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HOUSE BILL 512

52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015

INTRODUCED BY

David M. Gallegos

AN ACT

RELATING TO TAXATION; PROVIDING TAX DEDUCTIONS AND CREDITS FOR
NATURAL GAS MOTOR VEHICLES; EXEMPTING NATURAL GAS MOTOR
VEHICLES FROM THE MOTOR VEHICLE EXCISE TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. A new section of the Gross Receipts and
Compensating Tax Act is enacted to read:

"[NEW MATERIAL] DEDUCTION--GROSS RECEIPTS TAX AND
COMPENSATING TAX--NATURAL GAS MOTOR VEHICLE EQUIPMENT AND
INSTALLATION.--

A. From January 1, 2016 through December 31, 2022,
receipts from the sale and installation of qualified natural
gas motor vehicle equipment may be deducted from gross
receipts, and the value of qualified natural gas motor vehicle
equipment used in New Mexico may be deducted in computing the

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1 compensating tax due.

2 B. The purpose of the deduction on the sale and
3 installation of natural gas motor vehicle equipment is to
4 address a concern for the environment, improve air quality,
5 reduce dependence on volatile sources of foreign oil and
6 enhance the state's economic base by promoting the use of and
7 network for the state's abundant supply of natural gas.

8 C. To be eligible for the deduction on installation
9 of qualified natural gas motor vehicle equipment from gross
10 receipts, the equipment shall be installed by a technician who
11 is:

12 (1) certified or approved by the equipment
13 manufacturer; and

14 (2) licensed in New Mexico to modify a motor
15 vehicle that is propelled by gasoline or diesel fuel so that a
16 motor vehicle may be propelled by natural gas fuel.

17 D. A taxpayer allowed a deduction pursuant to this
18 section shall report the amount of the deduction separately in
19 a manner required by the department.

20 E. The department shall compile an annual report on
21 the deductions provided in this section that shall include the
22 number of taxpayers that claimed the deductions, the number of
23 vehicles for which the deductions were claimed, the aggregate
24 amount of deductions claimed and any other information
25 necessary to evaluate the effectiveness of the deductions.

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1 Beginning in 2018 and every two years thereafter that the
2 deductions are in effect, the department shall compile and
3 present the annual report to the revenue stabilization and tax
4 policy committee and the legislative finance committee with an
5 analysis of the cost and benefit to the state of the
6 deductions.

7 F. For the purposes of this section:

8 (1) "emissions benefits" means benefits that
9 are created when natural gas fuel is used in qualified natural
10 gas motor vehicle equipment that meets federal clean air
11 standards or is otherwise shown to emit oxides of nitrogen,
12 volatile organic compounds, carbon monoxide, particulates or
13 any combination of these at a lower level than for gasoline or
14 diesel fuel used in a comparable vehicle or engine;

15 (2) "natural gas fuel" means compressed,
16 liquefied or renewable natural gas; and

17 (3) "qualified natural gas motor vehicle
18 equipment" means fuel systems that are installed on a motor
19 vehicle with a gross vehicle weight of more than fourteen
20 thousand pounds, provide emissions benefits and are certified
21 by the United States environmental protection agency and
22 associated component parts necessary for a:

23 (a) dedicated motor vehicle to operate
24 exclusively on natural gas fuel;

25 (b) bi-fuel motor vehicle to operate on

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1 natural gas fuel for a minimum distance of one hundred miles
2 without refilling; or

3 (c) dual fuel motor vehicle to operate
4 on a mixture of natural gas fuel and gasoline or natural gas
5 fuel and diesel fuel if natural gas fuel provides a minimum of
6 fifty-five percent of the power required for the vehicle."

7 SECTION 2. Section 7-14-6 NMSA 1978 (being Laws 1988,
8 Chapter 73, Section 16, as amended) is amended to read:

9 "7-14-6. EXEMPTIONS FROM TAX.--

10 A. A person who acquires a vehicle out of state
11 thirty or more days before establishing a domicile in this
12 state is exempt from the tax if the vehicle was acquired for
13 personal use.

