

1 SENATE BILL 347

2 **52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015**

3 INTRODUCED BY

4 Mark Moores

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9  
10 AN ACT

11 RELATING TO TAXATION; PROVIDING TAX DEDUCTIONS AND CREDITS FOR  
12 NATURAL GAS MOTOR VEHICLES; EXEMPTING NATURAL GAS MOTOR  
13 VEHICLES FROM THE MOTOR VEHICLE EXCISE TAX.

14  
15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

16 SECTION 1. A new section of the Gross Receipts and  
17 Compensating Tax Act is enacted to read:

18 "[NEW MATERIAL] DEDUCTION--GROSS RECEIPTS TAX AND  
19 COMPENSATING TAX--NATURAL GAS MOTOR VEHICLE EQUIPMENT AND  
20 INSTALLATION.--

21 A. From January 1, 2016 through December 31, 2020,  
22 receipts from the sale and installation of qualified natural  
23 gas motor vehicle equipment may be deducted from gross  
24 receipts, and the value of qualified natural gas motor vehicle  
25 equipment used in New Mexico may be deducted in computing the

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1 compensating tax due.

2 B. The purpose of the deduction on the sale and  
3 installation of natural gas motor vehicle equipment is to  
4 address a concern for the environment, improve air quality,  
5 reduce dependence on volatile sources of foreign oil and  
6 enhance the state's economic base by promoting the use of and  
7 network for the state's abundant supply of natural gas.

8 C. To be eligible for the deduction on installation  
9 of qualified natural gas motor vehicle equipment from gross  
10 receipts, the equipment shall be installed by a technician who  
11 is:

12 (1) certified or approved by the equipment  
13 manufacturer; and

14 (2) licensed in New Mexico to modify a motor  
15 vehicle that is propelled by gasoline or diesel fuel so that a  
16 motor vehicle may be propelled by natural gas.

17 D. A taxpayer allowed a deduction pursuant to this  
18 section shall report the amount of the deduction separately in  
19 a manner required by the department.

20 E. The department shall compile an annual report on  
21 the deductions provided in this section that shall include the  
22 number of taxpayers that claimed the deductions, the number of  
23 vehicles for which the deductions were claimed, the aggregate  
24 amount of deductions claimed and any other information  
25 necessary to evaluate the effectiveness of the deductions.

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1 Beginning in 2018 and every two years thereafter that the  
2 deductions are in effect, the department shall compile and  
3 present the annual report to the revenue stabilization and tax  
4 policy committee and the legislative finance committee with an  
5 analysis of the cost and benefit to the state of the  
6 deductions.

7 F. For the purposes of this section:

8 (1) "natural gas fuel" means a compressed,  
9 liquefied or renewable natural gas fuel that emits oxides of  
10 nitrogen, volatile organic compounds, carbon monoxide,  
11 particulates or any combination of these at a level lower than  
12 gasoline or diesel fuel and that meets or exceeds federal clean  
13 air standards; and

14 (2) "qualified natural gas motor vehicle  
15 equipment" means fuel systems certified by the United States  
16 environmental protection agency and associated component parts  
17 necessary to equip a:

18 (a) motor vehicle dedicated to operate  
19 exclusively on natural gas fuel;

20 (b) bi-fuel motor vehicle to operate on  
21 natural gas fuel for a minimum distance of one hundred fifty  
22 miles without refilling; or

23 (c) dual fuel motor vehicle to operate  
24 on a mixture of natural gas fuel and gasoline or natural gas  
25 fuel and diesel fuel if natural gas fuel provides a minimum of

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1 sixty-five percent of the power required for the vehicle."

2 SECTION 2. Section 7-14-6 NMSA 1978 (being Laws 1988,  
3 Chapter 73, Section 16, as amended) is amended to read:

4 "7-14-6. EXEMPTIONS FROM TAX.--

5 A. A person who acquires a vehicle out of state  
6 thirty or more days before establishing a domicile in this  
7 state is exempt from the tax if the vehicle was acquired for  
8 personal use.

9 B. A person applying for a certificate of title for  
10 a vehicle registered in another state is exempt from the tax if  
11 the person has previously registered and titled the vehicle in  
12 New Mexico and has owned the vehicle continuously since that  
13 time.

14 C. A vehicle with a certificate of title owned by  
15 this state or any political subdivision is exempt from the tax.

