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## FISCAL IMPACT REPORT

**BILL NUMBER:** Senate Bill 185

**SHORT TITLE:** Increase Gasoline Tax

**SPONSOR:** Soules

**LAST UPDATE:** \_\_\_\_\_ **ORIGINAL DATE:** 2/2/2026 **ANALYST:** Faubion

### REVENUE\* (dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
Gasoline Tax	\$0.0	\$1,600.0	\$1,500.0	\$1,600.0	\$1,600.0	Recurring	County Government Road Fund
Gasoline Tax	\$0.0	\$40.0	\$30.0	\$40.0	\$40.0	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	\$2,800.0	\$2,800.0	\$2,800.0	\$2,800.0	Recurring	Munis and Counties
Gasoline Tax	\$0.0	\$20,100.0	\$20,400.0	\$20,700.0	\$20,800.0	Recurring	State Road Fund
Gasoline Tax	\$0.0	\$1,600.0	\$1,500.0	\$1,600.0	\$1,600.0	Recurring	Munis
Gasoline Tax	\$0.0	\$400.0	\$400.0	\$400.0	\$400.0	Recurring	Municipal Arterial Program (MAP - 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	\$15.2	\$2.4	\$0.0	\$17.6	Nonrecurring	General Fund

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

Conflicts with Senate Bill 76.

### Sources of Information

LFC Files  
DOT Road Fund Forecast

Agency or Agencies Providing Analysis  
Taxation and Revenue Department

Agency or Agencies That Were Asked for Analysis but did not Respond  
Department of Transportation  
Department of Finance and Administration

## SUMMARY

### Synopsis of Senate Bill 185

Senate Bill 185 (SB185) increases the gasoline tax from 17 cents to 20 cents per gallon. The effect date of this bill is July 1, 2026.

## FISCAL IMPLICATIONS

The Legislative Finance Committee (LFC) and the Taxation and Revenue Department (TRD) estimates for this bill are based on published New Mexico Department of Transportation (NMDOT) revenue forecasts for the gasoline tax over the forecast horizon. Both agencies applied the statutory rate increases proposed in the bill—an increase in the 17 cent/gallon gasoline tax of 3 cents (a 17.6 percent increase)—to the forecasted taxable gallons. 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.

## SIGNIFICANT ISSUES

New Mexico's gasoline tax has not been increased for several decades, with the current rate established in 1995. 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 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.

TRD notes that New Mexico currently has one of the lowest gasoline tax rates in the nation (17 cents per gallon, unchanged since 1995), ranking 48th among states. Even with the proposed increase to 20 cents per gallon—an 18 percent increase—the state would remain relatively low compared with most peers, ranking about 45th nationally. TRD emphasizes that inflation over the past 30 years has significantly eroded the purchasing power of gasoline tax revenues; the proposed increase represents only a modest, partial inflation adjustment (roughly 0.6 percent annually over that period). The increase would also help offset slower gasoline tax revenue growth resulting from more fuel-efficient vehicles. TRD acknowledges that gasoline taxes are regressive, as lower-income households pay a higher share of income despite paying less in absolute terms. Finally, TRD highlights that higher gasoline tax revenues would increase distributions to state, county, and municipal road funds, helping address substantial roadway maintenance and safety needs and partially closing the gap between transportation infrastructure costs and existing revenue sources.

## 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.

## CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Conflicts with Senate Bill 76 which raises the gasoline and special fuels taxes by different amounts than what is in this bill.

## 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.