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FISCAL IMPACT REPORT

SPONSOR Trujillo/Griego **ORIGINAL DATE** 01/24/11
LAST UPDATED 02/01/11 **HB** 39/aHBIC

SHORT TITLE Plug-In Electric Car Tax Exemption **SB** _____

ANALYST Burrows

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY12	FY13	FY14		
(\$20.0)	(\$20.0)	(\$30.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Taxation and Revenue (TRD)

Department of Transportation (DOT)

New Mexico Environment Department (NMED)

SUMMARY

Synopsis of Amended Bill

House Bill 39 was amended to address all of the technical issues noted in the original synopsis. As amended, the bill reinstates the gross receipts and compensating tax exemptions for sales of vehicles for re-sale or re-lease. The bill also reinstates language that prevents the possibility of receiving more than one credit for the same expenditure, and provides definition of “qualified plug-in electric drive vehicle” under the Motor Vehicle Excise Tax Act that is consistent with the definition provided in the Alternative Energy Products Manufacturers Tax Credit Act. The title was amended to reflect these changes.

Synopsis of Original Bill

House Bill 39 allows a one-time exemption from the motor vehicle excise tax provided at the time of issuance of the original certificate of title for qualified plug-in electric drive vehicles. This exemption is available for vehicles acquired from July 1, 2011 through June 30, 2014. Sales

of plug-in electric vehicles would also be exempt from gross receipts (GRT) and compensating tax. As this section is drafted, it would also remove the GRT and compensating tax exemptions for sales of vehicles for re-sale or re-lease.

The Alternative Energy Product Manufacturers Tax Credit Act (“Credit Act”) is amended to include a qualified plug-in electric drive vehicle in its definition of an alternative energy vehicle. The definition of modified combined tax liability under the Credit Act is amended to exclude certain taxes that are collected on the same tax return with the GRT. Current language that reduces the tax liability against which the Credit Act applies for the amount of other tax credits is removed.

FISCAL IMPLICATIONS

According to the U.S. Energy Information Administration, an annual average of 1,400 new electric vehicles were sold in the U.S. during 2004 – 2008. Based on population, New Mexico’s share of this market would be less than 10 vehicles per year. Since a number of new models have been introduced recently, sales are likely to increase. The estimate assumes 20 qualified vehicles are sold in FY12 and that figure increases by 5 vehicles per year. The price per vehicle is estimated at \$32,000 (the current price of a Chevrolet Volt after tax savings). Although, this price could change as new models enter the market, it is not likely to shift dramatically. For comparison, the average MSRP of a hybrid gasoline-electric car is \$29,000. The figure below highlights the revenue impact at various quantities of total annual purchase.

Number of Vehicles Sold	Revenue Impact of Plug-In Electric Car Tax Exemption		
	FY12	FY13	FY14
20	(\$19,200)	(\$19,200)	(\$19,200)
30	(\$28,800)	(\$28,800)	(\$28,800)
50	(\$48,000)	(\$48,000)	(\$48,000)
100	(\$96,000)	(\$96,000)	(\$96,000)

Source: LFC Files

Note: estimated fiscal impacts assume the bill is amended to reinstate the GRT exemption for the sale of vehicles for re-sale or re-lease. Without that change, the bill would have a positive fiscal impact as a result of the double-taxation of vehicles for re-sale or re-lease (see Technical Issues).

No fiscal impact is assigned to the Alternative Energy Product Manufacturers Tax Credit Act amendments because no qualified activity is expected in the foreseeable future. However, the amendments could have negative fiscal impacts in future years.

SIGNIFICANT ISSUES

The federal government currently offers an income tax credit to purchasers of plug-in electric vehicles of \$2,500 to \$7,500 depending on the size of the car’s battery. A number of other states offer incentives of various kinds to purchasers of plug-in hybrids, including sales tax exemptions, reduced registration fees and in some cases cash rebates (see Attachment 1).

ADMINISTRATIVE IMPLICATIONS

The Motor Vehicle Division (MVD) will need a new code for this type of vehicle in order to track the exemption. Training of dealers and MVD staff will be needed to ensure that vehicles eligible for the exemption are correctly identified at time of title and registration.

TECHNICAL ISSUES

The removal of language on page 5, lines 2 thru 4, creates the possibility of a “double-dip” by allowing more than one credit to be claimed for the same expenditure.