16 D. A person is exempt from the tax if the person  
17 has a disability at the time the person purchases a vehicle and  
18 can prove to the motor vehicle division of the department or  
19 its agent that modifications have been made to the vehicle that  
20 are:

- 21 (1) due to that person's disability; and
  - 22 (2) necessary to enable that person to drive
- 23 that vehicle or be transported in that vehicle.

24 E. A person is exempt from the tax if the person is  
25 a bona fide resident of New Mexico who served in the armed

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1 forces of the United States and who suffered, while serving in  
2 the armed forces or from a service-connected cause, the loss or  
3 complete and total loss of use of:

4 (1) one or both legs at or above the ankle; or

5 (2) one or both arms at or above the wrist.

6 F. A person ~~[who]~~ is exempt from the tax if:

7 (1) the person acquires a vehicle for  
8 subsequent lease ~~[shall be exempt from the tax if: (1)]~~ and:

9 (a) the person does not use the vehicle  
10 in any manner other than holding it for lease or sale or  
11 leasing or selling it in the ordinary course of business;

12 ~~[(2)]~~ (b) the lease is for a term of  
13 more than six months;

14 ~~[(3)]~~ (c) the receipts from the  
15 subsequent lease are subject to the gross receipts tax; and

16 ~~[(4)]~~ (d) the vehicle does not have a  
17 gross vehicle weight of over twenty-six thousand pounds

18 ~~[G. from July 1, 2004 through June 30, 2009,~~  
19 ~~vehicles that are gasoline-electric hybrid vehicles with a~~  
20 ~~United States environmental protection agency fuel economy~~  
21 ~~rating of at least twenty-seven and one-half miles per gallon~~  
22 ~~are eligible for a one-time exemption from the tax at the time~~  
23 ~~of the issuance of the original certificate of title for the~~  
24 ~~vehicle];~~ or

25 (2) from January 1, 2016 through December 31,

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1 2020, the person purchases a new vehicle that is certified by  
2 the United States environmental protection agency to operate on  
3 natural gas fuel and that is propelled by natural gas fuel.

4 G. For the purposes of this section, "natural gas  
5 fuel" means a compressed, liquefied or renewable natural gas  
6 fuel that emits oxides of nitrogen, volatile organic compounds,  
7 carbon monoxide, particulates or any combination of these at a  
8 level lower than gasoline or diesel fuel and that meets or  
9 exceeds federal clean air standards."

10 SECTION 3. A new section of the Income Tax Act is enacted  
11 to read:

12 "[NEW MATERIAL] NATURAL GAS VEHICLE INCOME TAX CREDIT.--

13 A. A taxpayer who is not a dependent of another  
14 taxpayer may apply for, and the department may allow, a credit  
15 against the taxpayer's liability imposed pursuant to the Income  
16 Tax Act if, after January 1, 2016 and before December 31, 2020,  
17 the taxpayer:

18 (1) purchases or leases a natural gas motor  
19 vehicle or purchases and has installed qualified natural gas  
20 motor vehicle equipment; or

21 (2) sells or leases a natural gas motor  
22 vehicle, or sells qualified natural gas motor vehicle equipment  
23 or the installation of that equipment, to a person who is not a  
24 taxpayer.

25 B. The tax credit provided in this section may be

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1 referred to as the "natural gas vehicle income tax credit".  
2 The purpose of the natural gas vehicle income tax credit is to  
3 address a concern for the environment, improve air quality,  
4 reduce dependence on volatile sources of foreign oil and  
5 enhance the state's economic base by promoting the use of and  
6 network for the state's abundant supply of natural gas.

7 C. The natural gas vehicle income tax credit may be  
8 claimed once per vehicle identification number in the amount,  
9 per vehicle, of:

10 (1) fifty percent of the cost of qualified  
11 natural gas motor vehicle equipment; provided that the credit  
12 shall not exceed:

13 (a) six thousand dollars (\$6,000) for a  
14 light duty passenger motor vehicle with a gross vehicle weight  
15 of not more than fourteen thousand pounds;

16 (b) seven thousand five hundred dollars  
17 (\$7,500) for a light duty truck with a gross vehicle weight of  
18 not more than fourteen thousand pounds;

19 (c) twelve thousand dollars (\$12,000)  
20 for a light-to-medium heavy duty vehicle with a gross vehicle  
21 weight of more than fourteen thousand pounds but not more than  
22 thirty-three thousand pounds; and

23 (d) twenty thousand dollars (\$20,000)  
24 for a heavy duty vehicle with a gross vehicle weight of more  
25 than thirty-three thousand pounds or a heavy duty tractor with

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1 a gross vehicle weight of more than twenty-six thousand pounds;  
2 or

3 (2) ten percent of the retail cost of a  
4 purchase or lease of a new natural gas motor vehicle or three  
5 thousand dollars (\$3,000), whichever is less.

