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F I S C A L I M P A C T R E P O R T

SPONSOR: Kidd DATE TYPED: 2/05/02 HB

SHORT TITLE: Eliminate Tribal Distributors Tax Deduction SB 259

ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	**FY03**			
	13,700.0		Recurring	State Road Fund
	1,860.0		Recurring	Counties & Municipalities
	1,000.0		Recurring	County Road Fund
	1,000.0		Recurring	Municipal Road Fund
	250.0		Recurring	Municipal Arterial Fund
	47.0		Recurring	State Aviation Fund
	23.0		Recurring	Motorboat Fuel Tax Fund
	17,900.0		Recurring	Total Gasoline
	1,400.0		Recurring	Corrective Action Fund
	500.0		Recurring	Local Government Road Fund
	1,900.0		Recurring	Total Petroleum Product Loading Fee

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION

Highway Department (HTD)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

This bill eliminates the two distinct gasoline tax deductions (exemptions) currently allowed for Native American tribal entities or tribally certified Native American-owned corporations. One exemption currently allows a state gasoline tax deduction for gasoline sold at retail within reservation or pueblo boundaries that is subject to a tribal gasoline tax. The second exemption allows a state gasoline tax deduction for up to 60 million gallons per year of gasoline sold by two certified tribal entities (30 million gallons per year for each of the two certified entities), and that gasoline may be sold anywhere in the state.

FISCAL IMPLICATIONS

The estimated fiscal impacts are based on the following assumptions:

(1) Certified tribal distributors sell the maximum allowed amount of 60 million gallons per year in FY 2003 and 2004.
(2) Retail outlets on tribal lands sell 55 million gallons in FY 2003 and 60 million gallons in FY 2004.

The proposal affects the Petroleum Products Loading Fee because the same deductions are allowed as for the gasoline tax.

TECHNICAL ISSUES

HTD makes the following comments:

1. For the sake of consistency and fairness, the bill should probably repeal Section 7-13-4.4 NMSA 1978 (Laws 2000, Chapter 50, Section 1) relating to non-Indian entities that are subject to a tribally imposed gasoline tax.
2. The bill might also eliminate the definition of "registered Indian tribal distributor" under Section 7-13-2, Subsection NMSA 1978, but this is not critical.

TRD makes the following comment:

The Department has seen a dramatic increase in the volume of gasoline deductions claimed over the last three fiscal years. Most of the deductions are legitimate claims by tribal distributors retail sales on tribal land. However, the Department has not received information from all of the tribal enterprises involved in the sale of gasoline. If the proposal passes, the Department will probably have difficulty securing the cooperation of tribal governments that it needs to enforce the gasoline tax laws.

SS/njw