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FISCAL IMPACT REPORT

ORIGINAL DATE 03/10/09

SPONSOR HTRC LAST UPDATED _____ HB 636/HTRCS

SHORT TITLE Car Registration Surcharge & Distribution SB _____

ANALYST Gutierrez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	\$52,226.5	\$52,748.7	Recurring	State Road Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	None	\$58.5	None	\$58.5	Nonrecurring	General

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
Department of Transportation (DOT)

SUMMARY

Synopsis of HTRC Substitute

The House Taxation and Revenue Committee substitute for House Bill 636 imposes a surcharge on the current registration fees for automobiles and trucks under Sections 66-6-2 and 66-6-4 of the law. The revenues from the registration surcharge will go to the State Road Fund for use on maintenance of state highways.

The effective date of this bill's provisions is July 1, 2009.

FISCAL IMPLICATIONS

Motor vehicle registrations are on the basis of the type of vehicle, the weight of the vehicle, and on its age (a discount is given for vehicles over five years of age). The table below summarizes the current annual fees, the proposed surcharge and the total proposed annual fee (proposed surcharge plus current fee).

Passenger Vehicles	Current Annual Fees		Proposed Surcharge	Total Proposed Annual Fees	
	Initial	After 5 Yrs		Initial	After 5 Yrs
Less than 2,000 lbs.	\$27.00	\$21.00	\$7.50	\$34.50	\$28.50
2,001 to 3,000 lbs.	\$39.00	\$31.00	\$10.00	\$49.00	\$41.00
Greater than 3,000 lbs.	\$56.00	\$45.00	\$28.50	\$84.50	\$73.50
Trucks, Truck tractors & trailers, buses					
Declared Gross Weight	Annual Fees		Proposed Surcharge	Total Proposed Annual Fees	
	Initial	After 5 Yrs		Initial	After 5 Yrs
To 4,000 lbs.	\$40.00	\$32.00	\$28.00	\$68.00	\$60.00
4,001 to 6,000 lbs.	\$55.00	\$44.00	\$40.00	\$95.00	\$84.00
6,001 to 8,000 lbs.	\$69.00	\$55.20	\$52.50	\$121.50	\$107.70
8,001 to 10,000 lbs.	\$84.00	\$67.20	\$64.00	\$148.00	\$131.20
10,001 to 12,000 lbs.	\$99.00	\$79.20	\$76.00	\$175.00	\$155.20
12,001 to 14,000 lbs.	\$113.00	\$90.40	\$81.50	\$194.50	\$171.90
14,001 to 16,000 lbs.	\$128.00	\$102.40	\$96.50	\$224.50	\$198.90
16,001 to 18,000 lbs.	\$143.00	\$114.40	\$110.50	\$253.50	\$224.90
18,001 to 20,000 lbs.	\$157.00	\$125.60	\$118.50	\$275.50	\$244.10
20,001 to 22,000 lbs.	\$172.00	\$137.60	\$122.50	\$294.50	\$260.10
22,001 to 24,000 lbs.	\$187.00	\$149.60	\$133.00	\$320.00	\$282.60
24,001 to 26,000 lbs.	\$201.00	\$160.80	\$147.00	\$348.00	\$307.80
26,001 to 48,000 lbs.	\$118.00	\$118.00	\$162.50	\$280.50	\$280.50
48,001 and over	\$172.00	\$172.00	\$200.00	\$372.00	\$372.00

This surcharge would raise \$46.5 million from the registrations within New Mexico for FY10. Larger trucks (48,000 lbs.+) usually register nationally through the International Registration Plan which prorates State’s registration fees by miles driven in each state. This currently raises about \$4.9 million in registration fees and under this bill is estimated to raise an additional \$5.8 million in FY10 for a total revenue increase of \$52.2 million in FY10 due to a registration surcharge. The surcharge revenues will be distributed to the State Road Fund for highway maintenance. For this estimation, vehicle registrations are assumed to grow at 1 percent annually.

The Legislative Finance Committee has adopted the following principles to guide responsible and effective tax policy decisions:

- 1. Adequacy:** revenue should be adequate to fund government services.
- 2. Efficiency:** tax base should be as broad as possible to minimize rates and the structure should minimize economic distortion and avoid excessive reliance on any single tax.
- 3. Equity:** taxes should be fairly applied across similarly situated taxpayers and across taxpayers with different income levels.
- 4. Simplicity:** taxes should be as simple as possible to encourage compliance and minimize administrative and audit costs.
- 5. Accountability/Transparency:** Deductions, credits and exemptions should be easy to monitor and evaluate and be subject to periodic review.

