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FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 76

SHORT TITLE: Expand Gas & Special Fuels Taxes

SPONSOR: Sen. Gonzales/Rep. Garratt

LAST UPDATE: _____ **ORIGINAL DATE:** 1/26/2026 **ANALYST:** Faubion

REVENUE* (dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
Gasoline Tax	\$0.0	\$3,200.0	\$3,100.0	\$3,100.0	\$3,100.0	Recurring	County Government Road Fund
Gasoline Tax	\$0.0	\$100.0	\$100.0	\$100.0	\$100.0	Recurring	Motorboat Fuel Tax Fund
Gasoline Tax	\$0.0	\$100.0	\$100.0	\$100.0	\$100.0	Recurring	State Aviation Fund
Gasoline Tax	\$0.0	\$5,700.0	\$5,600.0	\$5,600.0	\$5,700.0	Recurring	Munis and Counties
Gasoline Tax	\$0.0	\$40,300.0	\$40,800.0	\$41,400.0	\$41,600.0	Recurring	State Road Fund
Gasoline Tax	\$0.0	\$3,200.0	\$3,100.0	\$3,100.0	\$3,100.0	Recurring	Munis
Gasoline Tax	\$0.0	\$800.0	\$800.0	\$800.0	\$800.0	Recurring	Municipal Arterial Program (MAP - Local Governments Road Fund)
Special Fuels Tax	\$0.0	\$32,300.0	\$33,300.0	\$34,500.0	\$35,500.0	Recurring	State Road Fund
Special Fuels Tax	\$0.0	\$3,400.0	\$3,500.0	\$3,600.0	\$3,700.0	Recurring	Local Governments Road Fund

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies That Were Asked for Analysis but did not Respond

Taxation and Revenue Department

Department of Transportation

Department of Finance and Administration

SUMMARY

Synopsis of Senate Bill 76

Senate Bill 76 (SB76) increases the gasoline tax from 17 cents to 23 cents per gallon and increases the special fuel excise tax from 21 cents to 26 cents per gallon. The changes apply to gasoline and special fuel received or used in New Mexico and take effect on July 1, 2026.

FISCAL IMPLICATIONS

The Legislative Finance Committee (LFC) estimate for this bill is based on published New Mexico Department of Transportation (NMDOT) revenue forecasts for gasoline and special fuels over the forecast horizon. LFC applied the statutory rate increases proposed in the bill—an increase in the 17 cent/gallon gasoline tax of 5 cents (a 35.3 percent increase) and an increase in the 21 cent/gallon special fuels excise tax of 5 cents (a 23.8 percent increase)—to the forecasted taxable gallons for each fuel type. Incremental revenues were calculated by applying these proportional rate increases to the baseline NMDOT fuel tax revenue forecasts.

Revenues generated by the gasoline tax increase are distributed according to existing statutory allocation formulas. Of total gasoline tax revenues, 5.76 percent is distributed to the county government road fund, 0.13 percent to the motorboat fuel tax fund, 0.26 percent to the state aviation fund, 10.38 percent to municipalities and counties, 76.27 percent to the state road fund, 5.76 percent to municipalities, and 1.44 percent to the Municipal Arterial Program (MAP) within the local governments road fund. Special fuels excise tax revenues are distributed 90.48 percent to the state road fund and 9.52 percent to the local governments road fund.

SIGNIFICANT ISSUES

New Mexico's gasoline tax and special fuels excise tax have not been increased for several decades, with current rates established in 1995 and 2004, respectively. As a result, the purchasing power of these revenues has declined over time due to inflation and rising construction, maintenance, and labor costs associated with transportation infrastructure. During this period, fuel tax revenues have remained largely flat in nominal terms while the cost of preserving and expanding the state's roadway system has increased substantially.

Revenues from the gasoline tax and special fuels excise tax are constitutionally and statutorily dedicated to transportation-related purposes and may not be used for general governmental operations. These revenues support state and local road construction, maintenance, and preservation, as well as specific transportation-related funds, including the state road fund, local

governments road fund, county government road fund, Municipal Arterial Program, state aviation fund, and motorboat fuel tax fund. As fuel efficiency has improved and vehicle technology has evolved, growth in fuel consumption has slowed, further constraining revenue growth from per-gallon excise taxes.

Because fuel taxes are assessed on a per-gallon basis rather than as a percentage of price, increases in fuel prices do not result in proportional revenue gains. Absent periodic rate adjustments, this structure can lead to a gradual erosion in real revenues available for transportation infrastructure, shifting a greater share of funding responsibility to federal sources or other state and local revenue mechanisms.

ADMINISTRATIVE IMPLICATIONS

The Taxation and Revenue Department (TRD) and the NMDOT would incur administrative costs to implement the bill. TRD would be required to update tax forms, instructions, electronic filing systems, and internal accounting processes to reflect the new gasoline and special fuels excise tax rates, as well as provide guidance to taxpayers and fuel distributors.

OTHER SUBSTANTIVE ISSUES

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- **Adequacy:** Revenue should be adequate to fund needed government services.
- **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- **Equity:** Different taxpayers should be treated fairly.
- **Simplicity:** Collection should be simple and easily understood.
- **Accountability:** Preferences should be easy to monitor and evaluate.

JF/sgs/hg/sgs