

BILL ANALYSIS AND FISCAL IMPACT REPORT
Taxation and Revenue Department

January 30, 2024

Bill: SB-183

Sponsor: Senators Roberto “Bobby” J. Gonzales and Bill Tallman

Short Title: Electric & Hybrid Vehicle Registration Fees

Description: This bill creates a new registration fee for electric and plug-in hybrid electric vehicles. The additional annual fee is \$120 for an electric vehicle with a gross vehicle weight of 26,000 pounds or less, and \$60 for a plug-in hybrid electric vehicle with a gross vehicle weight of 26,000 pounds or less. All fees are credited to the Motor Vehicle Suspense Fund and distributions from the fund are provided. Definitions of each vehicle type are provided.

Effective Date: January 1, 2025

Taxation and Revenue Department Analyst: Asif Rasool

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2024	FY2025	FY2026	FY2027	FY2028		
--	\$1,601	\$2,445	\$3,743	\$5,744	R	Section 1 - Motor Vehicle Suspense Fund (new fee)
--	(\$1,601)	(\$2,445)	(\$3,743)	(\$5,744)	R	Section 2 - Motor Vehicle Suspense Fund (distributions to other funds)
--	\$1,233	\$1,822	\$2,882	\$4,423	R	Section 2 - State Road Fund
--	\$368	\$562	\$861	\$1,321	R	Section 2 – Transportation Project Fund

* In thousands of dollars. Parentheses () indicate a revenue loss. ** Recurring (R) or Non-Recurring (NR).

Methodology for Estimated Revenue Impact:

- **Electric vehicle demand projection:**

The electric vehicle (EV) market in New Mexico is undergoing remarkable growth. Between 2016 and 2022, electric vehicles saw an average year-to-year growth rate of an impressive 57%, surpassing the national average of 44%. Plug-in hybrids (PHEV) also showed strong growth, with an average year-to-year increase of 38%, compared to the national average of 21%.

It is assumed that the EV market in New Mexico will continue to thrive for at least the next five years. Additionally, an assumption is made that the year-to-year growth rate will remain constant at 57%, which was calculated from the data of the last seven years. New Mexico's EV market is still far from reaching maturity. The estimation also includes the calculation of the yearly percentage of EVs out of the total number of vehicles in New Mexico. The number of registered vehicles in New Mexico increases by roughly 2% annually. With the assumed annual growth rate of 57% for electric cars, the market share of EVs is projected to be approximately 7 % of the total registered vehicles in New Mexico by 2028.

In 2023, Tesla sold 2,698 vehicles in New Mexico, which accounted for approximately 40% of the total

EVs registered in the state during that year. Furthermore, in 2023, Teslas made up 65% of all EVs in New Mexico. According to S&P Global Mobility, the number of available EV models in the US is predicted to increase from 48 to 159 by 2025. Multiple reports indicate that Tesla currently dominates the EV market and is expected to further expand its market share in the next decade. Tax & Rev assumes that Tesla will continue to increase its market share in New Mexico by 2.5% for the next five years.

The plug-in hybrid electric vehicle (PHEV) market has experienced an average growth rate of 26% over the past seven years. In 2022, automakers achieved a record-breaking sales figure of 176,000 PHEVs, a significant increase from 69,000 in 2020. Despite an overall decrease in the new-car market to 14.4 million from the previous year's 15.3 million, sales of plug-in hybrids are projected to reach 180,000 in 2023. Tax & Rev assumes the number of PHEVs will continue to grow at an annual rate of 26% until 2028.

- **Electric vehicles & how much they weigh:**

The weight of electric vehicles (EVs) can vary depending on several factors, including the type of vehicle, battery capacity, and additional features or components. Here's an overview of the weight ranges for different types of EVs:

1. **Electric Cars (Compact to Midsize):**
 - Compact electric cars typically weigh between 2,000 to 3,500 pounds.
 - Midsize electric cars generally weigh between 3,500 to 4,500 pounds.
2. **Electric SUVs and Crossovers:**
 - Electric SUVs and crossovers typically have a weight range of 4,000 to 6,000 pounds.
 - Larger, more luxurious electric SUVs can weigh even more, approaching 7,000 pounds or more.
3. **Electric Pickup Trucks:**
 - Electric pickup trucks have varying weight ranges, depending on their size and payload capacity.
 - Light-duty electric pickups can weigh between 5,000 to 8,000 pounds.
 - Heavy-duty electric pickups designed for towing and carrying larger loads can weigh over 8,000 pounds.
4. **Electric Vans:**
 - Electric vans, especially those designed for commercial use, can have a weight range of 5,000 to 10,000 pounds or more, depending on their size and cargo capacity.

Under the proposed bill, nearly all electric vehicles would be subject to higher registration fees.

These weight ranges are general approximations, and specific models may have variations. Additionally, as technology advances, new materials and designs may help reduce the weight of EVs while maintaining their structural integrity.

