

**BILL ANALYSIS AND FISCAL IMPACT REPORT**  
**Taxation and Revenue Department**

**January 22, 2024**

**Bill:** HB-140

**Sponsor:** Representative Dayan Hochman-Vigil

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

**Description:** This bill creates four tax credits to incentivize clean car purchases and clean car charging units.

- **Section 1 and 3:** Section 1 creates the “Clean Car Income Tax Credit” and Section 3 creates the “Clean Car Corporate Income Tax Credit”.

These credits are effective January 1, 2024, through December 31, 2029. The credits are for a taxpayer that purchases, or enters a new lease of at least three years for, an electric vehicle, plug-in hybrid electric vehicle, or fuel cell vehicle with a purchase price of \$55,000 or less from a dealer licensed by the Motor Vehicle Division (MVD) of the Taxation and Revenue Department (Tax & Rev) or by a tribal government in New Mexico. For a previously owned vehicle that qualifies, the vehicle must be a model year that is at least two years prior to the calendar year that the vehicle is purchased or leased, and it must have a purchase price of \$25,000 or less from a dealer licensed by MVD of Tax & Rev or a tribal government in New Mexico. The individual will apply with the Energy, Minerals, and Natural Resources Department (EMNRD); if certified for the credit, the taxpayer will claim the credit from Tax & Rev. This credit is limited to one credit per tax year per taxpayer. The applicant must apply for this credit within one year of the date of purchase or the date the lease was entered into.

The amount of the credit does phase out the amount for different taxable years as follows:

Type of Vehicle	TY 2024 – TY 2026	TY-2027	TY 2028	TY 2029
New electric vehicle	\$3,000	\$2,220	\$1,470	\$960
New plug-in hybrid electric vehicle or fuel cell vehicle	\$2,000	\$1,480	\$980	\$640
Previously owned electric vehicle	\$1,500	\$1,100	\$737	\$480
Previously owned plug-in hybrid electric vehicle or fuel cell vehicle.	\$1,000	\$740	\$490	\$320

If approved and issued a certification of eligibility from EMNRD, the taxpayer can claim the credit with Tax & Rev on their personal income tax, fiduciary income tax, or corporate income tax return within three years of certification of the credit. Any amount of the credit that is over their tax liability shall be refunded to the taxpayer. This credit can also be to another taxpayer for the full value of the credit. Notification must be sent in electronic format to the Tax & Rev within 10 days of the transfer.

- **Section 2 and 4:** Section 2 creates the “clean car charging unit income tax credit” and Section 4 of this bill creates the “clean car charging unit corporate income tax credit”.

These credits are effective January 1, 2024, through December 31, 2029. These credits are for taxpayers that purchase and install an electric vehicle charging unit or fuel cell charging unit in New Mexico. For a direct current fast charger or fuel cell charging unit, the credit shall not

exceed \$25,000 or the cost to purchase and install, whichever is less. For all other charging units, the credit shall not exceed \$400 or the cost to purchase and install, whichever is less. The individual will apply with the Energy, Minerals, and Natural Resources Department (EMNRD); if approved for the credit the taxpayer will be issued a certification of eligibility. This credit is limited to one credit per taxable year per taxpayer. The applicant must apply for this credit within one year of the date of purchase. A taxpayer who claims the sustainable building credit for expenses of purchasing or installing a clean car charging unit is not eligible to claim this credit to prevent stacking of these two credits.

If approved and issued a certification of eligibility from EMNRD, the taxpayer can claim the credit with Tax & Rev on their personal income tax, fiduciary income tax, or corporate income tax return within 3 years of certification of the credit. Any amount of the credit that is over their tax liability shall be refunded to the taxpayer. This credit can also transferred to another taxpayer for the full value of the credit. Notification must be sent in electronic format to the Tax & Rev within 10 days of the transfer.

**Effective Date:** January 1, 2024; Applicable to taxable years beginning on or after January 1, 2024. Sections 1 through 4 of the act are repealed effective January 1, 2031.

