

**NMDOT BILL ANALYSIS
2024 REGULAR SESSION**

{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

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 X Amendment
Correction Substitute

Date 1/25/2024

Bill No. SB 8

Sponsor: Bill Tallman

Agency/ Code: NMDOT - 805 – Revenue & Planning

Person Writing Analysis: Michael Morrison

Short Title Electric Vehicle Tax Credit

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SECTION II: FISCAL IMPACT

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
810	2,600	4,060	Recurring	State Road Fund
240	780	1,210	Recurring	Transportation Project Fund
1,050	3,380	5,270	Recurring	Total Impact

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Sections 1 and 2 of Senate Bill 8 (SB 8) create two new personal income tax credits (i.e., the electric vehicle income tax credit, and the electric vehicle charging unit income tax credit) for taxpayers who purchase or lease a qualified electric vehicle, and for those who purchase and install in their residential property an electric vehicle charging unit.

The amount of the electric vehicle income tax credit is \$3,250. The credit may be claimed for each taxable year, beginning May 15, 2024, and prior to January 1, 2029, in which the taxpayer purchases a qualified electric vehicle or begins a new lease of at least three years for a qualified electric vehicle with a term of at least three years.

The aggregate amount of this tax credit is limited to \$10 million each taxable year.

SB 8 defines an electric vehicle to include both – vehicles that run exclusively on a battery (also called Battery Electric Vehicles or BEVs) and those that derive part of their power from electricity stored in a battery, which is capable of being recharged from an external source of electricity (also called Plug-in Hybrid Electric Vehicles or PHEVs). Electric vehicles eligible for the electric vehicle income tax credit are only those that can travel at least 40 miles powered only by electricity.

The amount of the electric vehicle charging unit income tax credit under SB 8 is capped at \$300 or the cost to purchase and install the charging unit, whichever is less. The aggregate amount of the tax credit is limited to \$1 million in each calendar year. The claim must be filed no later than one calendar year from the date on which the electric vehicle charging unit is purchased and installed.

Section 3 of SB 8 introduces two additional annual registration fees for passenger vehicles: a new fee of \$120 for BEVs and a new fee of \$60 for PHEVs.

Section 4 of SB 8 distributes 77% of the new revenue collected from these two additional annual fees to the State Road Fund, and the remaining 23% to the Transportation Project Fund.

The effective date of the two new additional annual registration fees is January 1, 2025.

This fiscal impact analysis only addresses the additional annual registration fees introduced in SB 8 and their impact on the State Road Fund and the Transportation Project Fund revenue distribution.

FISCAL IMPLICATIONS

SB 8 would distribute to the State Road Fund about \$810 thousand in FY 2025, \$2,600 thousand in FY 2026, and \$4,060 thousand in FY 2027.

SB 8 would also distribute to the Transportation Project Fund about \$240 thousand in FY 2025, about \$780 thousand in FY 2026, and about \$1,210 thousand in FY 2027.

About 82% of this revenue is attributable to the \$120 additional fee imposed by SB 22 on BEVs, and the remaining 18% is attributable to the \$60 additional fee imposed on PHEVs.

The analysis of sections 3 and 4 does not account for the possibility that those who will register an electric vehicle or renew a registration for an electric vehicle in calendar year 2023, might register the vehicle for a 2-year term in order to avoid the new additional registration fee that will take effect on January 1, 2025. The analysis also assumes that the additional registration fee will apply to all available PHEV models.

The table below reports the number of BEVs and PHEVs currently registered in New Mexico and estimates for the following years.

