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HOUSE BILL 198

50TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2011

INTRODUCED BY

Ben Lujan

FOR THE REVENUE STABILIZATION AND TAX POLICY COMMITTEE

AN ACT

RELATING TO TAXATION; PROVIDING INCOME TAX CREDITS TO ENCOURAGE
CONVERSION OF VEHICLES TO THE USE OF NATURAL GAS AND TO
ENCOURAGE RETAIL BUSINESSES SELLING GASOLINE TO EXPAND INTO
DISPENSING NATURAL GAS FOR VEHICLE FUEL; PROVIDING FOR AN
EXEMPTION FROM THE MOTOR VEHICLE EXCISE TAX FOR THE PURCHASE OF
NEW MOTOR VEHICLES THAT USE NATURAL GAS AS A FUEL.

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

SECTION 1. A new section of the Income Tax Act is enacted
to read:

"[NEW MATERIAL] TAX CREDIT--VEHICLE CONVERSION TO NATURAL
GAS.--

A. A taxpayer who files an individual New Mexico
income tax return for a taxable year beginning on or after
January 1, 2011, who is not a dependent of another taxpayer and

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1 who converts on or after January 1, 2011 and before January 1,
2 2017 a motor vehicle that only uses a petroleum-based fuel to
3 use natural gas as a fuel may claim, and the department may
4 allow, a tax credit in the amount of seventy percent of the
5 cost, after any available federal tax credit is applied, of
6 converting the motor vehicle from only using a petroleum-based
7 fuel to using natural gas; provided that the motor vehicle is
8 owned by the taxpayer. The tax credit that may be claimed
9 pursuant to this section may be referred to as the "vehicle
10 natural gas conversion income tax credit". The vehicle natural
11 gas conversion income tax credit may only be claimed for
12 conversion of a motor vehicle to natural gas use on or after
13 January 1, 2011 and before January 1, 2017.

14 B. The purpose of the vehicle natural gas
15 conversion income tax credit is to encourage the use of natural
16 gas as a fuel for motor vehicles by providing a tax incentive
17 to individuals who convert their motor vehicles to use natural
18 gas as a fuel.

19 C. The department shall allow a vehicle natural gas
20 conversion income tax credit only for a natural gas conversion
21 system approved by the energy, minerals and natural resources
22 department.

23 D. A portion of the vehicle natural gas conversion
24 income tax credit that remains unused in a taxable year may be
25 carried forward for a maximum of three consecutive taxable

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1 years following the taxable year in which the credit originates
2 until the credit is fully expended.

3 E. Prior to July 1, 2011, the energy, minerals and
4 natural resources department shall adopt rules establishing
5 procedures and guidelines for obtaining approval of a natural
6 gas conversion income system for purposes of the vehicle
7 natural gas conversion tax credit. The rules shall address the
8 basic technical specifications and requirements that are
9 necessary for a natural gas conversion system to gain the
10 approval of the energy, minerals and natural resources
11 department. The energy, minerals and natural resources
12 department shall review and modify the specifications and
13 requirements as needed to address technological improvements in
14 natural gas conversion systems. The energy, minerals and
15 natural resources department shall provide a certificate to a
16 taxpayer whose natural gas conversion income system is approved
17 for purposes of claiming a vehicle natural gas conversion
18 income tax credit. The certificate shall include the vehicle
19 identification number, the vehicle registration plate number
20 and the taxpayer's identification number. Certificates shall
21 be numbered sequentially and recorded by the energy, minerals
22 and natural resources department.

23 F. The taxation and revenue department may allow a
24 maximum annual aggregate of two million dollars (\$2,000,000) in
25 vehicle natural gas conversion income tax credits that may be

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1 claimed pursuant to the Income Tax Act and vehicle natural gas
2 conversion income corporate income tax credits pursuant to the
3 Corporate Income and Franchise Tax Act. Applications for
4 credits shall be considered in the order received by the
5 department.