More information about the LFC tax policy principles will soon be available on the LFC website at www.nmlegis.gov/lcs/lfc

SIGNIFICANT ISSUES

The revenues given to the State Road Fund will be used for maintenance of state highways, as approved by the legislature through the budget process.

ADMINISTRATIVE IMPLICATIONS

THIS ADMINISTRATIVE IMPLICATION IS BASED OFF OF THE ORIGINAL HB636 – NO RESPONSE FROM MVD ON SUBSTITUTE

MVD:

Due to current workload, an effective date of July 1, 2009, is not feasible. If time is spent implementing above mentioned changes, it will adversely affect other critical MVD projects. It is best to implement these changes after MVD Point-of-Sale Project is in production January 1, 2010.

If this bill were to become effective no earlier than January 1, 2010, the administrative impact to make system changes is as follows:

- MVD 2.0 Vehicle Application (100 hrs)
- MVD 2.0 Web/Kiosk Registration Programs (100 hrs)
- MVD 2.0 Manutills (80 hrs)
- Distribution Application (POS) (180 hrs)
- MVD Registration Billing Application (150 hrs)
- MVD Mainframe Batch Applications (180 hrs)
- CICS Mainframe Screens (100 hrs)
- User Acceptance Testing (180 hrs)

Total Hours: 1,070 x \$50 = \$53,500

- WASAU change to registration vouchers = \$5,000

Total estimated administrative cost = \$58,500.

TRD is not funded for the \$58,500 and would need to be funded for a contractor to do this IT work.

Note: If this legislation were to become effective prior to January 1, 2010, the administrative impact would be significantly higher.

OTHER SUBSTANTIVE ISSUES

Although many states impose a motor vehicle registration fee, the fee can be substantially different depending upon the state.

Arizona - \$8 registration fee (\$4 for motorcycles) plus a vehicle license tax (VLT). The VLT is in place of a property tax and thus can be quite costly. It is based on an assessed value of 60% of the manufacturer's base retail price reduced by 16.25% for each year since the vehicle was first registered in Arizona (15% before 8/1/98). Then the rate is calculated as \$2.80 (new vehicles) or \$2.89 (used vehicles) for each \$100 of the assessed value. For example, for a

new vehicle that costs \$25,000, the first year assessed value would be \$15,000 and the VLT would be \$420.00. The second year the assessed value would be \$12,562.50 and the VLT would be \$363.06.

Colorado – \$3 for motorcycles but for passenger vehicles they charge based on weight as well as age of the vehicle. An initial charge of \$6 for passenger cars weighing two thousand pounds or less, \$6 plus 20 cents per 100 lbs. of weight for those vehicles weighing over two thousand pounds but less than forty-five hundred pounds, and \$12.50 plus 60 cents per 100 lbs. for those vehicles weighing more than forty-five hundred pounds. Then the fee for age is \$12 for vehicles less than seven years old, \$10 for vehicles between seven and ten years old and \$7 for vehicles ten years or older. The fee for trucks is based on weight and ranges from \$7.60 to \$710. However, there is current legislation attempting to increase Colorado's registration fees.

Texas - similar to NM, Texas also charges a registration fee for trucks based on weight. This fee ranges from \$29.70 to \$64.90 depending upon the weight. Motorcycles are charged \$30.30 and the annual license fee for a passenger car, city bus, or private bus is based on the manufacturer's model year or weight in pounds, as the case might be, of the vehicle as follows:

MODEL YEAR OR WEIGHT IN POUNDS FEE

2002 and older models.....	\$40.80
2003, 2004 and 2005 models	\$50.80
2006 and newer models.....	\$58.80
6,001 lbs. and over (irrespective of model year).....	\$25.00 plus 60¢ CWT plus 30¢

DOT:

HM 35 from the 2007 Legislative session took a comprehensive look at revenues for the NMDOT and developed a menu of resource possibilities. This bill addresses one of those revenues. Fundamental to the NMDOT is that revenues do not grow very fast (about the level of the CPI). Costs for the NMDOT, particularly those associated with oil-based road construction and maintenance, have recently increased above historic levels and, combined with increases in road traffic use, have raised road system infrastructure costs.

ALTERNATIVES

HM 35 reviewed a number of revenue generating alternatives. However, this particular revenue is one of the larger money enhancers and is tied with its direct relationship to the number of vehicle road users and their weights to the impact on highways.

BLG/mt