

New York State Fuel Oil Tank Replacement Income Tax Credit Effective January 1, 2001

Chapter 63 of the Laws of 2000 instituted the 2000-01 State budget, which included a \$500 personal income tax credit for the voluntary replacement of existing heating oil tanks. ESPA has been proposing this legislation for over five years and finally secured funding for this program over the next two taxable years.

Eligibility for the tank replacement credit is limited to owners of single to four-family residences who voluntarily replace a below ground, above ground or basement tank with a new residential fuel oil tank. The credit of \$500 against taxes due may be taken for replacements completed during the taxable years of 2001 and 2002. The 2001 tank replacement credit can be taken on the IT-254 "Claim for Residential Fuel Oil Storage Tank Credit" which will be attached to state income forms filed on or before April 15, 2002. For installations in calendar year 2002, the credit would be taken on tax filings on or before April 15, 2003. Such credit can be used only once per residence.

As currently written into law, the \$500 credit is to be taken as two \$250 credits. One \$250 credit for removal or closure and the second \$250 for the purchase and installation of the replacement tank, for a total credit of up to \$500.

Procedures for Taking Credit

ESPA has fielded numerous questions concerning how a customer can take the tax credit allowed by the tank replacement tax credit program. The NYS Department of Taxation & Finance (T&F) memorandum TSB-M-00-(4)I explains the credit as follows:

"Effective for tax years beginning in 2001 and 2002, a taxpayer will be allowed a credit for the removal, permanent closure or installation of a below ground or above ground residential fuel oil storage tank used to provide heating fuel for single to four family residences located in New York. The amount of the credit is equal to the sum of (1) the costs of removal of an existing unprotected below ground or above ground residential fuel oil tank, not to exceed \$250; (2) the costs of permanently closing an existing unprotected below ground or above ground residential fuel oil tank, not to exceed \$250; and (3) the purchase and installation costs of a new below ground or above ground residential fuel oil storage tank, where such tank is used in place of a formerly used unprotected below ground or above ground residential fuel oil tank and provided that such unprotected tank was removed or permanently closed during the taxable year or the immediately preceding taxable year, not to exceed \$250. The costs of (1), (2), and (3) may be used only once with respect to a particular residence in computing the credit. A taxpayer can carry over to future tax years any amount of the credit that is in excess of the taxpayer's tax liability for the year."

If you have any questions regarding this tax credit, please contact the New York State Department of Taxation and Finance at 1-800-CALL-TAX or visit their website at www.tax.state.ny.us

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