

**LFC Requester:**

**Jennifer Faubion**

**AGENCY BILL ANALYSIS  
2024 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:**

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*{Analysis must be uploaded as a PDF}*

**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

*Check all that apply:*

**Original**  **Amendment**   
**Correction**  **Substitute**

**Date** Jan 20, 2024

**Bill No:** HB 140

**Agency Name**

**and Code**

EMNRD 521

**Number:**

**Sponsor:** Rep Hochman-Vigil

**Short Title:** Clean Car Income Tax Credit

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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		
	(indeterminate)	(indeterminate)	Recurring through FY29	General Fund (tax liability)

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>		\$86.3	\$86.3	\$261.9*	Recurring until 2029	GF

(Parenthesis ( ) Indicate Expenditure Decreases)

\*includes FY27

Duplicates/Conflicts with/Companion to/Relates to: SB8

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis:

House Bill 140 (HB 140) creates a new personal income tax credit in the Income Tax Credit Act and a new corporate income tax credit in the Corporate Income and Franchise Tax Act for the purchase or lease of an electric vehicle (EV), a plug-in hybrid electric vehicle (PHEV), or a fuel cell vehicle. The tax credit will be available in tax years starting January 1, 2024, and run through December 31, 2029. The value of the credits and their step-down scale appears in the table below. The maximum manufacturer’s suggested retail price (MSRP) for vehicles to qualify for the credits is \$55,000.

Credits are also available against PIT and CIT for the purchase of a used EV, PHEV, or fuel cell vehicle, at half the amount of the credit for a new vehicle.

HB 140 also creates a new personal income tax credit in the Income Tax Credit Act and a new corporate income tax credit in the Corporate Income and Franchise Tax Act for the purchase and installation of a residential charging unit (at \$400 per credit) and a commercial charging unit (up to \$25,000 for a DC Fast Charger or a hydrogen fuel cell charging station). The credit will be available in tax years starting January 1, 2024, and run through December 31, 2029.

<b>Item</b>	<b>House Bill 140</b>
Sunset Date	2030
EV Credit	\$3,000 (steps down to \$2,220 in 2027; \$960 in 2029)
PHEV Credit	\$2,000 (steps down to \$1,480 in 2027, \$640 in 2029)
Fuel Cell Tax Credit	\$2,000 (steps down to \$1,480 in 2027, \$640 in 2029)
Used Credits	½ of new vehicle credits
Aggregate Credit Cap	None
Max Vehicle Value	\$55k (\$25k for used)
Eligibility	Individuals, partnerships, and corporations
Residential Charger Tax Credit	\$400
Commercial Chargers	Up to \$25,000 for DCFC/Hydrogen Fueling

Aggregate Charger Cap	None
Registration Fees	None

Under HB 140, both individual and corporate taxpayers shall apply for certificates of eligibility for the tax credits through the Energy Minerals, and Natural Resources Department (EMNRD). EMNRD is required to promulgate rules governing the procedure for administering the tax credits and issuing electronic certificates of eligibility to taxpayers who meet the requirements.

Tax credit certificates issued under HB 140 may be sold, exchanged or otherwise transferred to another taxpayer for the full value of the credit. The taxpayer must notify EMNRD of this transfer within 10 days of the transaction. The credits are refundable, and must be claimed within three taxable years of the end of the year in which EMNRD certifies the credit.

HB 140 provides a delayed repeal of Sections 1-4, effective January 1, 2031.

### **FISCAL IMPLICATIONS**

HB 140 tasks EMNRD with certifying both the vehicle tax credits and the charging unit tax credits but does not contain an appropriation for the staff and IT resources for EMNRD which will be necessary to administer the program. The executive budget recommendation provided \$500,000 to support the implementation of the Clean Vehicle Income Tax Credit, but the Legislative Finance Committee did not include that funding in their recommended budget.

EMNRD estimates that, at a *minimum*, \$86,300 in recurring funding would be necessary to hire one (1) FTE to develop rules for the program, administer it, and evaluate certification applications – that is, to effectively provide system reviews, certify vehicles and chargers for tax credit eligibility, collect data, and maintain a database of certifications. A further FTE at another \$86,300 annually would meaningfully contribute to speedy and simple processing of credits.