14 B. A person applying for a certificate of title for
15 a vehicle registered in another state is exempt from the tax if
16 the person has previously registered and titled the vehicle in
17 New Mexico and has owned the vehicle continuously since that
18 time.

19 C. A vehicle with a certificate of title owned by
20 this state or any political subdivision is exempt from the tax.

21 D. A person is exempt from the tax if the person
22 has a disability at the time the person purchases a vehicle and
23 can prove to the motor vehicle division of the department or
24 its agent that modifications have been made to the vehicle that
25 are:

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- 1 (1) due to that person's disability; and
2 (2) necessary to enable that person to drive
3 that vehicle or be transported in that vehicle.

4 E. A person is exempt from the tax if the person is
5 a bona fide resident of New Mexico who served in the armed
6 forces of the United States and who suffered, while serving in
7 the armed forces or from a service-connected cause, the loss or
8 complete and total loss of use of:

- 9 (1) one or both legs at or above the ankle; or
10 (2) one or both arms at or above the wrist.

11 F. A person ~~[who]~~ is exempt from the tax if:

12 (1) the person acquires a vehicle for
13 subsequent lease ~~[shall be exempt from the tax if: (1)]~~ and:

14 (a) the person does not use the vehicle
15 in any manner other than holding it for lease or sale or
16 leasing or selling it in the ordinary course of business;

17 ~~[(2)]~~ (b) the lease is for a term of
18 more than six months;

19 ~~[(3)]~~ (c) the receipts from the
20 subsequent lease are subject to the gross receipts tax; and

21 ~~[(4)]~~ (d) the vehicle does not have a
22 gross vehicle weight of over twenty-six thousand pounds

23 ~~[G. from July 1, 2004 through June 30, 2009,~~
24 ~~vehicles that are gasoline-electric hybrid vehicles with a~~
25 ~~United States environmental protection agency fuel economy~~

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1 ~~rating of at least twenty-seven and one-half miles per gallon~~
2 ~~are eligible for a one-time exemption from the tax at the time~~
3 ~~of the issuance of the original certificate of title for the~~
4 ~~vehicle]; or~~

5 (2) from January 1, 2016 through December 31,
6 2022, the person purchases a new vehicle with a gross vehicle
7 weight of more than fourteen thousand pounds that is produced
8 or authorized by the original equipment manufacturer and
9 certified by the United States environmental protection agency
10 to operate on natural gas fuel with emissions benefits.

11 G. For the purposes of this section:

12 (1) "emissions benefits" means benefits that
13 are created when natural gas fuel is used in a motor vehicle
14 that uses natural gas fuel for power and that meets federal
15 clean air standards or is otherwise shown to emit oxides of
16 nitrogen, volatile organic compounds, carbon monoxide,
17 particulates or any combination of these at a lower level than
18 for gasoline or diesel fuel used in a comparable vehicle or
19 engine; and

20 (2) "natural gas fuel" means a compressed,
21 liquefied or renewable natural gas."

22 SECTION 3. A new section of the Income Tax Act is enacted
23 to read:

24 "[NEW MATERIAL] NATURAL GAS VEHICLE INCOME TAX CREDIT.--

25 A. Prior to January 1, 2023, a taxpayer who is not

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1 a dependent of another taxpayer may apply for, and the
2 department may allow, a credit against the taxpayer's liability
3 imposed pursuant to the Income Tax Act if the taxpayer:

4 (1) purchases or leases a natural gas motor
5 vehicle or purchases and has installed qualified natural gas
6 motor vehicle equipment; or

7 (2) sells or leases a natural gas motor
8 vehicle, or sells qualified natural gas motor vehicle equipment
9 or the installation of that equipment, to a person who is not a
10 taxpayer.

11 B. The tax credit provided in this section may be
12 referred to as the "natural gas vehicle income tax credit".
13 The purpose of the natural gas vehicle income tax credit is to
14 address a concern for the environment, improve air quality,
15 reduce dependence on volatile sources of foreign oil and
16 enhance the state's economic base by promoting the use of and
17 network for the state's abundant supply of natural gas.

