



## SUMMARY

### Synopsis of Amendment

The House Transportation Committee Amendment adds an effective date of July 1, 2005 for the tax and fee rate provisions of Sections 1, 2, and 3, and removes some obsolete language in current law relating to “warrants” issued by the PRC to escort vehicles that accompany oversize vehicles. The Motor Transportation Division reports that the PRC no longer requires or issues “warrants” for escort vehicles.

**Effective Date:** July 1, 2005 for tax and fee rate provisions (HTC Amendment).  
Overweight permit provisions effective immediately under Emergency Clause.

### Synopsis of Original Bill

House Bill 806 introduced on behalf of the Revenue Stabilization and Tax Policy Committee proposes four specific changes related primarily to heavy commercial trucks.

1. The bill increases the “Trip Tax” that is due from heavy trucks that are not registered in the state of New Mexico for tax purposes. The “Trip Tax” is imposed in lieu of Weight-Distance Tax and Vehicle Registration Fees and is imposed on the basis of gross vehicle weight class and the number of miles driven in the state. The fee increase is approximately 35%, but varies from 33% to 40% for different weight classes due to rounding of the per mile fee.
2. The bill increases the “Caravan Fee” that is imposed on the commercial transport of unregistered vehicles. For vehicles transported under their own power, the fee is increased from \$7.50 to \$10. For vehicles that are towed or carried, the fee is increased from \$5 to \$7. The “Caravan Fee” does not apply when the transport vehicle is registered for purposes of the Weight-Distance Tax.
3. The bill increases the two-day “Drive-out Permit” fee that allows nonresidents drive a (newly-purchased) unlicensed vehicle out of the state. The fee is increased from \$5 to \$7.
4. The bill removes the limitation that an *annual* overweight permit for trucks weighing more than 86,400 lbs is only valid for trips within 125 miles of the origin of the trip. The *annual* overweight permits would be valid for travel throughout the state, providing the weight of the vehicle does not exceed 140,000 lbs. Certain other restrictions do apply to *annual* overweight permits, such as specifying the routes that will be used.

House Bill 806 contains an Emergency Clause (see Technical Issues).

### Significant Issues

The Trip Tax is paid exclusively by out-of-state commercial truckers who are not registered to pay New Mexico Weight-Distance Tax or apportioned Vehicle Registration Fees. This tax was not increased during the 2003 Special Session legislation that funded the GRIP transportation infrastructure improvement package (Chapter 3, 2003 SS – HB-15), and the tax is now relatively lower than it had been in comparison to the Weight-Distance Tax and Vehicle Registration Fees. “Trip Tax” is imposed on the occasional trip by out-of-state trucks taxed at the ports-of-entry (not New Mexico truckers).

The “Caravan Fee” and the two-day “Drive-out Permit” are two registration fees that were not increased during the 2003 Special Session legislation that funded the GRIP transportation infrastructure improvement package (Chapter 3, 2003 SS – HB-15), and those fees are now relatively lower than they had been in comparison to other Vehicle Registration Fees. These fee amounts have not changed since the 1978 recompilation of statute (27 years ago), and are probably older than that.

The bill proposes elimination of the “125 mile radius” provision that has proven difficult to administer and to be a hindrance to New Mexico’s trucking industry, particularly in the movement of construction cranes and oil and gas drilling equipment. Elimination of the “125 mile radius” limitation should reduce paperwork and transaction costs for both the industry and government.

### **FISCAL IMPLICATIONS**

The fiscal impact estimate assumes the Emergency Clause in Section 5 of the bill will be replaced with an EFFECTIVE DATE of July 1, 2005 (see Technical Issues).

The DOT estimates the positive State Road Fund fiscal impact is comprised of \$ +1,300 thousand attributable to the Trip Tax, and \$ +112 thousand attributable to the Caravan Fee and two-day Drive-out Permit fee.

The DOT indicates that there are two components that have a negative impact, and neither one is quantifiable.

1. Currently, holders of annual overweight permits may indeed be paying single trip permit fees for trips outside the 125 mile area. Those single trip permit fees would be lost under this bill’s provisions. On the other hand, since the 125 mile provision is largely unenforceable, permit holders may not be paying those single trip fees.
2. Trucks weighing close to 140,000 lbs may realize that the fees for a single overweight trip across the state costs about the same amount as the annual permit fee. A number of trucks that would otherwise purchase only single trip permits may opt for the annual overweight permit. In effect, the relatively new “ton-mile” tax of 2.5 cents per ton-mile may become applicable only to trucks weighing more than 140,000 lbs.

The fiscal impact to local governments results from the Caravan Fee and two-day Drive-out Permit fee, and would be distributed to various funds under the Section 66-6-23.1 Formulaic Distribution.

### **ADMINISTRATIVE IMPLICATIONS**

The DOT indicates the elimination of the “125 mile radius” provision in Section 4 of the bill should have a positive impact on administration of provisions related to *annual* overweight permits by the Motor Transportation Division.

The increased tax and fee rates in Sections 1, 2, and 3 of the bill will require changes to certain forms and computer code for the Motor Transportation Division of DPS and the Motor Vehicle Division of TRD, but those changes are assumed to be relatively minor.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Both this bill and HB-277 amend Section 66-7-413 NMSA 1978.

## **TECHNICAL ISSUES**

The DOT indicates that the tax and fee changes in Sections 1, 2, and 3 of the bill should have a specified EFFECTIVE DATE. An effective date of July 1, 2005 would probably be suitable.

The bill's Emergency Clause is probably unnecessary since the tax and fee changes in Sections 1, 2 and 3 should be associated with an EFFECTIVE DATE of July 1, 2005. The addition of the Emergency Clause may have been directed to the overweight permit provisions of Section 4, but since the eliminated provision (125 mile radius) is largely unenforceable, the Emergency Clause may not be necessary.

## **OTHER SUBSTANTIVE ISSUES**

The primary distinction between the "Caravan Fee" and the two-day "Drive-out Permit" is that the "Caravan Fee" is imposed on the transport of vehicles by a person "engaged in the business of transporting vehicles" or if the vehicle is being delivered to a purchaser subsequent to its sale. The "Drive-out" permit allows a nonresident purchaser to drive the vehicle to the nonresident's home state.

For most automobiles and light trucks sold to individuals, the 30-day temporary (paper) plate issued by a vehicle dealer would make the "Drive-out" permit unnecessary. For transactions between individuals, the "Drive-out Permit" is probably a technical requirement that few people comply with.

The "Drive-out Permit" may be particularly important for nonresident purchasers of heavy trucks who are required to register in their (home) base state for purposes of interstate commerce, and who may be required to pass through ports-of-entry while returning to their home state.

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