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

SPONSOR STBTC **ORIGINAL DATE** 2/3/22 **LAST UPDATED** 2/16/22 **HB**

SHORT TITLE Electric Vehicle Income Tax Credit **SB** 21/STBTCS/aSFC

ANALYST Graeser

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY22	FY23	FY24	FY25	FY26		
	($770.0)	($1,550.0)	($1,650.0)	($1,870.0)	Recurring*	General Fund (electric vehicle income tax credit)
	($85.0)	($170.0)	($180.0)	($200.0)	Recurring*	General Fund (electric vehicle charging unit income tax credit)
	89.0	202.0	227.0	256.0	Recurring*	State Road Fund
	27.0	60.0	68.0	76.0	Recurring*	Local Governments Road Fund

Parenthesis ( ) indicate revenue decreases

*Although the tax credits are limited in duration to purchase and installation between January 1, 2022, through December 31, 2026, for this period, the revenue losses are considered recurring.

Also note that TRD does not expect the total credits to exceed the $10 million cap for electric vehicles or the $1 million cap for residential charging stations.

This table shows the DOT estimate for the State Road Fund and Local Governments Road Fund and the TRD estimate for the General Fund cost of the electric vehicle income tax credit and the electric vehicle charging unit income tax credit.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
--	$120.0	--	$120.0	Nonrecurring	ITD –Contractual services
--	$33.1	--	$33.1	Nonrecurring	ITD – Staff workload costs
$33.3	$66.6	$66.6	$166.5	Recurring	RPD – Additional FTE
$1.0	$1.0	$1.0	$3.0	Recurring	RPD – Phone Line
$3.0	--	--	$3.0	Nonrecurring	RPD – Equipment

Parenthesis ( ) indicate expenditure decreases

SOURCES OF INFORMATION

LFC Files; 2021 FIR for SB0058

Responses Received From

Department of Transportation (DOT)

Taxation and Revenue Department (TRD) revised

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Amendment to senate bill 21 eliminates the tiered credit based on tax payer income and instead applies a credit of $3,250 for all tax payers who purchase a qualifying electric vehicle. The amendment also requires the qualifying electric vehicle to be registered or purchased in New Mexico. Finally, the amendment removes the section allowing taxpayers with shared ownership of a business that installs an electric vehicle charging unit the ability to share the credit claimed.

Synopsis of Original Bill

Senate Transportation and Business Committee substitute for Senate Bill 21 (SB21) creates two new refundable personal income tax credits for a five-year period beginning approximately May 18, 2022, and ending for purchase or installation prior to January 1, 2027. These income tax credits are intended to incentivize the purchase or lease of electric vehicles and electric vehicle charging units. SB21 defines an electric vehicle to include both vehicles that run exclusively on a battery (also called battery electric vehicles or BEVs) and those that derive part of their power from electricity stored in a battery, which is capable of being recharged from an external source of electricity (also called plug-in hybrid electric vehicles or PHEVs).

Electric vehicles eligible for the electric vehicle income tax credit are only those with a before-tax manufacturer suggested retail price of $55 thousand or less.

STBTC CS/SB21 provides a maximum aggregate amount of personal income tax credits that will be paid in any year is $10 million. The electric vehicle income tax credit is $2,500 for most vehicle purchases but is increased to $4,000 for:

- Single taxpayers with adjusted gross income of $50 thousand or less;
- Married filing separately with adjusted gross income $37,500 or less; and
- Married filing jointly/ heads of household with adjusted gross income of $75 thousand or less.

Taxpayers shall submit information required by TRD to claim a credit for the purchase of an electric vehicle or for a lease of at least three years. TRD will consider applications for the tax credit in the order received. If the tax credit cap of $10 million is reached, additional applications for certification shall not be approved in that calendar year. The portion of the electric vehicle income tax credit that exceeds the taxpayer's tax liability is refundable to the taxpayer.

STBTC CS/SB21 also provides an electric vehicle charging unit income tax credit for qualifying individuals or businesses. This credit is for the cost to purchase and install an electric vehicle charging unit and provides a maximum of $300 or the cost, whichever is less. The credit has an annual cap of $1 million. Similar to the vehicle credit, this annual credit will be paid in the order received by the department and claims will be paid by TRD on a first come, first-paid basis until the cap is reached. Any applications received after this limit is reached will be denied. Unlike the Electric Vehicle Income Tax Credit, the Vehicle Charging Unit Income Tax Credit is available through certain business entities, specifically partnerships and limited liability companies.