18 C. The natural gas vehicle income tax credit may be
19 claimed once per vehicle identification number in the amount,
20 per vehicle, of:

21 (1) fifty-five percent of the cost of
22 qualified natural gas motor vehicle equipment; provided that
23 the credit shall not exceed:

24 (a) six thousand dollars (\$6,000) for a
25 light duty passenger motor vehicle with a gross vehicle weight

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1 of not more than fourteen thousand pounds;

2 (b) seven thousand five hundred dollars
3 (\$7,500) for a light duty truck with a gross vehicle weight of
4 not more than fourteen thousand pounds;

5 (c) fifteen thousand dollars (\$15,000)
6 for a light-to-medium heavy duty vehicle with a gross vehicle
7 weight of more than fourteen thousand pounds but not more than
8 twenty-six thousand pounds; and

9 (d) twenty-five thousand dollars
10 (\$25,000) for a heavy duty vehicle with a gross vehicle weight
11 of more than twenty-six thousand pounds; or

12 (2) if the cost of qualified natural gas motor
13 vehicle equipment installed as part of a new natural gas motor
14 vehicle by the original equipment manufacturer or its
15 authorized modifier cannot be reasonably determined by the
16 department, eighteen percent of the cost of a purchase of the
17 new natural gas motor vehicle; provided that the amount shall
18 not exceed:

19 (a) six thousand dollars (\$6,000) for a
20 light duty passenger vehicle with a gross vehicle weight of not
21 more than fourteen thousands pounds;

22 (b) seven thousand five hundred dollars
23 (\$7,500) for a light duty truck with a gross vehicle weight of
24 not more than fourteen thousand pounds;

25 (c) fifteen thousand dollars (\$15,000)

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1 for a light-to-medium heavy duty vehicle with a gross vehicle
2 weight of more than fourteen thousand pounds but not more than
3 twenty-six thousand pounds; and

4 (d) twenty-five thousand dollars
5 (\$25,000) for a heavy duty vehicle with a gross vehicle weight
6 of more than twenty-six thousand pounds.

7 D. Subject to the limitation in Subsection G of
8 this section, a taxpayer may claim the natural gas vehicle
9 income tax credit for the taxable year in which the taxpayer
10 makes one or more qualified purchases or leases; provided that
11 the amount of the tax credit does not exceed five hundred
12 thousand dollars (\$500,000) per taxable year. To receive a tax
13 credit, a taxpayer shall apply to the department on forms and
14 in the manner prescribed by the department. The completed
15 application shall include a certification made pursuant to
16 Subsection E of this section.

17 E. The energy, minerals and natural resources
18 department shall promulgate rules for the issuance of a
19 certificate of eligibility for the purposes of claiming a
20 natural gas vehicle income tax credit. A taxpayer may request
21 a certificate of eligibility from the energy, minerals and
22 natural resources department to provide to the taxation and
23 revenue department to establish eligibility for a tax credit.
24 If the energy, minerals and natural resources department
25 determines that the taxpayer meets the requirements of this

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1 section, it shall issue the certificate to the taxpayer, which
2 shall include a calculation of the maximum amount of tax credit
3 for which the taxpayer would be eligible.

4 F. If the natural gas vehicle income tax credit
5 exceeds the taxpayer's income tax liability, the excess shall
6 be refunded to the taxpayer.

7 G. The maximum aggregate amount of natural gas
8 vehicle income tax credits and natural gas vehicle corporate
9 income tax credits that may be allowed in a year is:

10 (1) for calendar year 2016, two million five
11 hundred thousand dollars (\$2,500,000);

12 (2) for calendar year 2017, three million five
13 hundred thousand dollars (\$3,500,000);

14 (3) for calendar year 2018, four million five
15 hundred thousand dollars (\$4,500,000); and

16 (4) for calendar years 2019 through 2022, five
17 million five hundred thousand dollars (\$5,500,000).

18 H. The taxation and revenue department shall allow
19 a natural gas vehicle income tax credit only for a purchase
20 certified by the energy, minerals and natural resources
21 department. Completed applications for the tax credit shall be
22 considered in the order received by the taxation and revenue
23 department.