In sections 1 and 2 (page 1, line 24 and page 2, line 8), the exemption in the GRT and Compensating tax law that currently refers to subsection 7-14-6(F) of the motor vehicle tax is changed to refer to Section 7-14-6(G). Section 7-14-6(F) refers to vehicles sold for subsequent re-sale or re-lease by the purchaser. This provision is important for tax policy reasons because it prevents double-taxation. To avoid eliminating this exemption, the language should be modified to retain the exemption for Section 7-14-6(F).

Also, the motor vehicle excise tax changes refer to a “qualified plug-in electric drive vehicle,” (page 3, line 3) but no definition of these terms is added to the motor vehicle excise tax act. The section could refer to the definition of the terms that is being added to the Alternative Energy Products Manufacturers Tax Credit Act. The title of House Bill 39 could be changed to clarify these changes.

OTHER SUBSTANTIVE ISSUES

The Environment Department states that tax credits for clean energy vehicles, such as those proposed in this bill, will decrease greenhouse gas, carbon monoxide and ozone precursor emissions from fossil-fueled vehicles. This would result in fewer requirements for other sources of these emissions in potential nonattainment areas.

The Environment Department’s Air Quality Bureau has a legislative performance measure to reduce annual statewide greenhouse gas emissions to a target level. House Bill 39 will assist in achieving these performance measures.

LKB/bym:mew

Electric Vehicle Incentives by State	
AZ	Lower licensing fees available for battery electric vehicles (BEVs). For plug-in hybrid electric vehicles (PHEV), eligibility depends on the extent to which the vehicle is powered by electricity.
FL	\$5,000 rebate for BEVs, \$3,000 for PHEVs, and \$1,500 for electric motorcycles and neighborhood electric vehicles (NEVs). Various utilities throughout the state also offer discounted rates for residential vehicle charging during off-peak hours. Carpool lane access available for BEVs; PHEV access pending in state legislature.
GA	Income tax credit totaling 75-85% of the cost premium for a BEV or PHEV purchase up to \$6,000. 20% rebate also available for EV charger installation.
HI	Considering exemption from state sales taxes.
IL	Excise tax exemption and reduced vehicle registration fees.
LA	EVs are exempt from most insurance surcharges. Limited PHEV conversion rebates of \$5,000 also available.
MA	Income tax credit for up to 20% of BEV cost (max. \$5,000) or 10% of conversion cost (max. \$2,500). PHEVs not included.
MT	Rebates up to 20% of the vehicle purchase price (max. \$4500/vehicle). Electric vehicle supply equipment (EVSE) rebates up to 30% of the charging equipment cost (to include installation costs; max. \$500/charger).
NE	Covers 80% of cost premium or conversion price, with maximum rebate of \$4,000.
NJ	Tax credit equaling 50% of cost premium for BEV/PHEV purchase, 50% of conversion cost, or a tax credit worth 10% of the cost of a new BEV/PHEV vehicle (max. \$3,000). This same credit also applies to charge station costs.
NY	Considering exemption from state sales taxes and excise taxes. Also considering carpool lane access.
OK	Credit only available for conversion costs. Maximum \$500 credit or 50% of conversion cost.
OR	BEVs and PHEVs qualify for Nebraska's Dollar and Energy Saving Loan Program. Maximum loan amount is \$150,000 per borrower, at an interest rate of 5% or less.
PA	Sales tax exemption for qualifying BEVs, not PHEVs. Rebates on BEV purchases also available for local governments.
SC	Considering exemption from state sales taxes and excise taxes. Also considering carpool lane access.
TX	Applies to either conversion cost or the cost premium of a new BEV purchase. For PHEVs, the credit is based on the portion of the vehicle attributable to propulsion by electricity. Credit also available for 75% of charge station cost.
TN	Credit of up to \$5,000 for conversion or purchase costs (PHEV only). Up to \$1,500 for purchase of or conversion to BEV.
UT	Considering exemption from state sales taxes.
WA	Income tax credit equaling 20% of federal credits for PHEVs and BEVs. Additional legislation pending.
CA	Considering sales tax exemption and income tax credits.
CO	Offering \$2,500 rebate for first 1,000 vehicles sold in state.
CT	Up to \$750 credit for BEV and PHEV purchases and up to \$2,500 credit for conversions.
DC	BEVs are exempt from 6.5% sales tax and PHEVs exempt from the motor vehicle sales tax of 0.3%. Tax exemptions also apply to charge station parts and labor costs.

Source: www.pluginamerica.org