STBTC CS/SB21 includes an additional annual registration fee of $54 for an electric vehicle and $27 for a plug-in hybrid electric vehicle effective January 1, 2023. This fee is imposed whether the vehicle owner claims an electric vehicle income tax credit or not. Section 66-6-23 NMSA 1978 is amended to provide for the distribution of the electric vehicle registration fee to the state road fund (77 percent) and the local governments road fund (23 percent).

This bill requires that the Taxation and Revenue Department compile an annual report with specified data and any additional information needed to evaluate the tax credit. This annual report is to be presented to the Revenue Stabilization and Tax Policy Committee and the Legislative Finance Committee with an analysis of the cost of the credit.

The effective date of the motor vehicle registration fee, with associated distributions would be January 1, 2023. The tax credit provisions are applicable for tax years beginning on or after January 1, 2022 (affecting general fund revenues in the second half of FY23.

FISCAL IMPLICATIONS

DOT analyzed the registration fee increases and determined the following impacts:

DOT Estimated Revenue from SB21

Estimated Revenue				Recurring or Non-Rec	Fund Affected
FY23	FY24	FY25	FY26		
89	202	227	256	Recurring	State Road Fund
27	60	68	76	Recurring	Local Governments Road Fund
116*	**262***	**295**	**332**	**Recurring**	**TOTAL IMPACT**

Note: The growth rates applied to data for projections were obtained using data from the Annual Energy Outlook 2021 (on EIA.gov website) on national vehicle stock for PHEVs and BEVs under the 'Low Oil Price' scenario. We take an average of the growth in the two types of PHEVs to arrive at the growth rate for PHEVs stock in the United States. Similarly, we take the average of the growth in the three types of BEVs to arrive at the growth rate in BEV stock for the United States. We then adjust these national growth rate forecasts to reflect the trend observed in New Mexico thus far. To do so, we derive a ratio of the actual FY 2021 New Mexico growth in stock of BEVs over the FY 2021 national growth (from EIA) in the stock of those vehicles. For PHEVs we use the same approach; however, we use the average of the FY2021 and FY2020 growth rates. We then use this ratio to appropriately scale the future growth rates to reflect the tastes and preferences of New Mexico drivers compared with those of national drivers.

About 91 percent of this revenue is attributable to the $54 additional fee imposed by SB21 on BEVs, and the remaining 9 percent is attributable to the $27 additional fee imposed on PHEVs.

This analysis does not account for the possibility that those who will register an electric vehicle or renew a registration for an electric vehicle in calendar year 2022, might register the vehicle for a two year term in order to avoid the new additional registration fee that will take effect on January 1, 2023.

The table below reports the number of BEVs and PHEVs with an all-electric range of 40 miles or greater currently registered in New Mexico and estimates for the following years.

The number of PHEVs with an all-electric range of 40 miles or greater has been derived first by generating a list of PHEV models with an all-electric range of 40 miles or greater from the EPA website fueleconomy.gov. The database of all currently registered vehicles in New Mexico was then queried to find the number of vehicles from the EPA list that are currently registered in New Mexico.

Table: Number of light electric and plug-in hybrid electric vehicles registered in New Mexico as of June 30, 2021

Fiscal Year	BEV	PHEV*	PHEV 40+**
2021* **	2,820	2,356	752
2022	3,333	2,508	800
2023	3,862	2,663	850
2024	4,404	2,822	901
2025	4,991	3,002	958
2026	5,635	3,210	1,025

* PHEV is defined as plug in hybrid vehicles with an all-electric range of 10 miles or greater.

** PHEV 40+ is defined as plug in hybrid vehicles with an all-electric range of 40 miles or greater.

***Values are stock of non-commercial vehicles weighing no more than 26,000 lbs., registered in New Mexico as of June 30, 2021. The numbers were derived from the Motor Vehicle Division (MVD) data extract of all vehicles registered in New Mexico. The Vehicle Identification Number (VIN) information of the registered vehicles in the MVD data extract was decoded using the National Highway Traffic Safety Administration (NHTSA) Product Information Catalog Vehicle Listing (vPIC) Application Programming Interface (API) to accurately classify the registered vehicles according to their electrification level.

The growth rates applied to data for projections were obtained using data from the Annual Energy Outlook 2021 (on EIA.gov website) on national vehicle stock for PHEVs and BEVs under the 'Low Oil Price' scenario.

The U.S. Energy Information Administration (EIA) provides a forecast for the national vehicle stock of HEVs; two types of PHEVs: Plug-in 10 and Plug-in 40; and three types of BEVs: 100 mile, 200 mile and 300 mile BEVs.