24 I. Married individuals filing separate returns for
25 a taxable year for which they could have filed a joint return

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1 may each claim only one-half of the natural gas vehicle income
2 tax credit that would have been claimed on a joint return.

3 J. A taxpayer may be allocated the right to claim a
4 natural gas vehicle income tax credit in proportion to the
5 taxpayer's ownership interest if the taxpayer owns an interest
6 in a business entity that is taxed for federal income tax
7 purposes as a partnership and that business entity has met all
8 of the requirements to be eligible for the tax credit. The
9 total tax credit claimed by all members of the partnership or
10 limited liability company shall not exceed the allowable tax
11 credit pursuant to Subsection C of this section.

12 K. A taxpayer allowed a natural gas vehicle income
13 tax credit shall report the amount of the tax credit to the
14 department in a manner required by the department.

15 L. The department shall compile an annual report on
16 the natural gas vehicle income tax credit that shall include
17 the number of taxpayers approved by the department to receive
18 the tax credit, the aggregate amount of tax credits approved
19 and any other information necessary to evaluate the
20 effectiveness of the tax credit. Beginning in 2018 and every
21 five years thereafter that the tax credit is in effect, the
22 department shall compile and present the annual reports to the
23 revenue stabilization and tax policy committee and the
24 legislative finance committee, with an analysis of the
25 effectiveness and cost of the tax credit and of whether the tax

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1 credit is performing the purpose for which it was created.

2 M. As used in this section:

3 (1) "cost of qualified natural gas motor
4 vehicle equipment" means the retail cost paid by the:

5 (a) purchaser or lessee for a new
6 natural gas motor vehicle produced or authorized by the
7 original equipment manufacturer, for the portion of the vehicle
8 that is qualified natural gas motor vehicle equipment; or

9 (b) owner of a motor vehicle for the
10 conversion of the vehicle to operate on natural gas fuel, which
11 includes the purchase of qualified natural gas motor vehicle
12 equipment and the installation of that equipment by a
13 technician who is: 1) certified or approved by the equipment
14 manufacturer; and 2) licensed in New Mexico to modify a motor
15 vehicle that is propelled by gasoline or diesel fuel so that
16 the motor vehicle may be propelled by natural gas fuel;

17 (2) "emissions benefits" means benefits that
18 are created when natural gas fuel is used in qualified natural
19 gas motor vehicle equipment that meets federal clean air
20 standards or is otherwise shown to emit oxides of nitrogen,
21 volatile organic compounds, carbon monoxide, particulates or
22 any combination of these at a lower level than for gasoline or
23 diesel fuel used in a comparable vehicle or engine;

24 (3) "natural gas fuel" means compressed,
25 liquefied or renewable natural gas;

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1 (4) "natural gas motor vehicle" means a new or
2 converted motor vehicle registered in New Mexico or registered
3 under the international registration plan and base plated in
4 New Mexico with qualified natural gas motor vehicle equipment
5 certified by the United States environmental protection agency
6 to allow the vehicle to operate on natural gas fuel; and

7 (5) "qualified natural gas motor vehicle
8 equipment" means fuel systems that provide emissions benefits
9 and are certified by the United States environmental protection
10 agency and associated component parts necessary for a:

11 (a) dedicated motor vehicle to operate
12 exclusively on natural gas fuel;

13 (b) bi-fuel motor vehicle to operate on
14 natural gas fuel for a minimum distance of one hundred miles
15 without refilling; or

16 (c) dual fuel motor vehicle to operate
17 on a mixture of natural gas fuel and gasoline or natural gas
18 fuel and diesel fuel if natural gas fuel provides a minimum of
19 fifty-five percent of the power required for the vehicle."

20 SECTION 4. A new section of the Corporate Income and
21 Franchise Tax Act is enacted to read:

22 "[NEW MATERIAL] NATURAL GAS VEHICLE CORPORATE INCOME TAX
23 CREDIT.--

24 A. Prior to January 1, 2023, a taxpayer may apply
25 for, and the department may allow, a credit against the

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1 taxpayer's liability imposed pursuant to the Corporate Income
2 and Franchise Tax Act if the taxpayer:

3 (1) purchases or leases a natural gas motor
4 vehicle or purchases and has installed qualified natural gas
5 motor vehicle equipment; or

6 (2) sells or leases a natural gas motor
7 vehicle, or sells qualified natural gas motor vehicle equipment
8 or the installation of that equipment, to a person that is not
9 a taxpayer.

