F I S C A L   I M P A C T   R E P O R T

ORIGINAL DATE 2/5/2020
SPONSOR Small **LAST UPDATED** 2/7/2020 **HB** 313

SHORT TITLE Car Charging Station Tax Credit **SB**

ANALYST Torres

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22	FY23	FY24		
Indeterminate	Potentially up to ($6,000.0)	Potentially up to ($10,000.0)	Potentially up to ($5,000.0)	Potentially up to ($3,000.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

No Response Received
New Mexico Attorney General (NMAG)
Taxation and Revenue Department (TRD)
Energy, Minerals, and Natural Resources Department (EMNRD)
Department of Transportation (DOT)

SUMMARY

Synopsis of Bill

House Bill 313 creates a new personal and corporate income tax credit for up to 75 percent of the cost to install vehicle charging stations in calendar years 2020 and 2021. The credit is applied against the taxpayer's tax liability and is capped at $25 million in total credits allowed for both years. Any credit in excess of the taxpayer's total tax liability is allowed to be carried forward for a maximum of five years.

As defined in HB313, a vehicle charging station is a metered-for-fee, public access recharging system for electric vehicles.

This credit applies to taxable years beginning January 1, 2020. There is no delayed repeal date but the newly created tax credit applies only to calendar years 2020 and 2021.

FISCAL IMPLICATIONS

This bill creates a tax expenditure with a cost that is impossible to determine but likely significant.

The fiscal impact from the creation of this tax credit is unclear due to the unknown number of induced vehicle charging station installations, the cost of the installations, and the tax liability of the qualifying taxpayers. According to a report from the U.S. Department of Energy, costs associated with non-residential vehicle charging stations is highly variable depending on the mounting system, number of charge ports, communications system, speed of charging, physical location, and additional features.[1] Given industry trends in fast-charging technologies for public access chargers, this analysis assumes installation of DC fast charging stations. The same report estimated that such chargers can cost $51 thousand to install. The LFC analysis assumes the full $25 million of eligible credit will be claimed with induced and otherwise planned installations for approximately 490 charging stations over the two-year eligibility period. LFC analysis expects the majority of the credit to be paid in the fiscal years most affected by tax years 2020 and 2021, with some credits in excess of individual's tax liabilities carried forward into future years.

LFC has serious concerns about the significant risk to state revenues from tax expenditures and the increase in revenue volatility from erosion of the revenue base. The committee recommends the bill adhere to the LFC tax expenditure policy principles for vetting, targeting, and reporting or be held for future consideration.

This bill may be counter to the LFC tax policy principle of adequacy, efficiency, and equity. Due to the increasing cost of tax expenditures, revenues may be insufficient to cover growing recurring appropriations.

Estimating the cost of tax expenditures is difficult. Confidentiality requirements surrounding certain taxpayer information create uncertainty, and analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the expenditure's fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is met with the bill's requirement to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the deduction and other information to determine whether the deduction is meeting its purpose.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy**: Revenue should be adequate to fund needed government services.
2. **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity**: Different taxpayers should be treated fairly.
4. **Simplicity**: Collection should be simple and easily understood.
5. **Accountability**: Preferences should be easy to monitor and evaluate.

[1] Costs Associated With Non-Residential Electric Vehicle Supply Equipment: Factors to consider in the implementation of electric vehicle charging stations, U.S. Department of Energy, November 2015.

Does the bill meet the Legislative Finance Committee tax expenditure policy principles?

1. **Vetted**: The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.
2. **Targeted**: The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals.
3. **Transparent**: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies.
4. **Accountable**: The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date.
5. **Effective**: The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions "but for" the existence of the tax expenditure.
6. **Efficient:** The tax expenditure is the most cost-effective way to achieve the desired results.

LFC Tax Expenditure	Met?	Comments
Vetted	✘	The issue was not discussed prior to the introduction.
Targeted		No purpose, targets or goals established.
Clearly stated purpose	✘	
Long-term goals	✘	
Measurable targets	✘	
Transparent	✓	Annual reporting is required.
Accountable		
Public analysis	✓	The bill contains provisions for reporting.
Expiration date	✘	The bill does not include an expiration date.
Effective		Without a purpose statement, it is not possible to determine if the exemption fulfills intended outcomes.
Fulfills stated purpose	?	
Passes "but for" test	?	
Efficient	?	Without a purpose statement, it is not possible to determine if the exemption is the most efficient means of achieving a desired outcome.
Key: ✓ Met ✘ Not Met ? Unclear		

IT/al