**Taxation and Revenue Department Analyst:** Asif Rasool

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2024	FY2025	FY2026	FY2027	FY2028		
--	(\$27,000)	(\$41,000)	(\$45,000)	(\$45,000)	R	General Fund

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

**Methodology for Estimated Revenue Impact:**

- **Estimation of the revenue impact of electric vehicles tax credit**

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 57%, surpassing the national average of 44%. Plugged-in hybrids (PHEV) also showed strong growth, with an average year-to-year increase of 38%, compared to the national average of 21% <sup>1</sup>.

The estimation of the revenue impact of the two types of vehicles proposed in the bill involves separate calculations. These calculations are then aggregated to understand the total revenue impact. Tax & Rev 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. Note that we would normally expect to see this growth decline or moderate; the continued 57% growth includes the potential stimulative effect on the market of the proposed credits. New Mexico's EV market is still far from reaching maturity. Tax and Rev believe that it will continue its remarkable growth, aided by the tax credit proposed in the bill, for the next five years. The fiscal impact 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.

<sup>1</sup> Alternative Fuels Data Center: Vehicle Registration Counts by State. <https://afdc.energy.gov/vehicle-registration?year=2020> (accessed 2023-10-30).

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<sup>2</sup>. Furthermore, in 2023, Tesla vehicles 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<sup>3</sup>. Multiple reports indicate that Tesla currently dominates the EV market and is expected to further expand its market share in the next decade<sup>4</sup>. 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<sup>5</sup>, 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. To assess the fiscal impact of the PHEV tax credit, Tax and Rev have assumed that the number of PHEVs will continue to grow at an annual rate of 26% until 2028; this assumption includes the effect on the market of the proposed credits.

After calculating the revenue impact of both types of clean car tax credits, an aggregation was performed to estimate the overall fiscal impact resulting from the clean car credits.

- **Estimation of the revenue impact of electric vehicles charging unit (EVCU) tax credit**

The EV-charging infrastructure market is projected to be worth \$150.2 billion by 2030<sup>6</sup>. Of that \$150.2 billion in global revenue, 72% – or \$108.14 billion – will have stemmed exclusively from the DC fast-charging sector<sup>7</sup>. Acquiring DC charging equipment requires a high investment, today on average, somewhere between \$80,000 and \$180,000 (excluding installation costs)<sup>8</sup>. In the long run, however, DC fast-charging stations could yield sizeable, long-reaching returns<sup>9</sup>. Currently, the EV-charging infrastructure industry is dominated by players with direct experience and expertise in the technology. These include charge point operators (CPOs) and owners, e-mobility service providers (EMSPs)<sup>10</sup>, original equipment manufacturers (OEMs), and utility and energy companies. Tax & Rev has found that the DC-Fast charging market in the United States is exhibiting a robust annual growth rate of 28%. Tax & Rev has assumed that the DC-Fast charging station in New Mexico will align with the national average growth rate over the course of the next decade. Furthermore, an additional assumption has been made that each year's cohort of newly registered electric vehicle (EV) or plug-in hybrid electric vehicle (PHEV)

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<sup>2</sup> Tesla Sales by State [Updated May 2023]. <https://worldpopulationreview.com/state-rankings/tesla-sales-by-state> (accessed 2023-11-01).

<sup>3</sup> Lambert, F. Tesla still owns the US EV market but is losing market share, shows new data. Electrek.

<https://electrek.co/2022/11/29/tesla-owns-us-ev-market-but-losing-market-shares-data/> (accessed 2023-11-01).

<sup>4</sup> Lu, M. Visualizing EV Production in the U.S. by Brand. Visual Capitalist. <https://www.visualcapitalist.com/ev-production-by-brand-united-states/> (accessed 2023-11-02).

<sup>5</sup> Plug-in hybrids gain ground in the U.S. after losing favor to electric cars. M21. <https://mobility21.cmu.edu/plug-in-hybrids-gain-ground-in-u-s-after-losing-favor-to-electric-cars/> (accessed 2023-11-02).

<sup>6</sup> EV Charging Infrastructure Market Worth US\$ 150.20 Billion by 2030 | AltEnergyMag.

<https://www.altenergymag.com/content.php?post=35378> (accessed 2023-10-31).

<sup>7</sup> The current state of the DC fast-charging market | EVBox. <https://blog.evbox.com/state-of-dc-market> (accessed 2023-10-31).

