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FISCAL IMPACT REPORT

SPONSOR: HTRC DATE TYPED: 2/21/03 HB 70/HTRCS

SHORT TITLE: Alternative Fuel Vehicles SB _____

ANALYST: Smith

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(458.0)	(500.0)	Recurring	General Fund
	(104.0)	(117.0)	Recurring	State Road Fund
	(52.0)	(53.0)	Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Responses Received From

TRD
SHTD

SUMMARY

Synopsis of Bill

House Taxation and Revenue Committee Substitute for House Bill 70 provides a motor vehicle excise tax and registration fee exemption for dedicated alternative fuel and gas-electric hybrid vehicles. For the purpose of this proposal, "alternative fuel" means natural gas, liquefied petroleum gas, electricity, hydrogen or a fuel mixture containing not less than seventy and not more than eighty-five percent ethanol or methanol.

The proposal also specifies that alternative fuel and gas-electric hybrid vehicles are not subject to gross receipts or compensating taxes despite the motor vehicle excise tax exemption.

FISCAL IMPLICATIONS

TRD and SHTD relied on numbers provided by the Energy Information Administration of the U.S. Department of Energy that report there are approximately 5,600 exclusively alternative fueled vehicles in use in New Mexico. The number of gas-electric hybrids is unknown, but for the purpose of this estimate, is assumed to be approximately 350. Alternative fuel and gas-electric

hybrids account for less than one-half of one percent (.5%) of the more than 1.4 million passenger vehicles registered annually in the state. Further, some of these vehicles are owned by state agencies with large fleets of light-duty vehicles, such as State Highway and Transportation and General Services Departments. All vehicles owned by the state are already exempt from the motor vehicle excise tax and vehicle registration fees. The estimate assumes that qualified vehicles will represent 0.425% of taxable sales under the motor vehicle excise tax, and 0.425% of vehicle registration volume.

Motor vehicle excise tax collections are credited 100% to the general fund. Vehicle registration fees are distributed approximately 2/3 to the state road fund and 1/3 to local government road and general funds.

TECHNICAL ISSUES

- TRD notes that the definition of “alternative fuel” contained in this proposal is not consistent with the definition contained in the Alternative Fuel Tax Act (Section 7-16B NMSA 1978), which provides preferential fuel excise tax rates for alternative fuel buyers. For the purpose of this proposal, alternative fuel means “*natural gas, liquefied petroleum gas, electricity, hydrogen or a fuel mixture containing not less than seventy and not more than eighty-five percent ethanol or methanol.*” Pursuant to the Alternative Fuel Tax Act, alternative fuel means “*liquefied petroleum gas, compressed natural gas, liquefied natural gas, or a water-phased hydrocarbon fuel emulsion consisting of a hydrocarbon base and water in an amount not less than twenty percent by volume of the total water-phased fuel emulsion...*” This discrepancy may cause some confusion for taxpayers, motor vehicle division personnel, and fuel tax administrators
- A definition of “dedicated” should probably be included in the proposal. For example, the Energy Information Administration defines a dedicated alternative fuel vehicle as “*a vehicle designed to operate solely on one alternative fuel.*”
- Similarly a definition of “gas-electric hybrid” should probably be included in order to establish specific guidelines for motor vehicle personnel to identify vehicles qualifying for exemption.

OTHER SUBSTANTIVE ISSUES

- A federal income tax deduction of \$2,000 is available for purchase of a gas-electric hybrid vehicle in 2003, although the deduction phases down by \$500 per year over the following three years. The State of Colorado also provides significant state income tax credits for gas-electric hybrid vehicles.
- The state expects to collect \$117 million from the motor vehicle excise tax in fiscal year 2004. All motor vehicle excise tax collections are credited to the state general fund.

SM/yr