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FISCAL IMPACT REPORT

SPONSOR Tallman **ORIGINAL DATE** 02/02/2020
LAST UPDATED _____ **HB** _____

SHORT TITLE Electric & Hybrid Car Registration Fees **SB** 181

ANALYST Hanika-Ortiz

REVENUE (dollars in thousands)

Estimated Revenue				Recurring or Nonrecurring	Fund Affected
FY20	FY21	*FY22	*FY23		
	\$1,078.4	\$1,078.4	\$1,078.4	Recurring	State Road Fund

*LFC staff assume flat growth due to low gasoline prices, which puts a damper on growth of electric vehicles.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$24.6	\$0.0	\$24.6	Nonrecurring	MVD operating

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with SB 2 and HB 217

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Transportation (DOT)

Office of the Attorney General (NMAG)

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 181 adds a new section of the Motor Vehicle Code to provide for an additional annual registration fee of \$100 for electric vehicles and \$50 for hybrid electric vehicles.

Section 1(D) defines an “electric vehicle” as a motor vehicle that derives its power from electricity stored in a battery that has a capacity of at least four kilowatt-hours, and is capable of powering the vehicle for at least 15 miles and of being recharged from an external source of

electricity. The bill defines a “hybrid electric vehicle” as a vehicle powered by an internal combustion engine, and supplemented by a battery not capable of being recharged from an external source of electricity.

Section 2 of the bill amends Section 66-6-23 NMSA 1978 to add to the motor vehicle suspense fund’s disbursement to the state road fund, the new revenue collected from the additional fees.

Senate Bill 181 states an effective date of July 1, 2020.

FISCAL IMPLICATIONS

TRD’s Motor Vehicle Division provided a year-over-year revenue forecast of \$1,078,400 based on the number of electric and hybrid vehicles currently titled and registered in New Mexico.

Fuel Type	Registration Counts	Proposed Additional Fee	Revenue Impact
Electric Vehicles	2,029	\$100.00	\$ 202,900
Hybrid Vehicles	17,510	\$ 50.00	\$ 875,500
Total Revenue			\$1,078,400

Source: TRD

DOT’s revenue forecast was almost twice TRD’s due to different assumptions for the number of electric and hybrid vehicles in New Mexico, and included year-over-year growth estimates using national growth rate forecasts adjusted to reflect trends observed in New Mexico thus far. To not suggest more revenue than might actually be realized, LFC staff uses TRD’s lower projection.

DOT notes according to data obtained from evadoption.com, in 2018 electric vehicles accounted for 0.8 percent of new vehicle sales in New Mexico, an increase from 0.47 percent in 2017.

SB181 requires changing vehicle registration fee calculations and distributions. TRD estimates approximately 480 hours to implement the changes for an estimated one time cost of \$24,648.

SIGNIFICANT ISSUES

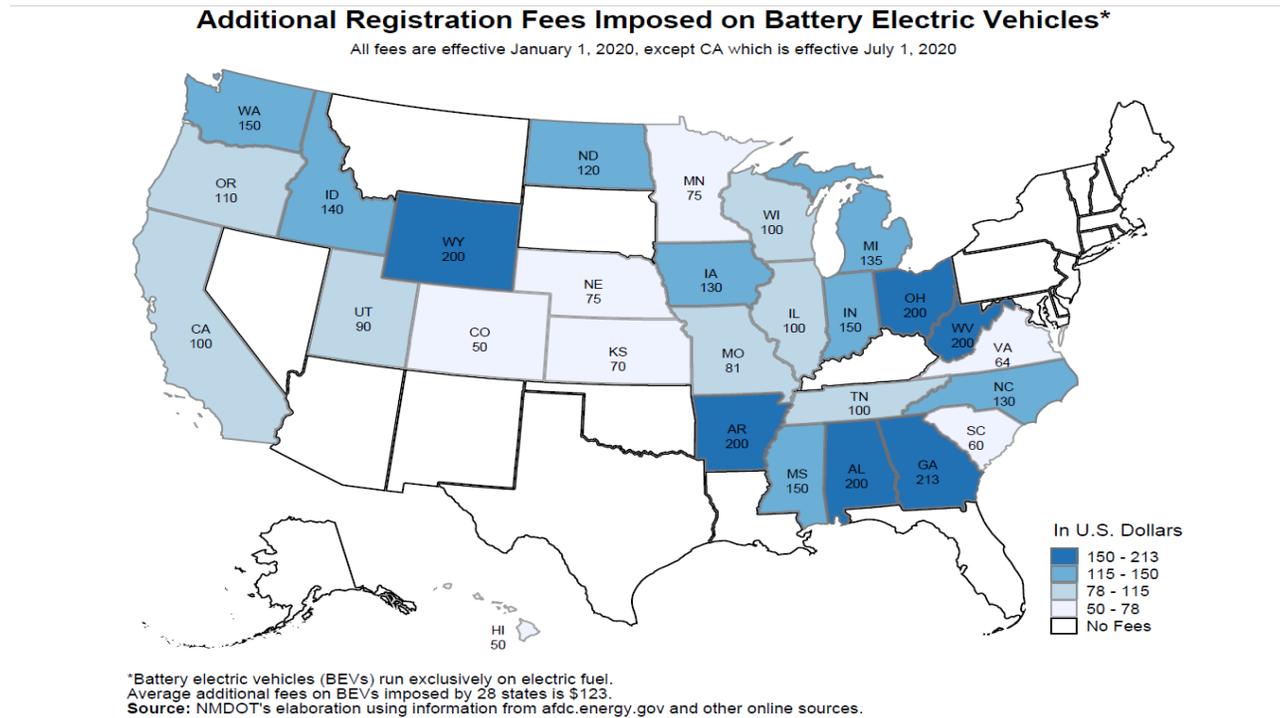
The new fees being proposed are in addition to standard motor vehicle registration fees.