6 D. Subject to the limitation in Subsection G of  
7 this section, a taxpayer may claim the natural gas vehicle  
8 income tax credit for the taxable year in which the taxpayer  
9 makes one or more qualified purchases or leases; provided that  
10 the amount of the tax credit does not exceed five hundred  
11 thousand dollars (\$500,000) per taxable year. To receive a tax  
12 credit, a taxpayer shall apply to the department on forms and  
13 in the manner prescribed by the department. The application  
14 shall include a certification made pursuant to Subsection E of  
15 this section.

16 E. The energy, minerals and natural resources  
17 department shall promulgate rules for the issuance of a  
18 certificate of eligibility for the purposes of claiming a  
19 natural gas vehicle income tax credit. A taxpayer may request  
20 a certificate of eligibility from the energy, minerals and  
21 natural resources department to provide to the taxation and  
22 revenue department to establish eligibility for a tax credit.  
23 If the energy, minerals and natural resources department  
24 determines that the taxpayer meets the requirements of this  
25 section, it shall issue the certificate to the taxpayer, which

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1 shall include a calculation of the maximum amount of tax credit  
2 for which the taxpayer would be eligible.

3 F. If the natural gas vehicle income tax credit  
4 exceeds the taxpayer's income tax liability, the excess shall  
5 be refunded to the taxpayer.

6 G. The maximum aggregate amount of natural gas  
7 vehicle income tax credits and natural gas vehicle corporate  
8 income tax credits that may be allowed in any fiscal year is  
9 five million dollars (\$5,000,000) and in any one-half fiscal  
10 year, two million five hundred thousand dollars (\$2,500,000).  
11 The taxation and revenue department shall allow a natural gas  
12 vehicle income tax credit only for a purchase certified by the  
13 energy, minerals and natural resources department. Completed  
14 applications for the tax credit shall be considered in the  
15 order received by the department.

16 H. Married individuals filing separate returns for  
17 a taxable year for which they could have filed a joint return  
18 may each claim only one-half of the natural gas vehicle income  
19 tax credit that would have been claimed on a joint return.

20 I. A taxpayer may be allocated the right to claim a  
21 natural gas vehicle income tax credit in proportion to the  
22 taxpayer's ownership interest if the taxpayer owns an interest  
23 in a business entity that is taxed for federal income tax  
24 purposes as a partnership and that business entity has met all  
25 of the requirements to be eligible for the tax credit. The

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1 total tax credit claimed by all members of the partnership or  
2 limited liability company shall not exceed the allowable tax  
3 credit pursuant to Subsection C of this section.

4 J. A taxpayer allowed a natural gas vehicle income  
5 tax credit shall report the amount of the tax credit to the  
6 department in a manner required by the department.

7 K. The department shall compile an annual report on  
8 the natural gas vehicle income tax credit that shall include  
9 the number of taxpayers approved by the department to receive  
10 the tax credit, the aggregate amount of tax credits approved  
11 and any other information necessary to evaluate the  
12 effectiveness of the tax credit. Beginning in 2018 and every  
13 five years thereafter that the tax credit is in effect, the  
14 department shall compile and present the annual reports to the  
15 revenue stabilization and tax policy committee and the  
16 legislative finance committee, with an analysis of the  
17 effectiveness and cost of the tax credit and of whether the tax  
18 credit is performing the purpose for which it was created.

19 L. As used in this section:

20 (1) "cost of qualified natural gas motor  
21 vehicle equipment" means the retail cost paid by the:

22 (a) purchaser or lessee of a new natural  
23 gas motor vehicle, for the portion of the vehicle that is  
24 qualified natural gas motor vehicle equipment; or

25 (b) owner of a motor vehicle for the

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1 conversion of the vehicle to natural gas power, which includes  
2 the purchase of qualified natural gas motor vehicle equipment  
3 and the installation of that equipment by a technician who is:  
4 1) certified or approved by the equipment manufacturer; and 2)  
5 licensed in New Mexico to modify a motor vehicle that is  
6 propelled by gasoline or diesel so that the motor vehicle may  
7 be propelled by natural gas;