10 B. The tax credit provided in this section may be
11 referred to as the "natural gas vehicle corporate income tax
12 credit". The purpose of the natural gas vehicle corporate
13 income tax credit is to address a concern for the environment,
14 improve air quality, reduce dependence on volatile sources of
15 foreign oil and enhance the state's economic base by promoting
16 the use of and network for the state's abundant supply of
17 natural gas.

18 C. The natural gas vehicle corporate income tax
19 credit may be claimed once per vehicle identification number in
20 the amount, per vehicle, of:

21 (1) fifty-five percent of the cost of
22 qualified natural gas motor vehicle equipment; provided that
23 the credit shall not exceed:

24 (a) six thousand dollars (\$6,000) for a
25 light duty passenger motor vehicle with a gross vehicle weight

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1 of not more than fourteen thousand pounds;

2 (b) seven thousand five hundred dollars
3 (\$7,500) for a light duty truck with a gross vehicle weight of
4 not more than fourteen thousand pounds;

5 (c) fifteen thousand dollars (\$15,000)
6 for a light-to-medium heavy duty vehicle with a gross vehicle
7 weight of more than fourteen thousand pounds but not more than
8 twenty-six thousand pounds; and

9 (d) twenty-five thousand dollars
10 (\$25,000) for a heavy duty vehicle with a gross vehicle weight
11 of more than twenty-six thousand pounds; or

12 (2) if the cost of qualified natural gas motor
13 vehicle equipment installed as part of a new natural gas motor
14 vehicle by the original equipment manufacturer or its
15 authorized modifier cannot be reasonably determined by the
16 department, eighteen percent of the cost of a purchase of the
17 new natural gas motor vehicle; provided that the amount shall
18 not exceed:

19 (a) six thousand dollars (\$6,000) for a
20 light duty passenger vehicle with a gross vehicle weight of not
21 more than fourteen thousands pounds;

22 (b) seven thousand five hundred dollars
23 (\$7,500) for a light duty truck with a gross vehicle weight of
24 not more than fourteen thousand pounds;

25 (c) fifteen thousand dollars (\$15,000)

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1 for a light-to-medium heavy duty vehicle with a gross vehicle
2 weight of more than fourteen thousand pounds but not more than
3 twenty-six thousand pounds; and

4 (d) twenty-five thousand dollars
5 (\$25,000) for a heavy duty vehicle with a gross vehicle weight
6 of more than twenty-six thousand pounds.

7 D. Subject to the limitation in Subsection G of
8 this section, a taxpayer may claim the natural gas vehicle
9 corporate income tax credit for the taxable year in which the
10 taxpayer makes one or more qualified purchases or leases;
11 provided that the amount of the tax credit does not exceed five
12 hundred thousand dollars (\$500,000) per taxable year. To
13 receive a tax credit, a taxpayer shall apply to the department
14 on forms and in the manner prescribed by the department. The
15 completed application shall include a certification made
16 pursuant to Subsection E of this section.

17 E. The energy, minerals and natural resources
18 department shall promulgate rules for the issuance of a
19 certificate of eligibility for the purposes of claiming a
20 natural gas vehicle corporate income tax credit. A taxpayer
21 may request a certificate of eligibility from the energy,
22 minerals and natural resources department to provide to the
23 taxation and revenue department to establish eligibility for a
24 tax credit. If the energy, minerals and natural resources
25 department determines that the taxpayer meets the requirements

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1 of this section, it shall issue the certificate to the
2 taxpayer, which shall include a calculation of the maximum
3 amount of tax credit for which the taxpayer would be eligible.

4 F. If the natural gas vehicle corporate income tax
5 credit exceeds the taxpayer's corporate income tax liability,
6 the excess shall be refunded to the taxpayer.