Table: Number of light electric and plug-in hybrid electric vehicles registered in New Mexico as of June 30, 2023

Fiscal Year	BEV	PHEV
2023*	6,917	5,028
2024	9,966	6,100
2025	13,907	7,465
2026	22,896	10,507
2027	36,681	14,575

*Values are stock of non-commercial vehicles weighing no more than 26,000 lbs., registered in New Mexico as of June 30, 2023. The numbers were derived from the Motor Vehicle Division (MVD) data extract of all vehicles registered in New Mexico. The Vehicle Identification Number (VIN) information of the registered vehicles in the MVD data extract was decoded using the National Highway Traffic Safety Administration (NHTSA) Product Information Catalog Vehicle Listing (vPIC) Application Programming Interface (API) to accurately classify the registered vehicles according to their electrification level.

The forecast is a weighted average of 3 different forecasts. The first forecast uses EIA's Annual Energy Outlook 2023 forecast of the national vehicle stock of 3 types of BEVs – 100 mile, 200 mile and 300 mile BEVs – 2 types of PHEVs – Plug-in 20 and Plug-in 50 and HEVs. We take an average of the growth in the three types of BEVs to arrive at the growth rate in BEV stock for the US. Similarly, we take the average of the growth in the 2 types of PHEVs to arrive at the growth rate for PHEV stock in the US. We use EIA's forecast for the reference case scenario, as well as the low economic growth scenario and the high oil price scenario.

The second forecast uses Vector Auto-Regressive regression of NM BEV, PHEV, HEV sales against sales in neighboring states that are similar to New Mexico (such as Colorado and Idaho) and the exogenous variables - real consumer spending motor vehicles (CDMVR) and price of gasoline (PRMGA) - from S&P Global's September 2023 forecast. State sales data are from the Alliance for Automotive Innovation (<https://www.autosinnovate.org/resources/electric-vehicle-sales-dashboard>).

For the third forecast, the count of EVs derived from MVD registration data is grown at the average growth rate derived from the Alternative Fuels Data Center's count of EVs in New Mexico from 2016 to 2022. ACCII adjustment: Growth rates for BEVs and PHEVs in the 2nd and 3rd models were adjusted in FYs 2026, 2027 and 2028 to account for increased EV sales attributable to ACCII standards. Adjustments were based on expected EV sales provided by New Mexico Environment Department.

The analysis assumes that the additional registration fees on PHEVs will apply to all available PHEVs, and not only those with an all-electric range of 40 miles (see technical issues below).

SIGNIFICANT ISSUES

None identified.

PERFORMANCE IMPLICATIONS

None identified.

ADMINISTRATIVE IMPLICATIONS

None identified.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 140 (HB 140) provides a tax credit for clean cars, which would include electric vehicles. In that respect, SB 8 and HB 140 are partially duplicative. However, this has no impact on the NMDOT as the duplicated portions are not relevant to this analysis.

TECHNICAL ISSUES

Currently sections 3 and 4 of SB 8 apply to PHEVs with an all-electric range of 40 miles; however, the average all-electric range of PHEVs currently available is about 29 miles. Approximately 20% of available PHEV models have an all-electric range of 40 miles or greater. This means a significant portion of PHEVs currently available will not be eligible for the additional PHEV registration fee.

OTHER SUBSTANTIVE ISSUES

The merit of sections 3 and 4 of SB 8 is that it establishes the precedent that owners of fuel-efficient vehicles, such as PHEVs and BEVs, should contribute towards the goal of a safe and efficient roadway system in the state of New Mexico.

Owners of PHEVs and BEVs, due to the enormous fuel savings afforded by those vehicles, do not adequately contribute to the construction, maintenance and improvement of public roads and highways, in the same way as gasoline vehicle owners do via fuel taxes. As the number of PHEVs and BEVs increase on the roads of New Mexico, some mechanism is necessary to continue adequate funding for the maintenance and improvement of New Mexico's roads and highways. The additional annual fees proposed in SB 8 introduce this mechanism.

