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## FISCAL IMPACT REPORT

**SPONSOR** Carraro                      **DATE TYPED** 10/7/05                      **HB** \_\_\_\_\_

**SHORT TITLE** Support Suspension Of Federal Gas Taxes                      **SB** SJM 2

**ANALYST** Schardin

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY06	FY07	FY06	FY07		
	NFI				

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

### **SOURCES OF INFORMATION**

LFC Files

Responses Received From

### **SUMMARY**

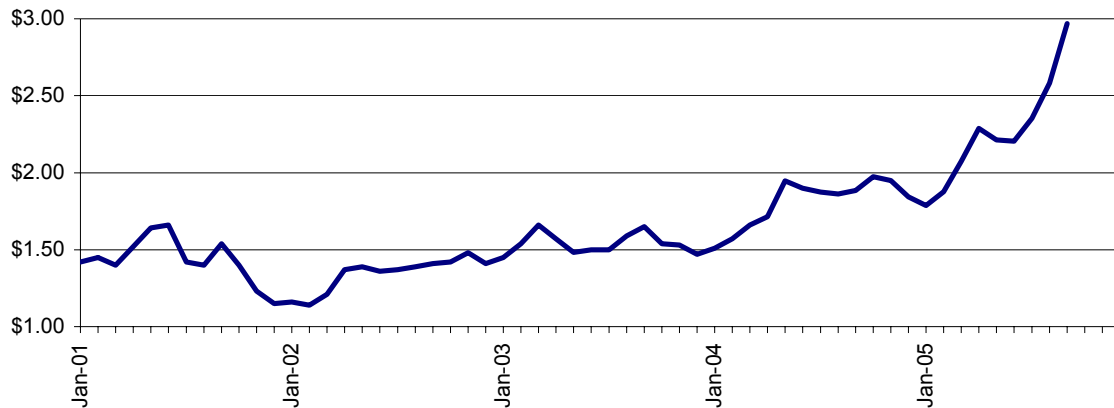
#### Synopsis of Bill

SJM 2 requests that New Mexico’s congressional delegation be urged to suspend the federal gasoline excise tax to alleviate the burden imposed by high gasoline prices.

#### Significant Issues

Retail prices for gasoline crept upward over the last several years before starting to spike at the beginning of CY05. Hurricanes Katrina and Rita have exacerbated this trend. The table below shows the average price per gallon of gasoline in New Mexico. State economists expect retail gasoline prices to average \$2.65 in FY06 and \$2.35 in FY07, compared to \$1.90 in FY05.

### New Mexico Average Retail Gasoline Price per Gallon



Source: AAA Monthly Survey

Higher gasoline prices reduce the amount of disposable income New Mexicans have to spend on other goods and services. At these forecast gasoline prices, disposable income would be reduced by about \$691.4 million in FY06 and \$433.2 million in FY07. Assuming this income would otherwise be spent on items that are subject to the Gross Receipts Tax, higher gasoline prices may reduce state GRT collections by about \$25.8 million in FY06 and \$16.2 million on FY07.

While federal and state taxes represent about one-third of gasoline prices nationwide, this is a very stable part of the price. Rather, gasoline price volatility is due to volatility in the price of crude oil.

Because the federal gasoline tax is imposed on businesses and passed along to consumers, there is no guarantee that the tax relief proposed in SB9 will completely trickle through to consumers.

The federal gasoline tax rate has been \$0.184 per gallon for about a decade. Each year this rate is not adjusted for inflation the real value of the tax decreases.

Elimination of the federal gasoline tax may be a disincentive to conserve fuel. Conservation helps bring prices down when gasoline supply is tight.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?**

Retail prices of these fuels will be somewhat higher than if the tax were exempt. Higher retail fuel prices will reduce consumer spending on other goods and services.

SS/lg