We take an average of the growth in the two types of PHEVs to arrive at the growth rate for PHEVs stock in the United States. Similarly, we take the average of the growth in the three types of BEVs to arrive at the growth rate in BEV stock for the United States. We then adjust these national growth rate forecasts to reflect the trend observed in New Mexico thus far. To do so, we derive a ratio of the actual FY21 New Mexico growth in stock of BEVs over the FY21 national growth (from EIA) in the stock of those vehicles. For PHEVs we use the same approach; however, we use the average of the FY21 and FY20 growth rates. We then use this ratio to appropriately scale the future growth rates to reflect the tastes and preferences of New Mexico drivers compared with those of national drivers. The growth rate for all PHEVs was applied to PHEV 40+ to account for an anticipated increase in all-electric range of future PHEV models and assumed preference for longer range among consumers.

TRD has estimated the impact of both the tax credits and the BEV and PHEV registration fee increase. For the purpose of this analysis, LFC staff show the DoT estimate for the registration fee increase and the TRD estimate for the tax credits:

> "To estimate the impact of this bill, [TRD] used Motor Vehicle Division (MVD) data to classify all New Mexico registered vehicles according to their electrification level. The growth rates applied to data for projections were obtained using data on national stock of electric vehicles from the US Energy Information Administration (EIA) Annual Energy Outlook 2021 on national electric vehicle stock. The growth rates in EIA's forecast were estimated averaging the forecasted growth in battery electric vehicles stock with ranges between 100 to 300 miles and plug-in electric vehicle stock with ranges 10-40 miles. These rates were adjusted to be in line with New Mexico's vehicle purchases between FY2020 and FY2021."

"To estimate the impact of electric vehicle income tax credit, it was assumed that 80 percent of the increase in stock of electric vehicles each year will be attributable to sales of vehicles meeting the $55,000 base price threshold. Chart-1 shows the price and distribution of the most popular electric vehicle models sold in 2019 according to information available from the Transportation Research Center at Argonne National Laboratory[1]. Price information is based on the average Manufacturer's Suggested Retail Price (MSRP) of 2021 or 2022 models."

"Using fuel economy and vehicle data available from the US Department of Energy's Office of Energy Efficiency & Renewable Energy[2], it was further assumed that only 14 percent of the plug-in hybrid vehicles sold in New Mexico in a year will meet the requirement of being equipped with a battery with an electric-only range of at least 40 miles. In 2020, of the 46-available plug-in electric vehicle models, only 11 percent met this requirement, while in 2021, of the 52-available models, only 17 percent met this requirement. All the battery electric vehicles sales in NM were assumed to satisfy the 40-mile battery range requirement, given the mile ranges of model year 2020 and 2021 electric vehicles.

"It was also assumed that 30 percent of the sales of the electric vehicles meeting the price threshold will be attributable to lower-income households that qualify for the higher credit. This assumption is based on various survey data that show that electric vehicle purchases are usually made by households with relatively higher income levels that own more than one car[3,4,5,6]. Chart-2 shows the income distribution of households with electric vehicles from the 2017 National Household Travel Survey conducted by the Federal Highway Administration of the U.S. Department of Transportation (DOT)."

"To estimate the impact of electric vehicle charging unit income tax credit, it was assumed that all purchasers of full electric vehicles and half of plug-in electric vehicles will also buy a qualifying charger. Fully electric vehicles require a higher speed charger to fully access their capabilities, while plug-in electric vehicles can frequently get by with the standard wall socket charger usually included with the vehicle. It was also assumed that all the charger purchases will qualify for the full amount of $300 credit. The national average for installing a standard electric vehicle charging station ranges between $481 and $1,163, while the median cost is $805 each[7]."

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[1]Transportation Research Center at Argonne National Laboratory, https://www.anl.gov/es/light-duty-electric-drive-vehicles-monthly-sales-updates

[2] https://www.fueleconomy.gov/feg/download.shtml

[3] https://www.fuelsinstitute.org/Research/Reports/EV-Consumer-Behavior/EV-Consumer-Behavior-Report.pdf

