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FISCAL IMPACT REPORT

SPONSOR Ortiz y Pino **ORIGINAL DATE** 1/21/19 **LAST UPDATED** 1/22/19 **HB** _____

SHORT TITLE All-Electric Motor Vehicle Sales and Service **SB** 140/ec

ANALYST Chilton

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	Moderate positive impact	Moderate positive impact	Moderate positive impact	Moderate Positive Impact	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)
See "Fiscal Implications" below.

RELATES TO: House Bill 294

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Attorney General (NMAG)
Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

Senate Bill 140 adds several sentences to Section 57-16-5, Subsection V 1978 NMSA to allow all-electric cars to be sold directly to the public, which is otherwise prohibited as an unlawful practice. The list of unlawful practices by automobile manufacturers is long; sub-section V currently states

[It is lawful for a manufacturer, distributor or representative to:] be licensed as a dealer or perform warranty or other service or own an interest, directly or indirectly, in a person licensed as a dealer or performing warranty or other service; provided that a manufacturer or distributor may own a person licensed as a dealer for a reasonable time in order to dispose of an interest acquired as a secured party or as part of a dealer development program.

Senate Bill 140 would make this provision inoperative with the following conditions:

1. Has no franchise agreement with a New Mexico dealer
2. Manufactures only all-electric cars
3. Sells only that manufacturer's all-electric vehicles
4. Has no more than three locations within New Mexico
5. Does not control another entity involved in the manufacture of other vehicles
6. Is not owned by another entity controlled by a manufacturer of other vehicles.

This bill contains an emergency clause.

FISCAL IMPLICATIONS

According to the website evcompare.io, 87 models of wholly electric cars are available in the United States. Forty-three of those are manufactured in the United States, 30 by Tesla, which does not maintain franchises; rather it sells directly to consumers. Prices of new electric vehicles range from \$23,900 to \$300,000 according to EVCompare. Taking the midpoint of that range, approximately \$160,000, and applying the New Mexico Motor Vehicle Excise Tax of 3 percent, each sale of a \$160,000 car would generate \$4,800 in tax revenue for the state which might, in the absence of Senate Bill 140, be lost to a state where the car could be purchased.

SIGNIFICANT ISSUES

EDD notes that passage of Senate Bill 140 “could generate an increase in the number of electric vehicles purchased in the state, which could have both positive and negative economic impacts to the automotive industry.

“The bill limits the number of service and retail operations the manufacturer can operate within the state. By setting the limit at 3, the state could see a concentration of these operations in the larger more populous portions of the state. This would make it more difficult for consumers who live in rural areas to either purchase the vehicle or have it serviced. By having only 3 sites for the state, the free market would be limited and restraints on growth for this sector may occur.”

It is likely that substituting all-electric vehicles for gas-powered vehicles would have a positive effect on the environment. The federal Environmental Protection Agency calculates that the average gas-powered car emits some 4.6 metric tons of carbon dioxide per year. The quantity of carbon dioxide produced in the generation of the electricity used to charge and power an electric car is lower, although difficult to calculate.

RELATES TO

House Bill 294, which is very similar in most respects, modifying the same part of Section 57-16-5 NMSA 1978, with much the same apparent intent. House Bill 294 adds a definition of “line-make” to Subsection P of the statute, which applies both in that subsection and in subsection V, which is modified in slightly different language in the two bills. House Bill 294 has neither an emergency clause nor does it limit the number of qualified manufacturer outlets in New Mexico to the three in Senate Bill 140.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

As noted by EDD, failure to pass Senate Bill 140 would continue the current situation, which makes it impossible to purchase and difficult to service some electric vehicles in New Mexico, and New Mexico would forego the excise tax on those vehicles New Mexico residents would pay in another state that cannot currently be bought within New Mexico.

LAC/al