<sup>8</sup> EV fast charging: How to build and sustain competitive differentiation | McKinsey.

<https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/ev-fast-charging-how-to-build-and-sustain-competitive-differentiation> (accessed 2023-10-31).

<sup>9</sup> Bousoo, R.; Bousoo, R. For BP, Car Chargers to Overtake Pumps in Profitability Race. Reuters. January 14, 2022.

<https://www.reuters.com/business/energy/bp-car-chargers-overtake-pumps-profitability-race-2022-01-14/> (accessed 2023-10-31).

<sup>10</sup> EV fast charging: How to build and sustain competitive differentiation | McKinsey.

<https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/ev-fast-charging-how-to-build-and-sustain-competitive-differentiation> (accessed 2023-10-31).

owners will take advantage of the proposed \$400 tax credit outlined in the bill, specifically intended for the purpose of upgrading or acquiring new home charging units. In other words, the \$400 credit is not being claimed by existing owners in subsequent years

## **Policy Issues:**

- **Executive Order 2019-003 & the proposed bill HB140: Clean Car Income Tax Credit**

Executive Order 2019-003, titled "Addressing Climate Change and Energy Waste Reduction," was issued by Gov. Michelle Luján Grisham on January 29, 2019. The order focuses on addressing climate change, promoting renewable energy, and reducing energy waste in the state of New Mexico.

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 Luján 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.

Executive Order 2019-003's focus on addressing climate change and promoting renewable energy aligns with the positive impact of using clean cars. Clean cars have the potential to contribute significantly to reducing greenhouse gas emissions and improving air quality. Specifically:

1. **Climate Change Mitigation:** By prioritizing measures to mitigate climate change, the executive order supports the adoption of electric vehicles. EVs produce zero tailpipe emissions, reducing the carbon footprint associated with transportation. By transitioning from internal combustion engine vehicles to electric vehicles, New Mexico can reduce its overall greenhouse gas emissions and contribute to global efforts to combat climate change.

2. **Renewable Energy Promotion:** The executive order emphasizes the promotion of renewable energy sources, such as wind and solar power. Electric vehicles can act as a key component of renewable energy integration, as they can be charged using electricity generated from renewable sources. By encouraging the adoption of electric vehicles alongside renewable energy development, New Mexico can create a more sustainable transportation sector.
3. **Air Quality Improvement:** Electric vehicles produce zero tailpipe emissions, meaning they do not contribute to local air pollution. This aligns with the executive order's aim to reduce energy waste and promote clean energy technologies. By increasing the adoption of electric vehicles, New Mexico can improve air quality and public health by reducing harmful pollutants emitted from traditional gasoline-powered vehicles.
4. **Energy Efficiency:** The executive order emphasizes energy efficiency and conservation. Electric vehicles are generally more energy-efficient compared to internal combustion engine vehicles. EVs convert a higher percentage of the energy stored in their batteries into actual movement, resulting in reduced energy waste. By encouraging the use of electric vehicles, New Mexico can contribute to energy efficiency goals outlined in the executive order.

**Technical Issues:** None.

**Administrative & Compliance Impact:** Tax & Rev will make updates to forms, instructions, and publications. These changes will be included in the annual tax year changes.

Tax & Rev's Administrative Services Division (ASD) will test credit sourcing and perform other systems testing. It is anticipated this work will take approximately 160 hours split between 2 Full-Time Equivalent (FTE) of a pay band 70 and a pay band 80 at a cost of approximately \$12,000.

Implementing this bill would significantly impact Tax & Rev's Information Technology Department (ITD), requiring approximately 1,400 hours of work, which is equivalent to about 9 months. Additionally, it is estimated that the contractual costs associated with this implementation would amount to approximately \$308,000.

Estimated Additional Operating Budget Impact*				R or NR**	Fund(s) or Agency Affected
FY2024	FY2025	FY2026	3 Year Total Cost		
--	\$12	--	\$12	NR	Tax & Rev - ASD - staff workload
--	\$308	--	\$308	NR	Tax & Rev - ITD - contractual

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

**Related Bills:** Conflicts with SB-8