

LFC Requester:**Jennifer Faubion**

**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

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SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Original **Amendment**
Correction **Substitute**

Date Jan 19, 2024

Bill No: SB 8

Agency Name

and Code

EMNRD 521

Number:

Sponsor: Senator Tallman

Short Title: Electric Vehicle Tax Credit

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		
(10,000.0)	(10,000.0)	(10,000.0)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$86.3	\$86.3	\$261.9*	Recurring until 2029	GF

(Parenthesis () Indicate Expenditure Decreases)

*includes FY27

Duplicates/Conflicts with/Companion to/Relates to: Duplicates in part and conflicts in part with HB 140.

Duplicates/Relates to Appropriation in the General Appropriation Act – N/A

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: SB 8 creates a new personal income tax credit in the Income Tax Act for the purchase or lease of a new electric vehicle; creates a new personal income tax credit in the Income Tax Act for the purchase of an electric vehicle charging unit; imposes an annual registration fee for electric vehicles and plug-in hybrid electric vehicles; and directs the distribution of those registration fees to the State Road Fund and the Transportation Project Fund.

SB 8’s electric vehicle tax credit would provide a nonrefundable credit of \$3,250 for taxpayers who purchase or lease a new electric vehicle between May 15, 2024, and January 1, 2029. Certification of eligibility would be required from the Energy, Minerals, and Natural Resources Department (EMNRD). The total aggregate amount of credits certified in any taxable year is limited to \$10,000,000.

SB 8’s electric vehicle charging unit tax credit would provide a nonrefundable credit of up to \$300 for taxpayers who purchase and install an electric vehicle charging unit at their residential property between May 15, 2024, and January 1, 2029. Certification of eligibility would be required from EMNRD. The total aggregate amount of credits certified in any taxable year is limited to \$1,000,000.

The registration fees imposed by SB 8 would be \$120 annually for electric vehicles with a gross vehicle weight of 26,000 pounds or less, and \$60 annually for plug-in hybrid electric vehicles with a gross vehicle weight of 26,000 pounds or less. SB 8 directs 77% of the new registration fees collected from electric and plug-in hybrid vehicles to the State Road Fund and 23% to the Transportation Project Fund. The fees and their distribution would go into effect on January 1, 2025.

FISCAL IMPLICATIONS

SB 8 tasks EMNRD with certifying both the electric vehicle tax credit and the electric vehicle charging unit tax credit, but does not contain an appropriation for the staff and IT resources for EMNRD which will be necessary to administer the program. EMNRD estimates that \$86,300 in recurring funding would be necessary to hire one (1) FTE to develop rules for the program, administer it, and evaluate certification applications – that is, to effectively provide system

reviews, certify vehicles and chargers for tax credit eligibility, collect data, and maintain a database of certifications.

In addition, EMNRD would require \$30,000 in one-time IT, legal, and administrative expenditures to develop an electronic submission process for the applications and shepherd the new rule through the rulemaking process, and an additional \$25,000 in one-time funding to develop marketing and outreach materials to educate the public about the credit, its rules, and its availability.

SIGNIFICANT ISSUES

SB 8 has the potential to enhance the state's existing initiatives in transportation decarbonization by encouraging the adoption of electric vehicles (EVs) and the installation of home chargers. Given that EVs currently come with a higher up-front price tag compared to traditional gas or diesel vehicles, the proposed tax credits in SB 8 could serve as a valuable incentive, likely resulting in increased EV purchases across the state. Transportation emissions negatively impact New Mexico, and the adoption of new EV technology is a significant decarbonization opportunity. Once purchased, EVs are cheaper to own and maintain, resulting in significant benefit to car owners, especially low-income New Mexicans.

While EMNRD is supportive of EV deployment and measures that will encourage EV adoption, the creation of a capped credit will, in EMNRD's experience, lead people who purchased cars expecting to claim a credit who are unable to obtain the credit because the cap was exceeded at the time of purchase or at the time they filed for it with EMNRD. The only way to avoid these issues is to set the cap sufficient high to meet anticipated uptake. Unfortunately, EV penetration in New Mexico is too low to evaluate whether \$10 million is sufficient. HB 140, an alternative clean car tax credit presented by the executive, does not have a cap and will be both easier to administer and provide a greater opportunity for New Mexicans to make use of this incentive.

PERFORMANCE IMPLICATIONS

Adding another tax credit program to EMNRD's certification responsibilities without adding additional FTE and IT resources will slow down processing for all tax credit certifications, particularly the reinstated New Solar Market Development Tax Credit, the reinstated Sustainable Buildings tax credit and other tax credits that are administered by EMNRD.

ADMINISTRATIVE IMPLICATIONS

EMNRD's Energy Conservation and Management Division will be required to develop and adopt rules, establish the program certification and administrative certification processes. In addition, EMNRD, possibly through the division's IT, would need to design an online application portal.

EMNRD is also required to provide the Taxation and Revenue Department certification information for all taxpayers in a secure and regular manner.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 8 conflicts in part and duplicates in part HB 140.

TECHNICAL ISSUES

N/A

OTHER SUBSTANTIVE ISSUES

N/A

ALTERNATIVES

Instead of SB 8, Governor Lujan Grisham and Representative Hochman-Vigil have proposed HB 140, the Clean Car Income Tax Credit package. A comparison of the two measures is below.

Item	SB 8	HB 140
Sunset date	2030	2030
EV Credit	\$3250	\$3,000 (steps down to \$2,220 in 2027; \$960 in 2029)
PHEV Credit	None	\$2000 (steps down to \$1,480 in 2027, \$640 in 2029)
Fuel Cell Tax Credit	None	\$2000 (steps down to \$1,480 in 2027, \$640 in 2029)
Used Credits	None	½ of new vehicle credits
Aggregate Credit Cap	\$10 million	None
Max Vehicle Value	\$55k	\$55k (\$25k for used)
Eligibility	Individuals and partnerships	Individuals, partnerships, and corporations
Residential Charger Tax Credit	\$300	\$400
Commercial Chargers	None	Up to \$25,000 for DCFC/Hydrogen Fueling
Aggregate Charger Cap	\$1 million	None
Registration Fees	\$120/EV; \$60/PHEV	None

HB 140 provides credits for used vehicles, opening up a wider market for more types of customers, particularly lower income and younger New Mexicans. HB 140 also provides a credit for plug-in hybrids, a choice that may suit more rural New Mexicans and those who need to regularly drive long distances while the state is still building out its network of EV chargers. Lastly, HB 140 addresses corporate taxpayers who may wish to electrify their fleets or create a commercial charging point or hydrogen fueling station. SB 8 does not account for any of these categories.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

An income tax credit for electric vehicles or electric vehicle charging units will not be available. An additional annual registration fee will not be imposed on electric vehicles and plug-in hybrid electric vehicles.

AMENDMENTS

N/A