6 G. A taxpayer who otherwise qualifies and claims a
7 vehicle natural gas conversion income tax credit that may be
8 claimed by a partnership of which the taxpayer is a member may
9 only claim a credit in proportion to the taxpayer's interest in
10 the partnership. The total credit claimed by all members of
11 the partnership shall not exceed the aggregate of the allowable
12 costs pursuant to Subsection A of this section.

13 H. A husband and wife who file separate returns for
14 a taxable year in which they could have filed a joint return
15 may each claim only one-half of the vehicle natural gas
16 conversion income tax credit that would have been allowed on a
17 joint return.

18 I. The taxation and revenue department shall
19 compile an annual report that includes the number of taxpayers
20 approved by the department to receive a vehicle natural gas
21 conversion income tax credit. Notwithstanding any other
22 section of law to the contrary, the taxation and revenue
23 department and the energy, minerals and natural resources
24 department may disclose the number of applicants for the
25 vehicle natural gas conversion income tax credit, the amount of

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1 each credit approved, the number of motor vehicles converted to
2 use natural gas as a fuel and any other information required by
3 the legislature or the taxation and revenue department to aid
4 in evaluating the effectiveness of the vehicle natural gas
5 conversion income tax credit.

6 J. As used in this section:

7 (1) "motor vehicle" means a vehicle that is
8 self-propelled by an internal combustion engine and that is
9 registered pursuant to the Motor Vehicle Code; and

10 (2) "natural gas conversion system" means a
11 system for changing an internal combustion engine that operates
12 on a petroleum-based fuel into an internal combustion engine
13 that operates on natural gas or natural gas and petroleum-based
14 fuel."

15 SECTION 2. A new section of the Income Tax Act is enacted
16 to read:

17 "[NEW MATERIAL] TAX CREDIT--EXPANSION OF RETAIL FUEL
18 STATION TO DISPENSE NATURAL GAS.--

19 A. A taxpayer who files an individual New Mexico
20 income tax return for a taxable year beginning on or after
21 January 1, 2011, who is not a dependent of another taxpayer and
22 who purchases and installs in New Mexico, at the taxpayer's
23 gasoline or other fuel-dispensing retail station, pumps or
24 other devices that dispense natural gas into storage tanks for
25 use to fuel motor vehicles may claim, and the department may

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1 allow, a tax credit in the amount of fifty percent of the cost,
2 after any available federal tax credit is applied, of
3 purchasing and installing pumps or other devices that dispense
4 natural gas into one or more storage tanks of a motor vehicle
5 for use to power the motor vehicle. The tax credit that may be
6 claimed pursuant to this section may be referred to as the
7 "natural gas dispensers income tax credit". The natural gas
8 dispensers income tax credit may be claimed only for purchase
9 and installation of a natural gas dispensing system on or after
10 January 1, 2011 and before January 1, 2017.

11 B. The purpose of the natural gas dispensers income
12 tax credit is to encourage the use of natural gas as a fuel for
13 motor vehicles by providing a tax incentive to individuals who
14 purchase and install natural gas dispensing systems for use by
15 the general public.

16 C. The department shall allow a natural gas
17 dispensers income tax credit only for dispensing systems
18 approved by the energy, minerals and natural resources
19 department.

20 D. A portion of the natural gas dispensers income
21 tax credit that remains unused in a taxable year may be carried
22 forward for a maximum of three consecutive taxable years
23 following the taxable year in which the credit originates until
24 the credit is fully expended.

25 E. Prior to July 1, 2011, the energy, minerals and

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1 natural resources department shall adopt rules establishing
2 procedures and guidelines for obtaining approval of natural gas
3 dispensing systems for purposes of the natural gas dispensers
4 income tax credit. The rules shall address the basic technical
5 specifications and requirements that are deemed necessary for
6 the safe and effective installation of a natural gas dispensing
7 system to gain the approval of the energy, minerals and natural
8 resources department. The energy, minerals and natural
9 resources department shall review and modify the specifications
10 and requirements as needed. The energy, minerals and natural
11 resources department shall provide a certificate to a taxpayer
12 whose natural gas dispensing system is approved for purposes of
13 claiming a natural gas dispensers tax credit. Certificates
14 shall be numbered sequentially and recorded by the energy,
15 minerals and natural resources department.

