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FISCAL IMPACT REPORT

ORIGINAL DATE 1/30/06
 SPONSOR King LAST UPDATED 2/4/06 HB 535/aHTRC
 SHORT TITLE Weight Distance Tax Revenue Uses SB _____
 ANALYST Dearing

REVENUE (dollars in thousands)

Estimated Revenue		Recurring or Non-Rec	Fund Affected
FY07	FY08		
*Please See Narrative	*Please See Narrative		Weight Distance Tax Identification Permit Fund
\$236.0	\$236.0	Recurring	State Road Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HTRC Amendments

House Taxation and Revenue Committee amends HB535 such that;

1. On Page 2, line 4, strike “issuing” and insert, in lieu thereof “issuance.”
2. On page 2, line 4, strike “administering” and insert, in lieu thereof “administration of.”
3. On page 2, line 5, strike “enforcing” and insert in lieu thereof “enforcement by the department or the motor transportation division of the department of public safety of.”
4. On page 2, line 6, after “use” insert “for motor carriers that do not comply with the provisions of the Weight Distance Tax Act.”

Essentially, these amendments do not make substantive changes to the original version. These amendments are intended for clarification only.

Synopsis of Bill of Original Bill

House Bill 535 allows funds in the Weight Distance Tax Identification Administration Permit Fund (Section 7-15A-14 NMSA 1978) to be used for the enforcement of weight distance tax identification permits. Under present law, money in the Fund can only be used by the Taxation and Revenue Department (“Department”) to pay for the cost of issuing and administering Weight Distance (“WD”) Tax identification Permits.

FISCAL IMPLICATIONS

Funding of enforcement activity with existing fee revenue will enable the Taxation and Revenue Department to conduct an additional 7 out-of-state field audits and 20 desk audits annually per auditor (2 FTE). Field audits are expected to generate an average of \$16,000 per audit and desk audits should produce about \$300 per audit. This is expected to generate an additional \$236,000 annually in weight distance tax, 100 percent of which is distributed to the State Road Fund. Since the weight distance identification permit was reintroduced last year, there has been a sharp increase in trip tax collections, indicating a significant amount of non-compliance had been prevalent. Collections have doubled, from \$4 million in FY 2004 to a projected \$8 million in FY 2006. Concerns with non-compliance continue, due to the ease with which out-of-state trucking companies can bypass the existing enforcement network. The proposal would provide funding for more initiatives that are needed to insure compliance with the state’s trucking operator taxes.

*No increase in the annual permit fees for Weight Distance Tax Identification Permits will be needed in the near term. Fees could eventually be increased, with the funds going to new enforcement initiatives, if study determined that the initiatives would generate significant improvements in tax compliance. Revenue from this fee remains in the Fund and does not revert to the General Fund. Money in the fund is appropriated to the department to pay administrative and enforcement related costs.

SIGNIFICANT ISSUES

In coordination with the Motor Transportation Division (“MTD”) of the Department of Public Safety, the Taxation and Revenue Department intends to study the potential for improved weight distance and trip tax compliance from various enforcement initiatives. Providing additional funding to the Motor Transportation Division (MTD) of the Department of Public Safety to increase the hours of operation for various Ports of Entry is a possible enforcement activity. TRD will work with MTD to determine the additional hours required to increase enforcement of the weight distance tax ID permit. Increasing the Port of Entry hours provides the following benefits:

1. Reduce the ability of out-of-state trucking companies to avoid trip tax or weight distance tax liability by waiting until the port of entry is closed.
2. Increasing information regarding motor carrier transit through New Mexico for weight distance and trip tax audits. TRD is currently upgrading information systems for administering these taxes, and so additional information will be utilized more efficiently than has been possible in the past.
3. Utilize MTD programs (PRISM, CVISN) for better audit prospects and coordination with

Motor Vehicle Division. These nationwide systems include inspection reports and other data that could be useful in determining unreported miles.

4. Increased number of safety inspections of commercial motor vehicles and drivers, hazardous materials inspections, traffic enforcement, accident investigations, compliance reviews (safety audits) of motor carriers, training of MTD & motor carrier personnel, drug interdiction, undercover operations and permit & tax compliance.
5. In addition to enforcing commercial motor vehicle laws and regulations, MTD is the first line of defense in New Mexico against threats to homeland security from individuals utilizing commercial motor vehicles as a means of terrorism.

ADMINISTRATIVE IMPLICATIONS

Amounts received in the Fund are appropriated to the Department by present law for the cost of issuing and administering weight distance tax identification permits.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to SB333, relating to motor vehicles; allowing detention of vehicles for failure to pay weight distance tax; providing increased penalties for violations of weight limitations and for failure to stop at every port of entry and to carry a tax identification permit or a permit for excessive size or weight; increasing the length limitation for buses operating on national network highways and combination vehicles or saddle-mount vehicles that are specialized equipment; restricting application of maximum driving and on-duty time violation penalties to a passenger carrier transportation; providing additional maximum driving and on-duty time penalties.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

New Mexico highways' repair and construction fund, the State Road Fund, will be neglected and the state will lose;

- 1) sources of revenue impaired through illegal road tax evasion,
- 2) Although ancillary to the direct-intended consequences of this enactment, the ability to conduct out-of-state audits, resulting in subsequently increased awareness of drinking, drug-trafficking, and terrorist threats affecting public safety upon our state's Highways.

PD/yr:nt