

Certain New York State tax benefits relating to the purchase of alternative fuel property have expired. These benefits are explained below.

Alternative Fuel Credits

The New York State Tax Law provided for corporation tax credits and personal income tax credits for the purchase of new electric vehicles or qualified hybrid vehicles, and for the conversion of gasoline powered or diesel powered vehicles to alternative fuel (clean-fuel) use. Investments in new clean-fuel vehicle refueling property also qualified for the credits. Except for qualified hybrid vehicles, which must have been placed in service in tax years beginning on or after January 1, 2000 and before 2004, the credits only applied to property placed in service in tax years beginning after 1997 and before 2004.

Accordingly, no new alternative fuel credits will be allowed for property placed in service in tax years beginning after 2003. However, taxpayers who have a carryover from an alternative fuels credit allowed for property placed in service in a prior year may continue to carry that credit forward until it is used up.

For more information on the alternative fuels credits, see TSB-M-98-(6)C, (4)I, (11)S and TSB-M-02(6)C, (8)S, (10)I.

Sales Tax Exemption for Alternative Fuel Vehicles and Property

As of **February 29, 2004**, the State and local sales and use tax exemptions provided by section 1115(p) of the Tax Law with respect to new alternative fuel vehicles (e.g., certain electric vehicles, qualified hybrid vehicles, and certain vehicles operated on alcohol, hydrogen, liquefied petroleum gas or compressed natural gas) and alternative fuel vehicle refueling property **expired**. As a result, as of March 1, 2004, purchasers of such vehicles or property will no longer receive a partial sales tax exemption on their purchase.

For more information on the expiring sales and use tax exemptions, see TSB-M-02(6)C, (8)S, (10)I, TSB-M-98(6)C, (11)S, (4)I, and TSB-M-93(1)S.

TSB-M-04(3)I
TSB-M-04(1)S
TSB-M-04(2)C
March 2, 2004

Note: At the time this notice was printed, Governor Pataki had included in his proposed 2004-2005 state budget a proposal to extend the alternative fuels tax credits and the related sales tax exemptions for an additional year (i.e., the tax credits would be extended to tax years beginning in 2004 and the sales and use tax exemptions would apply through February 28, 2005 and would be retroactive to purchases made on or after March 1, 2004.) The Department will issue further guidance if this proposed legislation is enacted into law.