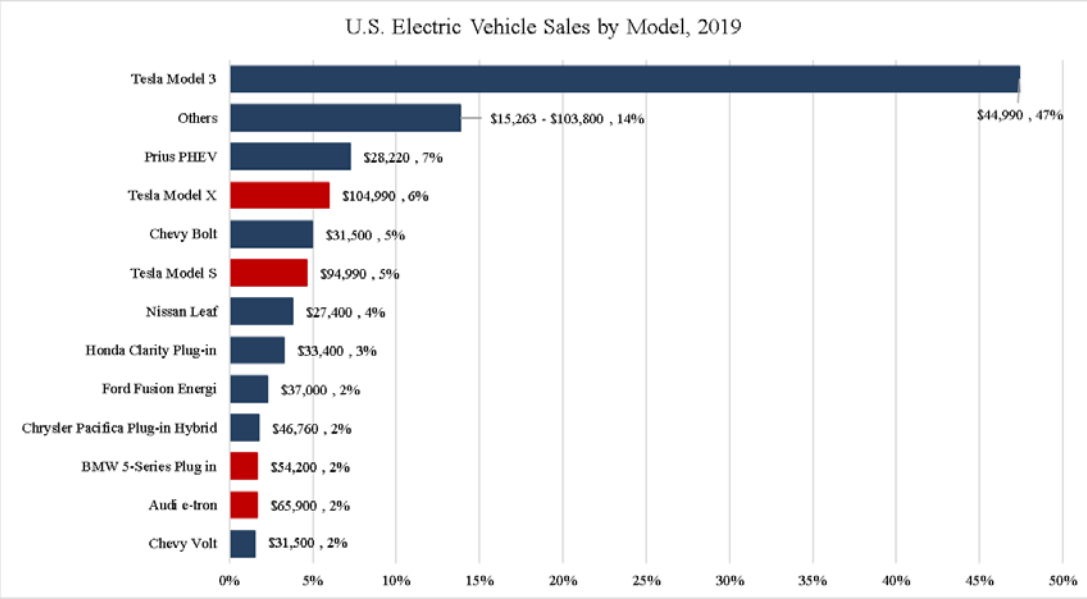
[4] https://www.forbes.com/sites/brookecrothers/2019/09/22/why-americans-dont-buy-electric-cars-hey-the-tesla-model-3-isnt-that-popular/?sh=5c19120837fd

[5] https://nhts.ornl.gov/

[6] https://www.americanexperiment.org/2018/05/electric-cars-mostly-wealthy-people-youre-subsidizing-purchase/

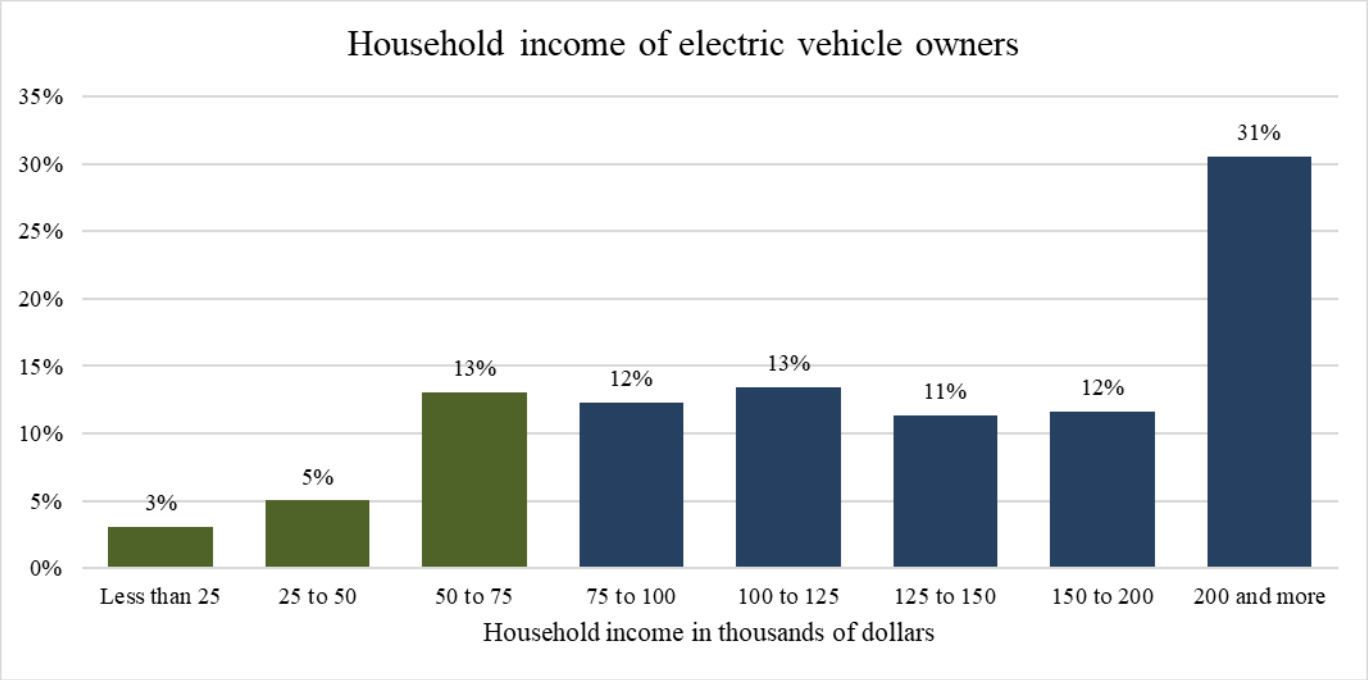
[7] https://www.homeadvisor.com/cost/garages/install-an-electric-vehicle-charging-station/#:~:text=The%20national%20average%20for%20installing,1%20or%20a%20Level%202.