As shown in the attached charts, several other states have moved in this direction: 35 states impose an additional annual fee on BEVs, and 25 states impose an additional fee on PHEVs

ALTERNATIVES

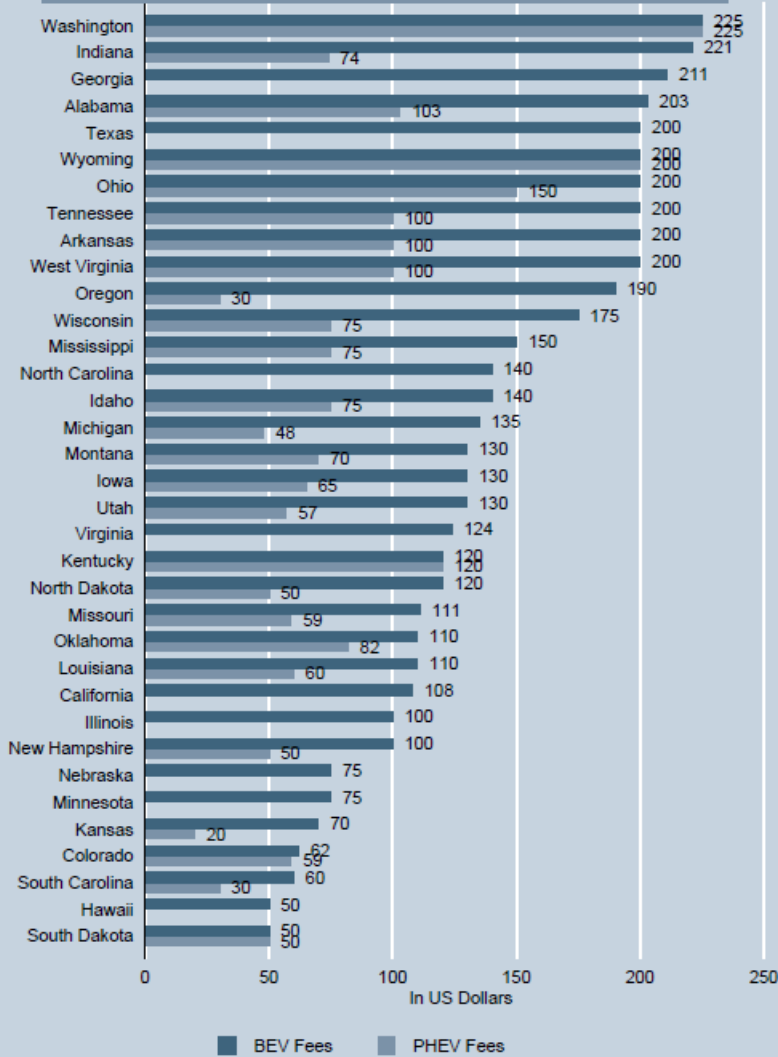
None identified.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

For sections 3 and 4, owners of PHEVs and BEVs will continue to not contribute to the construction, maintenance and improvement of public roads and highways, in the same way as gasoline vehicle owners do via fuel taxes.

Additional Registration Fees on BEVs and PHEVs* (Effective Jan 1, 2024)

Among the 35 states that impose additional fees on BEVs, the average fee is \$138.
Among the 26 states that impose additional fees on PHEVs, the average fee is \$82.



*Battery Electric Vehicles (BEVs) run exclusively on electric fuel.

*Plug-in Hybrid Electric Vehicles (PHEVs) run on either or both gasoline and electric fuel.

Some states index these fees to account for inflation (e.g. Indiana), others adjust them based on the annual increase/decrease in average fuel efficiency of vehicles (e.g. Georgia), and some adjust them based on the change in state gasoline tax rates (e.g. Michigan).

Exception: Some states offer discounts for Electric Vehicles Such as CT and AZ (until 2023).

Utah and Oregon offer a voluntary road usage charge (RUC) program instead of the PHEV/BEV registration fee.

Under Oregon's OReGO, PHEV/BEV owners pay a registration fee of \$86 total as well as a RUC.

Under Utah's RUC there is no additional registration fee.

Source: NMDOT's elaboration using information from afdc.energy.gov and other online sources.