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FISCAL IMPACT REPORT

ORIGINAL DATE 2/10/09

SPONSOR Lundstrom LAST UPDATED _____ HB 632

SHORT TITLE Increase Weight Distance Tax Rate SB _____

ANALYST Gutierrez

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Non-Rec | Fund Affected |
|-------------------|-----------|-----------|-------------------------|------------------|
| FY09 | FY10 | FY11 | | |
| | \$4,095.0 | \$4,155.0 | Recurring | State Road Fund |

(Parenthesis () Indicate Revenue Decreases)

Relates to HB554, HB636, and SB455

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department, Motor Vehicle Division (TRD, MVD)
Department of Finance and Administration (DFA)

Responses NOT Received From

Department of Transportation (DOT)

SUMMARY

Synopsis of Bill

House Bill 632 amends the weight distance tax act by increasing the rate by 5%. For vehicles other than buses, the amended rates would range from 11.56 mills per mile to 45.97 mills per mile, instead of the current rate of 11.01 to 43.78. For buses, the amended rates would range from 11.56 mills per mile to 28.65 mills per mile, while the current rate is 11.01 to 27.29.

The effective date of this bill's provisions is July 1, 2009.

FISCAL IMPLICATIONS

The revenue impact is based on a 5 percent increase to the weight distance tax. For estimation purposes, the forecast for the state road fund, as *reviewed* in January 2009 by the consensus forecasting group, was used. The weight distance tax was forecasted to be \$81.9 million in FY10.

Growing that tax by 5% will increase state road fund revenue by \$4.1 million in FY10. The weight distance tax was forecasted to grow 1.5% in FY11, 1.9% in FY12 and 2.1% in FY13. The 5% increase in the tax rate would increase state road fund revenues by \$4.16 million in FY11, \$4.24 million in FY12 and \$4.33 million in FY13.

SIGNIFICANT ISSUES

New Mexico is one of four states that has what is commonly known as a Weight/Distance tax (NY, KY, OR are the others). For trucks and buses driving in and across the state, a fee is charged based on how far they travel and how much they weigh. In the case of New Mexico, the Weight/Distance tax is offset by the state having the lowest truck registration fees in the country.

The Weight/Distance tax in FY10 will produce \$81.9 million for the state road fund (SRF) and is the SRF's third largest source of revenue after fuel taxes.

ADMINISTRATIVE IMPLICATIONS

MVD:

The Motor Vehicle Division (MVD) would have to change forms, instructions and publications related to the weight distance tax program, as well as the internet tax instruction page. MVD can absorb this cost and would also have to modify the Gentax application to reflect the new rates. This bill will have a low IT impact (30hrs).

RELATIONSHIP

This bill relates to:

- HB554/SB455 – decreases the state road fund because it provides for a deduction from the special fuel excise tax
- HB636 – increases the state road fund because it imposes a motor vehicle registration surcharge and distributes 90% of the collections to the state road fund

BLG/mt

The Legislative Finance Committee has adopted the following principles to guide responsible and effective tax policy decisions:

- 1. Adequacy:*** revenue should be adequate to fund government services.
- 2. Efficiency:*** tax base should be as broad as possible to minimize rates and the structure should minimize economic distortion and avoid excessive reliance on any single tax.
- 3. Equity:*** taxes should be fairly applied across similarly situated taxpayers and across taxpayers with different income levels.
- 4. Simplicity:*** taxes should be as simple as possible to encourage compliance and minimize administrative and audit costs.
- 5. Accountability/Transparency:*** Deductions, credits and exemptions should be easy to monitor and evaluate and be subject to periodic review.

More information about the LFC tax policy principles will soon be available on the LFC website at www.nmlegis.gov/lcs/lfc