Chart-1



"The fiscal impact of the credits is uncertain especially farther into the future but cannot exceed the caps of $10 million and $1 million annually, respectively. As shown, neither credit is expected to reach its limitation during the forecast period. Note that the credits sunset at the end of 2026 and are therefore considered non-recurring. The fees do not have a sunset provision. It must be noted that the impact of the additional registration fees on the State Road Fund and the Local Governments Road Fund does not account for any decrease in gasoline tax revenue that might occur because of substitution away from a gasoline powered vehicle towards an electric vehicle."

Chart-2



Source: DOT, 2017 National Household Travel Survey (https://nhts.ornl.gov/)

SIGNIFICANT ISSUES

DOT summarized important policy embedded in the bill provisions: "With the passage of this bill, owners of PHEVs and BEVs will contribute to the construction, maintenance and improvement of public roads and highways, in the same way as gasoline vehicle owners do via fuel taxes."

TRD comments on policy issues regarding the provisions of this bill.

> "The income tax credits proposed in this legislation provide an incentive for lower income New Mexicans to purchase electric vehicles that might otherwise be too expensive for their budgets. Such an incentive, although desirable if the goal is to promote electric vehicle adoption, will affect the horizontal equity aspect of income taxation. Horizontal equity requires that similarly situated individuals have the same tax burden. Imposing a different income tax burden on two individuals that have similar levels of income but make different vehicle purchase choices will make the income tax structure less fair."
>
> "[TRD] also notes that a principle of good tax policy is simplicity; adding tax incentives such as the proposed credit increases complexity in the tax code, both for taxpayers and for [TRD] using the tax code to incentivize certain economic and social behaviors results in economic distortion; good tax policy seeks to avoid economic distortion to the extent possible, and therefore would recommend limited use of tax incentives."
>
> "Over the last decade, tremendous advances have been made in the electric vehicle technology market. These advances have not only increased the mile range of those vehicles but also decreased the cost of production and consequently their price[8]. These costs and the price are expected to continue their downward trend over the next 10 years[9]. As a result, the price gap between internal combustion engine (ICE) vehicles and electric vehicles has been shrinking significantly. The number of models available for purchase in the same price range as an average ICE vehicle (approx. $35,000) has also been steadily increasing (see Chart -1 above)."
>
> "Studies have shown that electric vehicles can dramatically reduce carbon emissions from transportation[10]. However, it must also be noted that vehicles that are solely powered by electricity may not always be superior to ICE vehicles. Electric vehicles are powered by electricity and therefore have zero tailpipe emissions; but emissions may be produced (though sequestered) by the source of electrical power, such as a power plant. In geographic areas that use relatively low-polluting energy sources for electricity generation, electric vehicles typically have lower emissions well-to-wheel than similar conventional vehicles running on gasoline or diesel. In regions that depend heavily on coal for electricity generation, electric vehicles may not demonstrate a strong well-to-wheel emissions benefit[11]. About 38 percent of electricity generated in New Mexico

[8] https://www.caranddriver.com/research/a31544842/how-much-is-an-electric-car/#:~:text=According%20to%20Quartz%2C%20the%20average,decrease%20from%20the%20year%20before.
[9] https://theicct.org/sites/default/files/publications/EV_cost_2020_2030_20190401.pdf
[10] https://www.nrdc.org/experts/luke-tonachel/study-electric-vehicles-can-dramatically-reduce-carbon-pollution
[11] https://afdc.energy.gov/files/u/publication/ev_emissions_impact.pdf

comes from coal[12]; New Mexico's reliance on coal is expected to diminish in future years, helping to achieve the environmental purpose of this bill."

"The yearly registration fees in the bill attempt to maintain funding for roads in a market with rising sales of electric vehicles. Because electric vehicles consume less gasoline, owners of electric vehicles pay less gas tax than drivers of ICE vehicles. Although the percentage of such vehicles in the state is currently so small as to have little effect on road funding, the impact will grow over time to the extent more New Mexicans choose electric vehicles. Overall, increasing mileage efficiency of all vehicles and increasing sales of larger vehicles have been shown to have much greater effects on the road fund than electric vehicles."