8 (2) "natural gas fuel" means a compressed,  
9 liquefied or renewable natural gas fuel that emits oxides of  
10 nitrogen, volatile organic compounds, carbon monoxide,  
11 particulates or any combination of these at a level lower than  
12 gasoline or diesel and that meets or exceeds federal clean air  
13 standards;

14 (3) "natural gas motor vehicle" means a new or  
15 converted motor vehicle registered in New Mexico or registered  
16 under the international registration plan and base plated in  
17 New Mexico with qualified natural gas motor vehicle equipment  
18 certified by the United States environmental protection agency  
19 to allow the vehicle to operate on natural gas fuel; and

20 (4) "qualified natural gas motor vehicle  
21 equipment" means fuel systems certified by the United States  
22 environmental protection agency and associated component parts  
23 necessary to equip a:

24 (a) motor vehicle dedicated to operate  
25 exclusively on natural gas fuel;

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1 (b) bi-fuel motor vehicle to operate on  
2 natural gas fuel for a minimum distance of one hundred fifty  
3 miles without refilling; or

4 (c) dual fuel motor vehicle to operate  
5 on a mixture of natural gas fuel and gasoline or natural gas  
6 fuel and diesel fuel if natural gas fuel provides a minimum of  
7 sixty-five percent of the power required for the vehicle."

8 SECTION 4. A new section of the Corporate Income and  
9 Franchise Tax Act is enacted to read:

10 "[NEW MATERIAL] NATURAL GAS VEHICLE CORPORATE INCOME TAX  
11 CREDIT.--

12 A. A taxpayer may apply for, and the department may  
13 allow, a credit against the taxpayer's liability imposed  
14 pursuant to the Corporate Income and Franchise Tax Act if,  
15 after January 1, 2016 and before December 31, 2020, the  
16 taxpayer:

17 (1) purchases or leases a natural gas motor  
18 vehicle or purchases and has installed qualified natural gas  
19 motor vehicle equipment; or

20 (2) sells or leases a natural gas motor  
21 vehicle, or sells qualified natural gas motor vehicle equipment  
22 or the installation of that equipment, to a person that is not  
23 a taxpayer.

24 B. The tax credit provided in this section may be  
25 referred to as the "natural gas vehicle corporate income tax

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1 credit". The purpose of the natural gas vehicle corporate  
2 income tax credit is to address a concern for the environment,  
3 improve air quality, reduce dependence on volatile sources of  
4 foreign oil and enhance the state's economic base by promoting  
5 the use of and network for the state's abundant supply of  
6 natural gas.

7 C. The natural gas vehicle corporate income tax  
8 credit may be claimed once per vehicle identification number in  
9 the amount, per vehicle, of:

10 (1) fifty percent of the cost of qualified  
11 natural gas motor vehicle equipment; provided that the credit  
12 shall not exceed:

13 (a) six thousand dollars (\$6,000) for a  
14 light duty passenger motor vehicle with a gross vehicle weight  
15 of not more than fourteen thousand pounds;

16 (b) seven thousand five hundred dollars  
17 (\$7,500) for a light duty truck with a gross vehicle weight of  
18 not more than fourteen thousand pounds;

19 (c) twelve thousand dollars (\$12,000)  
20 for a light-to-medium heavy duty vehicle with a gross vehicle  
21 weight of more than fourteen thousand pounds but not more than  
22 thirty-three thousand pounds; and

23 (d) twenty thousand dollars (\$20,000)  
24 for a heavy duty vehicle with a gross vehicle weight of more  
25 than thirty-three thousand pounds or a heavy duty tractor with

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1 a gross vehicle weight of more than twenty-six thousand pounds;  
2 or

3 (2) ten percent of the retail cost of a  
4 purchase or lease of a new natural gas motor vehicle or three  
5 thousand dollars (\$3,000), whichever is less.

6 D. Subject to the limitation in Subsection G of  
7 this section, a taxpayer may claim the natural gas vehicle  
8 corporate income tax credit for the taxable year in which the  
9 taxpayer makes one or more qualified purchases or leases;  
10 provided that the amount of the tax credit does not exceed five  
11 hundred thousand dollars (\$500,000) per taxable year. To  
12 receive a tax credit, a taxpayer shall apply to the department  
13 on forms and in the manner prescribed by the department. The  
14 application shall include a certification made pursuant to  
15 Subsection E of this section.

