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FISCAL IMPACT REPORT



SPONSOR: Hanosh DATE TYPED: 01/28/02 HB 278

SHORT TITLE: One-time Waiver for Veterans Vehicle Fees SB _____

ANALYST: Hayes

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
	NFI				

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	(\$4,658.0)	Minimal	Recurring	State Road Fund (66.541% of MVD Registration)
	(\$1,404.0)	Minimal	Recurring	County Governments (20.064% of MVD Registration)
	(\$375.0)	Minimal	Recurring	Municipal Governments (5.358% of MVD Registration)
	(\$563.0)	Minimal	Recurring	County & Municipal Governments (8.037% of MVD Registration)
	(*)	Minimal	Recurring	MVD/TRD (special plate revenue)
	(*)	Minimal	Recurring	Armed Forces Veterans License Fund (special plate revenue)

(Parenthesis () Indicate Revenue Decreases)

Relates to HJR2

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)
New Mexico State Highway and Transportation Department (SHTD)
LFC files

SUMMARY

Synopsis of Bill

House Bill 278 amends Section 66-3-412.1 NMSA 1978 and proposes that veterans be allowed a one-time waiver of motor vehicle registration fees. The waiver would also apply to the basic registration fee as well as supplemental fees associated with the special registration plates for armed forces veterans.

The effective date of HB278 is July 1, 2002.

Significant Issues

1. According to the New Mexico Veterans Service Commission, approximately 175,000 veterans currently live in New Mexico. If it is assumed that each veteran claims the waiver against one vehicle and the registration fees average \$40 per vehicle, then the total revenue loss would be approximately \$7 million ($\$40 \times 175,000$). Note that the veteran may also apply the waiver against whichever one of their vehicles has the highest registration fee.
2. As indicated in the Technical Issues section below, however, if the proposed measure is interpreted to apply to registration fees for all vehicles owned by veterans, the measure's fiscal impact could easily exceed \$14 million. Since the waivers would be offered on a one-time only basis, most of the losses would likely occur during the 2003 fiscal year, although a small recurring component would exist.
3. Of the \$7 fee for special motorcycle plates, the entire amount is retained by MVD to cover the cost of issuing the plates. The fiscal impact of this provision is likely to be minimal; probably less than \$1,000. For example: 100 plates \times \$7 per plate or \$700.00. Of the \$15 fee for special veterans plates, \$7 is retained by MVD to defray cost of issuing the plates. The Armed Forces Veterans License Fund receives the remaining \$8. Fees from this distribution are used by the State Director of Veterans Affairs for the purpose of extending services to rural areas of New Mexico. Approximately 16,000 of these types of plates have been issued over the last eight-year period. Assuming 2,000 are issued annually, the resulting revenue loss to MVD would be $2,000 \times \$7 =$ or \$14,000.00, and the loss to the Armed Forces Veterans License Fund would total \$16,000.00. Revenue losses from a one-time waiver of the plate fees would tend to be consistently recurring.

FISCAL IMPLICATIONS

Besides the issues outlined above, if MVD experiences problems tracking the one-time waiver or if veterans successfully argue that the waiver should be allowed one time on each of their vehicles, the fiscal impact might be twice as much.

(*) from Revenue Table above: It is difficult to project how many veterans who do not currently have special armed forces veteran registration plates would be encouraged to acquire those plates due to the waiver of the \$7 or \$15 fee. The fiscal impact is unknown.

ADMINISTRATIVE IMPLICATIONS

With its current system, the Motor Vehicle Division of the Taxation and Revenue Department may have difficulty tracking whether an individual has used the one-time waiver. Revisions would probably be required to both the vehicle record and the owner (driver) record in the MVD database and to the on-line inquiry software.

RELATIONSHIP

House Joint Resolution 2 proposes amending Article 8, Section 5 of the Constitution of New Mexico to apply the "Exemption" from property taxation to all honorably discharged veterans and to phase in an additional exemption of two thousand dollars (\$2,000.00).

TECHNICAL ISSUES

The bill refers to a "one-time waiver of fee;" however, it is unclear whether that waiver is applicable to each vehicle or if it is a one-time per person waiver. This needs to be clarified in the language because it has a direct effect on the waiver process and, most importantly, on the total amount of revenue loss per year.

POSSIBLE QUESTIONS

1. What is the goal or rationale for proposing a one-time veteran's waiver to vehicle registration fees?

CMH/ar