"It should be noted that electric vehicle "fuel" is already taxed, as gross receipts tax on electricity that goes to the State general fund and to local governments. From a percentage standpoint, the current state gasoline tax (which is distributed to the road fund) of $0.17 is 7.8 percent of the current average untaxed price of $2.19. This compares closely to the statewide average gross receipts tax (GRT) rate of 7.7 percent (which is distributed to the general fund and to local governments) that electric vehicles owners are already paying for electricity. Because of this, the yearly registration fee in the bill functions as an additional tax solely on electric vehicles. Therefore, to adhere more closely to tax policy principles, an alternative to the fee method in the bill could be a distribution from GRT to the state road and local governments road fund, like the GRT distribution to the aviation fund contained in Section 7-1-6.7 NMSA 1978. The size of the distribution could be linked to the number of electric and plug-in vehicles registered with MVD."

"Simplicity is a principal of good tax policy. Tying this credit to not one but two different tiers of adjusted gross income may add more complexity than is advisable. This complexity adds administrative burden for [TRD], compliance burden for taxpayers, and increases the potential for taxpayer or [TRD] error.

On last year's SB58, EMNRD was concerned with climate change mitigation and pollution control, stating: "Not enacting this bill would be a missed opportunity to accelerate the adoption of electric vehicles for low- and moderate- income residents in New Mexico by providing an income tax incentive." To avoid confusion, LFC staff have updated the EMNRD comments to refer to SB21.

EMNRD also submitted the following pertinent information regarding SB21: "SB21 would enact a tax credit to further encourage the purchase or lease of electric vehicles. EMNRD's Climate and Clean Fuels program promotes alternative fuel vehicle usage in the state (through equality and equity) and to reduce transportation emissions. The credit in SB21 will greatly increase lower income purchasers' ability to buy electric vehicles and help more New Mexicans take advantage of the benefits of electric vehicles. It is important for leased vehicles to be eligible for the tax credits because:

- Drivers may want a shorter commitment due to the rapid pace of technology improvement and the possibility of better electric vehicle options arriving on the market soon;

[12] https://afdc.energy.gov/vehicles/electric_emissions.html

- Drivers may be more comfortable with a lease if they are unfamiliar with electric vehicles and want to experience their benefits first-hand before making a long-term purchase decision; and
- Leasing costs are still significant for electric vehicles. Leasing cost estimates incorporate manufacture incentives if available.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is not met since TRD is not required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the credit and other information to determine whether the credit is meeting its purpose. TRD will, however, annually report the utilization of the two credits in its annual "Tax Expenditure Report". This document, however, will only report data to which TRD has access and will not report environmental impacts.

ADMINSTRATIVE IMPLICATIONS

TRD comments on administrative and compliance issues concerning the provisions of this bill:

> "This bill will impact MVD-Financial Distributions Bureau processes, MVD Distribution Matrix updates, and Tapestry system configuration, the system of record for MVD. The additional annual registration fees will require reprogramming of funds and financial distribution procedures."
>
> "Implementing this bill would have an impact on the Information Technology Division (ITD) of [TRD] of approximately 1,240 hours or about eight months and an estimated cost of $153,050 ($120,000 of contractual resources and $33,050 of staff workload costs). This includes changes to the business credit application web request on Taxpayer Access Point and GenTax, the tax system of record, to implement a new credit beginning tax year 2022."
>
> "The MVD system changes involve developing, testing and implementing the changes and will require approximately 640 hours or four months for an estimated cost of $33,050. Changes include the new fee collection and distribution, updates to MVD's web portal and kiosk, and updates to taxpayer information."
>
> "Training will need to be developed and implemented for Field Operations, Central Operations and Revenue Processing Division (RPD) staff to ensure that the correct fuel type is selected for the vehicle being registered. MVD's Tapestry system will need to be updated to allow for different fee calculations based on the vehicle type."
>
> "There is an administrative impact on RPD if it is tasked with certification of credit eligibility. This will require RPD to hire an FTE to certify and manage the credit as credit inventories will increase. The added credit certification, application review, and return process will lead to increased workload and processing time for these returns. The recurring budget estimate for RPD is based on a Tax Auditor-II, pay band 65, position."

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This issue of electronic vehicle tax credits has been the subject of interest the previous two years

with the table listing electric vehicle and hybrid electric vehicle tax credit, registration fee and charging station tax credit bills over that time.

SB21 is similar to last year's SB58. In SB21, the lower-income tax credit has been reduced to $4,000 from $5,000 and the additional registration fee for BEVs has been reduced to $80 from $100 and for PHEVs from $50 to $40.

Last year's SB58 which would have created an electric vehicle income tax credit was estimated by TRD to have a general fund impact due to the two refundable tax credits. However, different in this bill, the low-income credit has been reduced from $5,000 to $4,000.

HB-185 (2019)
HB-217 (2020)
HB-313 (2020)
HB-612 (2019)
SB-2 (2020)
SB-20 (2020)
SB-101 (2020)
SB-333 (2019)
SB-58 (2021)

TECHNICAL ISSUES

TRD has several technical concerns with the provisions of this bill.