As described by DOT, electric vehicles that run exclusively on a battery are known as BEVs (battery electric vehicles) and electric vehicles that derive part of their power from electricity stored in a battery, and capable of being recharged from an external source of electricity are known as PHEVs (plug-in hybrid electric vehicles). Hybrid electric vehicles powered by an internal combustion engine, and supplemented by a battery that is not capable of being recharged from an external source of electricity are known as HEVs (conventional hybrid electric vehicles). According to DOT, among the 28 states that impose additional fees on BEVs, the average fee is \$123; among the 17 states that impose additional fees on PHEVs, the average fee is \$70.

DOT commented that owners of electric and hybrid-electric passenger vehicles, due to the enormous fuel savings afforded by those vehicles, do not contribute to 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 BEVs, PHEVs and HEVs increase on the roads, 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 SB 181 introduces

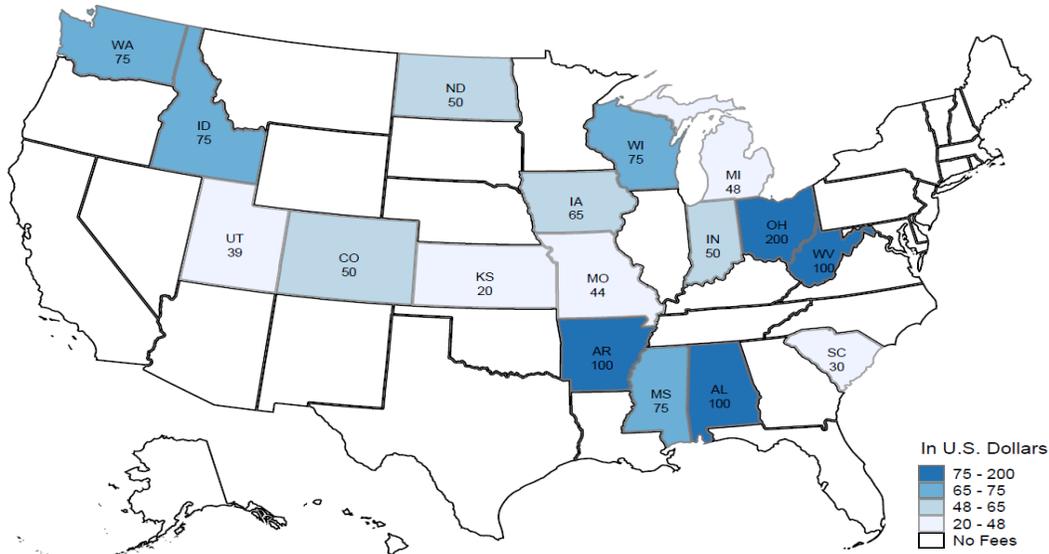
this mechanism.

Alternatively, TRD cautions additional registration fees for electric and hybrid electric vehicles serves as a disincentive to purchase no or low-carbon emission vehicles. This bill penalizes those car buyers who want to be ecologically responsible by moving away from gas-powered vehicles.



Additional Registration Fees Imposed on Plug-in Hybrid Electric Vehicles*

All fees are effective January 1, 2020



*Plug-in Hybrid Electric Vehicles (PHEVs) run on either or both gasoline and electric fuel. Average additional fees on PHEVs imposed by 17 states is \$70. Source: NMDOT's elaboration using information from afdc.energy.gov and other online sources.

PERFORMANCE IMPLICATIONS

NMAG noted an environmental group brought an action against the State of Oklahoma seeking a writ of prohibition or mandamus and challenging the constitutionality of a bill that charged a “fee” for electric-drive and hybrid-drive vehicles. *Sierra Club v. State ex. Rel. Oklahoma Tax Commission*, 405 P.3d 691 (Okla. 2017). While the Oklahoma Supreme Court ruled the statute was unconstitutional on other grounds, SB181 could draw a similar challenge in New Mexico.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB181 conflicts with SB2 and HB217 (for electric vehicle income tax credits) which also propose different fees for BEVs and PHEVs.

TECHNICAL ISSUES

The NMAG noted Section 2 adding 66-6-23(A)(3)(e) will need to be revised to reference the codification of Section 1, if this bill passes.

SUBSTANTIVE ISSUES

In New Mexico, the registration fee for passenger vehicles is currently based on the weight and model year of the vehicle. Registration fees range from \$27.00 to \$62.00 for a one year registration or \$54.00 to \$124.00 for a two year registration. Registration fees for trucks with a gross vehicle weight of 26,000 pounds or less are also based on weight and model year. Registration fees range from \$38.00 to \$207.00 for a one year registration or \$76.00 to \$414.00 for a two year registration.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Additional fees so that the overall sum of gasoline tax and annual registration fee fairly captures use of the state's roads and highways for passenger vehicles will not be imposed by this bill.

AHO/sb