16 F. The taxation and revenue department may allow a
17 maximum annual aggregate of two million dollars (\$2,000,000) in
18 natural gas dispensers income tax credits that may be claimed
19 pursuant to the Income Tax Act and natural gas dispensers
20 corporate income tax credits pursuant to the Corporate Income
21 and Franchise Tax Act. Applications for credits shall be
22 considered in the order received by the department.

23 G. A taxpayer who otherwise qualifies and claims a
24 natural gas dispensers income tax credit that may be claimed by
25 a partnership of which the taxpayer is a member may only claim

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1 a credit in proportion to the taxpayer's interest in the
2 partnership. The total credit claimed by all members of the
3 partnership shall not exceed the aggregate of the allowable
4 costs pursuant to Subsection A of this section.

5 H. A husband and wife who file separate returns for
6 a taxable year in which they could have filed a joint return
7 may each claim only one-half of the natural gas dispensers
8 income tax credit that would have been allowed on a joint
9 return.

10 I. The taxation and revenue department shall
11 compile an annual report that includes the number of taxpayers
12 approved by the department to receive a natural gas dispensers
13 income tax credit. Notwithstanding any other section of law to
14 the contrary, the taxation and revenue department and the
15 energy, minerals and natural resources department may disclose
16 the number of applicants for the natural gas dispensers tax
17 credit, the amount of each credit approved, the number of
18 retail stations or other locations that installed devices that
19 dispense natural gas into storage tanks for use to fuel motor
20 vehicles of the general public and any other information
21 required by the legislature or the taxation and revenue
22 department to aid in evaluating the effectiveness of the
23 natural gas dispensers income tax credit.

24 J. As used in this section:

25 (1) "motor vehicle" means a vehicle that is

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1 self-propelled by an internal combustion engine and is
2 registered pursuant to the Motor Vehicle Code; and

3 (2) "natural gas dispensing system" means
4 pumps or other equipment required to dispense natural gas into
5 storage tanks of a motor vehicle that enable the motor vehicle
6 to operate on natural gas."

7 SECTION 3. A new section of the Corporate Income and
8 Franchise Tax Act is enacted to read:

9 "[NEW MATERIAL] TAX CREDIT--VEHICLE CONVERSION TO NATURAL
10 GAS.--

11 A. A taxpayer that files a New Mexico corporate
12 income tax return for a taxable year beginning on or after
13 January 1, 2011 and converts on or after January 1, 2011 and
14 before January 1, 2017 a motor vehicle that only uses a
15 petroleum-based fuel to use natural gas as a fuel may claim,
16 and the department may allow, a tax credit against the
17 taxpayer's corporate income and franchise tax liabilities in
18 the amount of seventy percent of the cost, after any available
19 federal tax credit is applied, of converting the motor vehicle
20 from only using a petroleum-based fuel to using natural gas;
21 provided that the motor vehicle is owned by the taxpayer. The
22 tax credit that may be claimed pursuant to this section may be
23 referred to as the "vehicle natural gas conversion corporate
24 income tax credit". The vehicle natural gas conversion
25 corporate income tax credit may only be claimed for conversion

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1 of a motor vehicle to use natural gas on or after January 1,
2 2011 and before January 1, 2017.

3 B. The purpose of the vehicle natural gas
4 conversion corporate income tax credit is to encourage the use
5 of natural gas as a fuel for motor vehicles by providing a tax
6 incentive to corporate taxpayers that convert their motor
7 vehicles to use natural gas as a fuel.