Policy Issues: Gasoline taxes play a crucial role in funding transportation infrastructure, such as roads and bridges. However, electric vehicles, as they do not consume gasoline, do not contribute to gasoline tax revenue. As a result, policymakers have begun exploring alternative methods to generate revenue for the maintenance and improvement of transportation infrastructure. One such approach is the introduction of registration fees specifically for electric vehicles.

Registration fees play a crucial role in ensuring that all vehicles, regardless of their fuel source, contribute their fair share towards road maintenance. With the increasing number of electric vehicles entering the market, it is essential to establish a sustainable funding mechanism for maintaining roads and bridges. By implementing registration fees, the loss of gasoline tax revenue can be offset, helping to maintain the necessary funding for infrastructure maintenance.

Imposing higher registration fees on electric vehicles could discourage their adoption and hinder efforts to reduce greenhouse gas emissions. Some may contend that electric vehicles are already subject to other fees and taxes, such as sales taxes and electricity taxes, and imposing additional fees may disincentivize people from transitioning to cleaner transportation options. A higher registration fee for vehicles which promote clean energy use, may seem to contradict efforts for Executive Order 2019-003¹ on Climate Change and Waste Prevention.

HB 140 incentivizes the purchase of electric vehicles and plug-in electric hybrid vehicles by creating tax credits for those vehicles and their associated charging units. New Mexico has also recently adopted clean car rules that require vehicle manufacturers to deliver a certain percentage of electric vehicles to New Mexico in coming years. These efforts will increase New Mexico's share of electric vehicles and decrease combustion-powered vehicles, The need to find alternative sources of road funding will also increase.

Technical Issues: The definitions of “electric vehicle” and “plug-in hybrid vehicle” conflict with the definitions of these terms in HB 140, the “Clean Car tax credit” bill. In this bill, an “electric vehicle” is defined as having a capacity of 6 kilowatt hours (kwh) and a range of 40 miles, whereas in HB 140 those requirements are 25 kwh and 100 miles. For plug-in vehicles, the difference is that this bill requires a range of 40 miles whereas HB 140 requires only 30 miles. If both bills become law, confusion may result. Some vehicles might also be subject to both the credit and increased fees, while some would only be eligible for the credit, creating further distortions in the market for electric vehicles.

Other Issues: None.

¹ The key provisions of Executive Order 2019-003 include:

1. **Climate Change Task Force:** The order establishes a Climate Change Task Force to develop recommendations and strategies for mitigating climate change impacts in New Mexico. The task force consists of various state agency representatives, experts, and stakeholders who collaborate to develop policies and initiatives.
2. **Renewable Energy Portfolio Standards:** The order directs the New Mexico Energy, Minerals, and Natural Resources Department to propose an increase in the state's renewable energy portfolio standards (RPS). The RPS mandates that a certain percentage of electricity consumed in the state comes from renewable sources such as wind, solar, and geothermal energy.
3. **Methane Emissions Reduction:** The order calls for the development and implementation of regulations to reduce methane emissions from oil and gas operations in New Mexico. It aims to address methane leakage, a potent greenhouse gas, and promote responsible energy production.
4. **Energy Efficiency and Conservation:** The order emphasizes the importance of energy efficiency and conservation measures. It directs state agencies to prioritize energy efficiency projects, reduce energy waste, and promote energy-saving practices in government buildings and operations.
5. **Clean Energy Innovation Fund:** The order establishes the Clean Energy Innovation Fund to support research, development, and commercialization of clean energy technologies in New Mexico. The fund aims to accelerate the transition to a clean energy economy and attract investment in renewable energy projects.

Executive Order 2019-003 demonstrates Gov. Michelle Lujan Grisham's commitment to addressing climate change, promoting renewable energy, and reducing energy waste in New Mexico. The order establishes various initiatives and task forces to develop strategies and regulations that align with these objectives.

Administrative & Compliance Impact: Tax & Rev’s Administrative Services Division (ASD) anticipates this bill will take approximately 80 hours between 2 full-time equivalent (FTE) staff for testing, creating new reports and establishing new revenue distributions. This will result in \$4,600 in staff workload costs. Implementation of this bill will have a high impact on the Tax & Rev’s Information Technology Division (ITD). The estimated time to develop, test and implement the changes is approximately 920 hours or 6 months and approximately \$253,460, of which \$202,400 is contractual costs and \$51,060 is staff workload costs.

Estimated Additional Operating Budget Impact*				R or NR**	Fund(s) or Agency Affected
FY2024	FY2025	FY2026	3 Year Total Cost		
--	\$4.6	--	\$4.6	NR	Tax & Rev - ASD - operating
--	\$202	--	\$202	NR	Tax & Rev - ITD - contractual
--	\$51	--	\$51	NR	Tax & Rev - ITD – staff workload

* In thousands of dollars. Parentheses () indicate a cost saving. ** Recurring (R) or Non-Recurring (NR).