7 G. The maximum aggregate amount of natural gas
8 vehicle income tax credits and natural gas vehicle corporate
9 income tax credits that may be allowed in any fiscal year is:

10 (1) for calendar year 2016, two million five
11 hundred thousand dollars (\$2,500,000);

12 (2) for calendar year 2017, three million five
13 hundred thousand dollars (\$3,500,000);

14 (3) for calendar year 2018, four million five
15 hundred thousand dollars (\$4,500,000); and

16 (4) for calendar years 2019 through 2022, five
17 million five hundred thousand dollars (\$5,500,000).

18 H. The taxation and revenue department shall allow
19 a natural gas vehicle corporate income tax credit only for a
20 purchase certified by the energy, minerals and natural
21 resources department. Completed applications for the tax
22 credit shall be considered in the order received by the
23 taxation and revenue department.

24 I. A taxpayer allowed a natural gas vehicle
25 corporate income tax credit shall report the amount of the tax

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1 credit to the department in a manner required by the
2 department.

3 J. The department shall compile an annual report on
4 the natural gas vehicle corporate income tax credit that shall
5 include the number of taxpayers approved by the department to
6 receive the tax credit, the aggregate amount of tax credits
7 approved and any other information necessary to evaluate the
8 effectiveness of the tax credit. Beginning in 2018 and every
9 five years thereafter that the tax credit is in effect, the
10 department shall compile and present the annual reports to the
11 revenue stabilization and tax policy committee and the
12 legislative finance committee, with an analysis of the
13 effectiveness and cost of the tax credit and of whether the tax
14 credit is performing the purpose for which it was created.

15 K. As used in this section:

16 (1) "cost of qualified natural gas motor
17 vehicle equipment" means the retail cost paid by the:

18 (a) purchaser or lessee for a new
19 natural gas motor vehicle produced or authorized by the
20 original equipment manufacturer, for the portion of the vehicle
21 that is qualified natural gas motor vehicle equipment; or

22 (b) owner of a motor vehicle for the
23 conversion of the vehicle to operate on natural gas fuel, which
24 includes the purchase of qualified natural gas motor vehicle
25 equipment and the installation of that equipment by a

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1 technician who is: 1) certified or approved by the equipment
2 manufacturer; and 2) licensed in New Mexico to modify a motor
3 vehicle that is propelled by gasoline or diesel fuel so that
4 the motor vehicle may be propelled by natural gas fuel;

5 (2) "emissions benefits" means benefits that
6 are created when natural gas fuel is used in qualified natural
7 gas motor vehicle equipment that meets federal clean air
8 standards or is otherwise shown to emit oxides of nitrogen,
9 volatile organic compounds, carbon monoxide, particulates or
10 any combination of these at a lower level than for gasoline or
11 diesel fuel used in a comparable vehicle or engine;

12 (3) "natural gas fuel" means compressed,
13 liquefied or renewable natural gas;

14 (4) "natural gas motor vehicle" means a new or
15 converted motor vehicle registered in New Mexico or registered
16 under the international registration plan and base plated in
17 New Mexico with qualified natural gas motor vehicle equipment
18 certified by the United States environmental protection agency
19 to allow the vehicle to operate on natural gas fuel; and

20 (5) "qualified natural gas motor vehicle
21 equipment" means fuel systems that provide emissions benefits
22 and are certified by the United States environmental protection
23 agency and associated component parts necessary for a:

24 (a) dedicated motor vehicle to operate
25 exclusively on natural gas fuel;

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(b) bi-fuel motor vehicle to operate on natural gas fuel for a minimum distance of one hundred miles without refilling; or

(c) dual fuel motor vehicle to operate on a mixture of natural gas fuel and gasoline or natural gas fuel and diesel fuel if natural gas fuel provides a minimum of fifty-five percent of the power required for the vehicle."

SECTION 5. APPLICABILITY.--The provisions of Sections 3 and 4 of this act apply to taxable years beginning on or after January 1, 2015.

SECTION 6. EFFECTIVE DATE.--The effective date of the provisions of this act is January 1, 2016.