8 C. The department shall allow a vehicle natural gas
9 conversion corporate income tax credit only for a conversion
10 system approved by the energy, minerals and natural resources
11 department.

12 D. A portion of the vehicle natural gas conversion
13 corporate income tax credit that remains unused in a taxable
14 year may be carried forward for a maximum of three consecutive
15 taxable years following the taxable year in which the credit
16 originates until the credit is fully expended.

17 E. Prior to July 1, 2011, the energy, minerals and
18 natural resources department shall adopt rules establishing
19 procedures and guidelines for obtaining approval of natural gas
20 conversion systems for purposes of the vehicle natural gas
21 conversion corporate income tax credit. The rules shall
22 address the basic technical specifications and requirements
23 that are necessary for a natural gas conversion system to gain
24 the approval of the energy, minerals and natural resources
25 department. The energy, minerals and natural resources

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1 department shall review and modify the specifications and
2 requirements as needed. The energy, minerals and natural
3 resources department shall provide a certificate to a taxpayer
4 whose natural gas conversion system is approved for purposes of
5 claiming a vehicle natural gas conversion corporate income tax
6 credit. Certificates shall be numbered sequentially and
7 recorded by the energy, minerals and natural resources
8 department.

9 F. The taxation and revenue department may allow a
10 maximum annual aggregate of two million dollars (\$2,000,000) in
11 vehicle natural gas conversion corporate income tax credits and
12 vehicle natural gas conversion income tax credits that may be
13 claimed pursuant to the Income Tax Act. Applications for
14 credits shall be considered in the order received by the
15 department.

16 G. The taxation and revenue department shall
17 compile an annual report that includes the number of taxpayers
18 approved by the department to receive a vehicle natural gas
19 conversion corporate income tax credit. Notwithstanding any
20 other section of law to the contrary, the taxation and revenue
21 department and the energy, minerals and natural resources
22 department may disclose the number of applicants for the
23 vehicle natural gas conversion corporate income tax credit, the
24 amount of each credit approved, the number of motor vehicles
25 converted to use natural gas as a fuel and any other

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1 information required by the legislature or the taxation and
2 revenue department to aid in evaluating the effectiveness of
3 the vehicle natural gas conversion corporate income tax credit.

4 H. As used in this section:

5 (1) "motor vehicle" means a vehicle that is
6 self-propelled by an internal combustion engine and that is
7 registered pursuant to the Motor Vehicle Code; and

8 (2) "natural gas conversion system" means a
9 system for changing an internal combustion engine that operates
10 on a petroleum-based fuel into an internal combustion engine
11 that operates on natural gas or on natural gas and petroleum-
12 based fuel."

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

15 "[NEW MATERIAL] TAX CREDIT--EXPANSION OF RETAIL FUEL
16 STATION TO DISPENSE NATURAL GAS.--

17 A. A taxpayer that files a New Mexico corporate
18 income tax return for a taxable year beginning on or after
19 January 1, 2011 and that purchases and installs on or after
20 January 1, 2011 but before January 1, 2017 in New Mexico, at
21 the taxpayer's gasoline or other fuel-dispensing retail
22 station, pumps or other devices that dispense natural gas into
23 storage tanks for use to fuel motor vehicles may claim, and the
24 department may allow, a tax credit to be claimed against the
25 taxpayer's corporate income or franchise tax liabilities in the

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1 amount of fifty percent of the cost, after any available
2 federal tax credit is applied, of purchasing and installing
3 pumps or other devices that dispense natural gas into one or
4 more storage tanks of a motor vehicle for use to power the
5 motor vehicle. The tax credit that may be claimed pursuant to
6 this section may be referred to as the "natural gas dispensers
7 corporate income tax credit".

8 B. The purpose of the natural gas dispensers
9 corporate income tax credit is to encourage the use of natural
10 gas as a fuel for motor vehicles by providing a tax incentive
11 to corporate taxpayers that purchase and install natural gas
12 dispensing systems for use by the general public.