"Tying the credit amount to the taxpayer's AGI may be problematic for [TRD]'s ability to administer the credit. This scenario could cause lags in the certification and allotment of the credit because [TRD] will be asked to approve the credit prior to knowing whether the credit cap has been met."

"[TRD] suggests adding language to the bill to specify that in the event of an amended Personal Income Tax (PIT) return where the taxpayer's AGI changes without intent by the taxpayer to misrepresent their income to qualify for the higher credit, that [TRD] will not rescind the credit."

"[TRD] notes that the bill also does not specify any residency requirements for the taxpayer claiming the credit; neither does it mention if the vehicle is required to be purchased in New Mexico or registered in New Mexico for the taxpayer to claim credit. It's possible a non-resident who purchases and registers an electric vehicle in another state, but who files a New Mexico PIT return as a non-resident could claim the credit. Although the US Commerce Clause likely precludes the credit from being available only to residents, the bill should specify that the vehicle be registered and/or purchased in New Mexico. Otherwise, a non-resident with no New Mexico income or presence could purchase and register an electric vehicle elsewhere and receive this refundable tax credit."

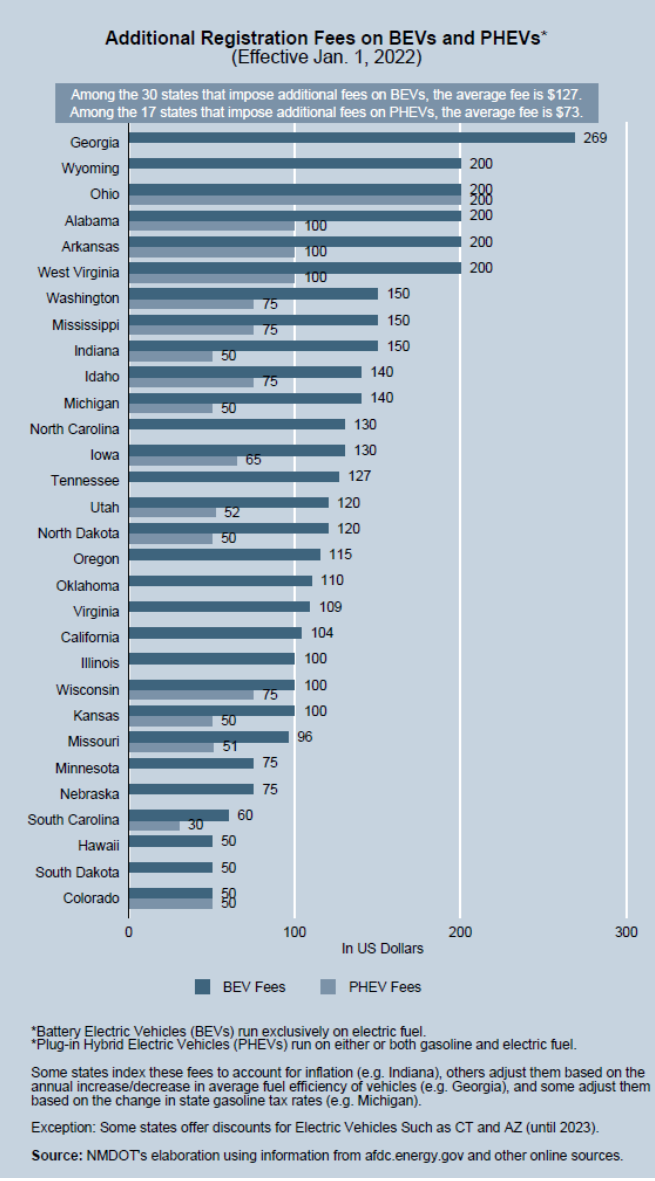
"Section 2, Subsection G allows for owners of a partnership or limited liability company to receive the electric vehicle charging unit credit in the proportion of their ownership interest in the business entity, if the entity is eligible for the tax credit. Such partitioning of the distribution is administratively challenging due to [TRD's] inability to determine the accurate proportions. Also, this provision is unlike the provisions made under Section 1 for the electric vehicle income tax credit. To keep the two credits consistent, and to minimize administrative challenges, [TRD] suggests removing the credit provision for business entities in Section 2. Business owners could then independently distribute credits amongst themselves pursuant to general accounting principles for pass-through entities."