In addition, EMNRD would require \$30,000 in one-time IT, legal, and administrative expenditures to develop an electronic submission process for the applications and shepherd the new rule through the rulemaking process, and an additional \$25,000 in one-time funding to develop marketing and outreach materials to educate the public about the credit, its rules, and its availability. The executive budget recommendation would cover these initial costs. EMNRD defers to the taxation and revenue department for estimates of credit costs.

### **SIGNIFICANT ISSUES**

The transportation sector is the second-largest contributor to New Mexico’s greenhouse gas emissions. Decarbonizing this sector has positive benefits on both limiting the impacts of climate change and improving the everyday life of New Mexicans by reducing exposure to volatile organic chemicals and other air pollution from the tailpipes of internal combustion-powered vehicles. HB 140 targets the replacement of these internal combustion-powered vehicles with incentives to purchase or lease a variety of “clean cars” – electric vehicles, plug-in hybrid electric vehicles, and fuel cell-powered vehicles, all of which appeal to different demographics and usage patterns.

Given that many clean car options currently come with a higher up-front price tag compared to traditional gas or diesel vehicles, the proposed tax credits in SB 140 could serve as a valuable

incentive, likely resulting in increased EV, PHEV, and fuel cell vehicle purchases across the state. Once purchased, clean cars are cheaper to own and maintain, resulting in significant benefit to car owners, especially low-income New Mexicans.

HB 140 aims to make clean cars more accessible to all New Mexicans by offering tax credits to offset the price of both new *and used* vehicles, offering a credit for leased vehicles, and by including a MSRP cap on qualifying vehicles. Both of these measures direct government support to low- and middle-income families, who are not purchasing luxury or expensive alternative fuel vehicles. HB 140 broadens the audience who will be able to benefit from clean cars in New Mexico.

Finally, EMNRD notes the importance of including charging unit credits in HB 140. The majority of EV and PHEV charging takes place at home, and the \$400 credit against the cost of a residential charging unit, which can be combined with utility rebates and federal tax incentives, nearly zeroes out the purchase price of a standard Level 2 home charger. HB 140 also includes credits to incentivize commercial charging, helping the private sector expand availability of chargers statewide. The commercial credit covers both DC Fast Chargers and hydrogen fuel cell charging stations, which will support the decarbonization of the heavy trucking industry.

**PERFORMANCE IMPLICATIONS**

If the executive budget recommendation of \$500,000 is provided to EMNRD to administer the program established in HB 140, there will be no performance implications for the agency. If it is not, EMNRD will not be able effectively implement this new tax credit in a timely manner.

**ADMINISTRATIVE IMPLICATIONS**

EMNRD’s Energy Conservation and Management Division will be required to develop and adopt rules, establish the program certification and administrative certification processes. In addition, EMNRD, possibly through the division’s IT, would need to design an online application portal. EMNRD is also required to provide the Taxation and Revenue Department certification information for all taxpayers in a secure and regular manner.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

SB 8 also presents an EV tax credit, which partly overlaps with the proposed incentives outlined in HB 140. HB 140 more comprehensively addresses multiple vehicle types, new and used vehicles, as well as the expected decreasing need for incentives over time as clean car technologies gain price parity with gas and diesel cars. A table comparing the two bills is below.

Item	SB8	HB140
Sunset date	2030	2030
EV Credit	\$3250	\$3,000 (steps down to \$2,220 in 2027; \$960 in 2029)
PHEV Credit	None	\$2000 (steps down to \$1,480 in 2027, \$640 in 2029)
Fuel Cell Tax Credit	None	\$2000 (steps down to \$1,480 in 2027, \$640 in 2029)

Used Credits	None	½ of new vehicle credits
Aggregate Credit Cap	\$10 million	None
Max Vehicle Value	\$55k	\$55k (\$25k for used)
Eligibility	Individuals and partnerships	Individuals, partnerships, and corporations
Residential Charger Tax Credit	\$300	\$400
Commercial Chargers	None	Up to \$25,000 for DCFC/Hydrogen Fueling
Aggregate Charger Cap	\$1 million	None
Registration Fees	\$120/EV; \$60/PHEV	None

**TECHNICAL ISSUES**

N/A

**OTHER SUBSTANTIVE ISSUES**

N/A

**ALTERNATIVES**

N/A

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Tax credits for clean cars and clean car chargers will not be available to New Mexico taxpayers.

**AMENDMENTS**

N/A