13 C. The department shall allow a natural gas
14 dispensers corporate income tax credit only for a natural gas
15 dispensing system approved by the energy, minerals and natural
16 resources department.

17 D. A portion of the natural gas dispensers
18 corporate income tax credit that remains unused in a taxable
19 year may be carried forward for a maximum of three consecutive
20 taxable years following the taxable year in which the credit
21 originates until the credit is fully expended.

22 E. Prior to July 1, 2011, the energy, minerals and
23 natural resources department shall adopt rules establishing
24 procedures and guidelines for obtaining approval of natural gas
25 dispensing systems for purposes of the natural gas dispensers

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1 corporate income tax credit. The rules shall address the basic
2 technical specifications and requirements that are deemed
3 necessary for the safe and effective installation of a natural
4 gas dispensing system to gain the approval of the energy,
5 minerals and natural resources department. The energy,
6 minerals and natural resources department shall review and
7 modify the specifications and requirements as needed. The
8 energy, minerals and natural resources department shall provide
9 a certificate to a taxpayer whose natural gas dispensing system
10 is approved for purposes of claiming a natural gas dispensers
11 corporate income tax credit. Certificates shall be numbered
12 sequentially and recorded by the energy, minerals and natural
13 resources department.

14 F. The taxation and revenue department may allow a
15 maximum annual aggregate of two million dollars (\$2,000,000) in
16 natural gas dispensers corporate income tax credits pursuant to
17 this section and natural gas dispensers income tax credits that
18 may be claimed pursuant to the Income Tax Act. Applications
19 for credits shall be considered in the order received by the
20 department.

21 G. The taxation and revenue department shall
22 compile an annual report that includes the number of taxpayers
23 approved by the department to receive a natural gas dispensers
24 corporate income tax credit. Notwithstanding any other section
25 of law to the contrary, the taxation and revenue department and

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1 the energy, minerals and natural resources department may
2 disclose the number of applicants for the natural gas
3 dispensers corporate income tax credit, the amount of each
4 credit approved, the number of retail stations or other
5 locations that installed devices that dispense natural gas into
6 storage tanks for use to fuel motor vehicles of the general
7 public and any other information required by the legislature or
8 the taxation and revenue department to aid in evaluating the
9 effectiveness of the natural gas dispensers corporate income
10 tax credit.

11 H. As used in this section:

12 (1) "motor vehicle" means a vehicle that is
13 self-propelled by an internal combustion engine and that is
14 registered pursuant to the Motor Vehicle Code; and

15 (2) "natural gas dispensing system" means
16 pumps or other equipment required to dispense natural gas into
17 storage tanks of a motor vehicle that enable the motor vehicle
18 to operate on natural gas."

19 SECTION 5. Section 7-9-22 NMSA 1978 (being Laws 1969,
20 Chapter 144, Section 15, as amended) is amended to read:

21 "7-9-22. EXEMPTION--GROSS RECEIPTS TAX--VEHICLES.--
22 Exempted from the gross receipts tax are the receipts from
23 selling vehicles on which a tax is imposed by the Motor Vehicle
24 Excise Tax Act, vehicles subject to registration under Section
25 66-3-16 NMSA 1978 and vehicles exempt from the motor vehicle

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1 excise tax pursuant to Subsection [F] H of Section 7-14-6 NMSA
2 1978."

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

5 "7-14-6. EXEMPTIONS FROM TAX.--

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

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

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

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

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

25 E. A person is exempt from the tax if the person is

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

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

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

7 F. A person who acquires a vehicle for subsequent
8 lease shall be exempt from the tax if:

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

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

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

16 (4) the vehicle does not have a gross vehicle
17 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.

25 H. From July 1, 2011 through June 30, 2016,

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1 vehicles that use natural gas as a fuel are eligible for a one-
2 time exemption from the tax at the time of the issuance of the
3 original certificate of title for the vehicle."

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