16 E. The energy, minerals and natural resources  
17 department shall promulgate rules for the issuance of a  
18 certificate of eligibility for the purposes of claiming a  
19 natural gas vehicle corporate income tax credit. A taxpayer  
20 may request a certificate of eligibility from the energy,  
21 minerals and natural resources department to provide to the  
22 taxation and revenue department to establish eligibility for a  
23 tax credit. If the energy, minerals and natural resources  
24 department determines that the taxpayer meets the requirements  
25 of this section, it shall issue the certificate to the

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1 taxpayer, which shall include a calculation of the maximum  
2 amount of tax credit for which the taxpayer would be eligible.

3 F. If the natural gas vehicle corporate income tax  
4 credit exceeds the taxpayer's corporate income tax liability,  
5 the excess shall be refunded to the taxpayer.

6 G. The maximum aggregate amount of natural gas  
7 vehicle income tax credits and natural gas vehicle corporate  
8 income tax credits that may be allowed in any fiscal year is  
9 five million dollars (\$5,000,000) and in any one-half fiscal  
10 year, two million five hundred thousand dollars (\$2,500,000).  
11 The taxation and revenue department shall allow a natural gas  
12 vehicle corporate income tax credit only for a purchase  
13 certified by the energy, minerals and natural resources  
14 department. Completed applications for the tax credit shall be  
15 considered in the order received by the department.

16 H. A taxpayer allowed a natural gas vehicle  
17 corporate income tax credit shall report the amount of the tax  
18 credit to the department in a manner required by the  
19 department.

20 I. The department shall compile an annual report on  
21 the natural gas vehicle corporate income tax credit that shall  
22 include the number of taxpayers approved by the department to  
23 receive the tax credit, the aggregate amount of tax credits  
24 approved and any other information necessary to evaluate the  
25 effectiveness of the tax credit. Beginning in 2018 and every

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1 five years thereafter that the tax credit is in effect, the  
2 department shall compile and present the annual reports to the  
3 revenue stabilization and tax policy committee and the  
4 legislative finance committee, with an analysis of the  
5 effectiveness and cost of the tax credit and of whether the tax  
6 credit is performing the purpose for which it was created.

7 J. As used in this section:

8 (1) "cost of qualified natural gas motor  
9 vehicle equipment" means the retail cost paid by the:

10 (a) purchaser or lessee of a new natural  
11 gas motor vehicle, for the portion of the vehicle that is  
12 qualified natural gas motor vehicle equipment; or

13 (b) owner of a motor vehicle for the  
14 conversion of the vehicle to natural gas power, which includes  
15 the purchase of qualified natural gas motor vehicle equipment  
16 and the installation of that equipment by a technician who is:  
17 1) certified or approved by the equipment manufacturer; and 2)  
18 licensed in New Mexico to modify a motor vehicle that is  
19 propelled by gasoline or diesel so that the motor vehicle may  
20 be propelled by natural gas;

21 (2) "natural gas fuel" means a compressed,  
22 liquefied or renewable natural gas fuel that emits oxides of  
23 nitrogen, volatile organic compounds, carbon monoxide,  
24 particulates or any combination of these at a level lower than  
25 gasoline or diesel and that meets or exceeds federal clean air

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1 standards;

2 (3) "natural gas motor vehicle" means a new or  
3 converted motor vehicle registered in New Mexico or registered  
4 under the international registration plan and base plated in  
5 New Mexico with qualified natural gas motor vehicle equipment  
6 certified by the United States environmental protection agency  
7 to allow the vehicle to operate on natural gas fuel; and

8 (4) "qualified natural gas motor vehicle  
9 equipment" means fuel systems certified by the United States  
10 environmental protection agency and associated component parts  
11 necessary to equip a:

12 (a) motor vehicle dedicated to operate  
13 exclusively on natural gas fuel;

14 (b) bi-fuel motor vehicle to operate on  
15 natural gas fuel for a minimum distance of one hundred fifty  
16 miles without refilling; or

17 (c) dual fuel motor vehicle to operate  
18 on a mixture of natural gas fuel and gasoline or natural gas  
19 fuel and diesel fuel if natural gas fuel provides a minimum of  
20 sixty-five percent of the power required for the vehicle."

21 **SECTION 5. APPLICABILITY.**--The provisions of Sections 3  
22 and 4 of this act apply to taxable years beginning on or after  
23 January 1, 2015.

24 **SECTION 6. EFFECTIVE DATE.**--The effective date of Section  
25 1 of this act is July 1, 2015.

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