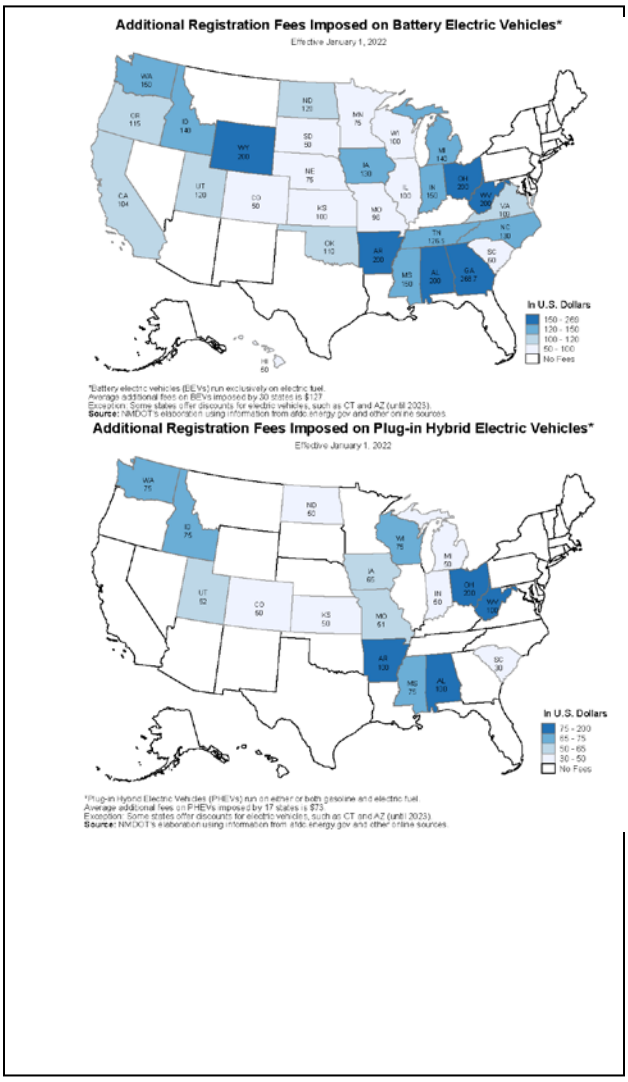
OTHER SUBSTANTIVE ISSUES

DOT submitted the following policy perspective: "The merit of SB21 is that it establishes the

precedent that owners of fuel efficient vehicles, such as PHEVs and BEVs, should contribute towards the goal of a safe and efficient roadway system in the state of New Mexico. Owners of PHEVs and BEVs, due to the enormous fuel savings afforded by those vehicles, do not adequately contribute to the construction, maintenance and improvement of public roads and highways in the same way as gasoline vehicle owners do via fuel taxes. As the number of PHEVs and BEVs increase on the roads of New Mexico, some mechanism is necessary to continue adequate funding for the maintenance and improvement of New Mexico's roads and highways. The additional annual fees proposed in SB21 introduce this mechanism.

Several other states have moved in this direction [of issuing credits for electric and hybrid vehicles]: 30 states impose an additional annual fee on BEVs, and 17 states impose an additional fee on PHEVs."





Other Issues:

Many tax credits are jointly administered by TRD and one additional agency. In this case, it may be advisable for credit eligibility to be certified by the Energy, Minerals and Natural Resources

Department rather than TRD. Then, taxpayers would include their certificate from EMNRD when they file a return and claim the credit from TRD.

To prevent inadvertently exceeding an annual cap, TRD supports capping the amount of income tax credits at the certification level; certification of a vehicle or charging unit does not automatically translate into a claim for a tax credit. Therefore, even if certification caps were met, the cap in claims may not still be met.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Owners of PHEVs and BEVs will continue to not contribute to the construction, maintenance and improvement of public roads and highways, in the same way as gasoline vehicle owners do via fuel taxes.

Does the bill meet the Legislative Finance Committee tax policy principles?
Adequacy: Revenue should be adequate to fund needed government services.
Efficiency: Tax base should be as broad as possible and avoid excess reliance on one tax.
Equity: Different taxpayers should be treated fairly.
Simplicity: Collection should be simple and easily understood.
Accountability: Preferences should be easy to monitor and evaluate.

LFC Tax Expenditure Policy Principle	Met?	Comments
Vetted	✓	This bill has been previously introduced on numerous occasions and debated.
Targeted		
Clearly stated purpose	✗	Although the purpose is clear, such purpose is not associated with long-term goals or measurable targets.
Long-term goals	✗	
Measurable targets	✗	
Transparent	?	TRD may report utilization of the income tax credits in its annual "Tax Expenditure Reports." The additional registration fee will not be reported or analyzed.
Accountable		
Public analysis	✗	
Expiration date	✓	
Effective		
Fulfills stated purpose	?	
Passes "but for" test	?	
Efficient	✗	

Key: ✓ Met ✗ Not Met ? Unclear

LG/acv/al/acv