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FISCAL IMPACT REPORT

ORIGINAL DATE 02/12/16

SPONSOR Gonzales/Lundstrom LAST UPDATED _____ HB 328

SHORT TITLE County and Municipal Fuels Tax Act SB _____

ANALYST Alejandro

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY16	FY17	FY18	FY19	FY20		
\$0.0	\$0.0- \$28,000.0	\$0.0- \$28,000.0	\$0.0- \$28,000.0	\$0.0- \$28,000.0	Recurring	Counties and Municipalities

Parenthesis () indicate revenue decreases

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Department of Transportation
New Mexico Municipal League

SUMMARY

Senate Bill 328 amends the County and Municipal Gasoline Tax Act to authorize counties and municipalities to impose a tax on special fuel. Specifically, the bill:

- Changes the name of the act to the “County and Municipal Fuels Tax Act;
- Authorizes counties and municipalities to impose a special fuels excise tax of up to two cents per gallon in one-cent increments, subject to voter approval;
- Requires a seller of special fuel at retail to register with the county or municipality that imposes a special fuel tax;
- Requires counties and municipalities to collect the special fuel tax;
- Requires that the proceeds of a county or municipal special fuel tax be used for bridge and highway projects including construction, reconstruction, repair or maintenance of bridges and highways, for public transportation, or for the payment of bonds issued for such purposes;
- Repeals several previously approved uses for revenues; and
- Defines alternative fuel, biodiesel, blended biodiesel, county area, gasoline, highway, motor vehicle, special fuel, and taxpayer.

The bill also removes the provisions that only Class A and Class H counties and municipalities within Class A and Class H counties may impose the municipal and county gasoline tax. Removing this restriction would allow all counties and municipalities to impose the local government gasoline taxes.

As the bill does not specify an effective date, it is assumed effective 90 days following the close of session (May 18, 2016). The bill does not include a sunset date.

FISCAL IMPLICATIONS

According to the New Mexico Department of Transportation (DOT), without further action by local governing bodies and then subsequent voter approval, this bill alone would generate no new revenue. However, if all local governing bodies passed, and all voters approved, a two cent tax on both gasoline and diesel, approximately \$28 million per year could be generated. If all New Mexico local jurisdictions imposed a one cent gasoline tax it would generate approximately \$9 million per year and another \$5 million per year from a one cent tax on diesel.

Presumably these estimates do not take into account additional revenue potential from the taxation of special fuels such as liquefied natural gas and biodiesel, which currently make up a small but growing portion of fuel sales in New Mexico.

SIGNIFICANT ISSUES

According to the New Mexico Municipal League, this legislation would give local governments the option to increase the amount of local monies that would be available to maintain, repair or construct streets, roads and bridges within the local jurisdiction. Local governments have not seen an increase in their share of the gas tax in many years and some have actually experienced a decline in revenues from the gasoline tax due to competing sales of gasoline and special fuels by neighboring Native American Tribes. With fuel prices so low and many local governments seeing a decline in gross receipts tax revenues the option to impose a two cent fuels tax would be ideal at this time.

ADMINISTRATIVE IMPLICATIONS

The New Mexico Municipal League indicated that this legislation will require local governments to adopt an ordinance to set up systems for collection of the fuels tax. Many local governments currently collect Lodgers' Tax so they will have processes in place to assure collection of the tax and that the proper amount of tax is remitted by the fuel retailer.

TECHNICAL ISSUES

DOT indicated that it is not clear how this local option diesel fuel tax would fit into the International Fuel Tax Agreement or if interstate truckers would receive the appropriate credit for payments of this local tax.