

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (www.nmlegis.gov). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 02/16/16

SPONSOR Smith LAST UPDATED _____ HB _____

SHORT TITLE Increase Gas and Special Fuel Tax SB 251

ANALYST Alejandro

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY16	FY17	FY18	FY19	FY20		
\$0	\$120.0	\$115.0	\$115.0	\$115.0	Recurring	State Aviation Fund
\$0	\$60.0	\$60.0	\$60.0	\$60.0	Recurring	Motorboat Fuel Fund
\$0	\$4,600.0	\$4,600.0	\$4,600.0	\$4,600.0	Recurring	Municipalities & Counties Fund
\$0	\$2,600.0	\$2,600.0	\$2,600.0	\$2,500.0	Recurring	County Government Road Fund
\$0	\$0	\$0	\$0	\$0	Recurring	Tribal Governments
\$0	\$2,600.0	\$2,600.0	\$2,600.0	\$2,500.0	Recurring	Municipal Roads Fund
\$0	\$640.0	\$640.0	\$640.0	\$640.0	Recurring	Local Governments Road Fund – Gasoline Tax
\$0	\$2,500.0	\$2,640.0	\$2,700.0	\$2,750.0	Recurring	Local Governments Road Fund – Special Fuels Tax
\$0	\$58,200.0	\$59,000.0	\$60,000.0	\$60,000.0	Recurring	State Road Fund – Gasoline & Special Fuels
\$0	\$0	\$0	\$0	\$0	Recurring	General Fund
\$0	\$71,320.0	\$72,355.0	\$73,015.0	\$73,265.0		Total

Parenthesis () indicate revenue decreases

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

FY16	FY17	FY18	3-Year Total	Recurring or Nonrecurring	Fund Affected
\$124.0	\$0	\$0.0	\$124.0	Nonrecurring	TRD Budget

Parenthesis () indicate expenditure decreases

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

New Mexico Department of Transportation (DOT)

SUMMARY

Senate Bill 251 increases the gasoline tax by five cents per gallon from \$0.17 to \$0.22, and increases the special fuels tax by five cents per gallon from \$0.21 to \$0.26. The bill does not modify the distribution of the Gasoline Excise Tax and the Special Fuel Excise Tax.

This bill has an effective date of July 1, 2016, and does not include a sunset date.

FISCAL IMPLICATIONS

TRD estimated the fiscal impact of the bill by multiplying the gallons of gasoline and special fuel forecasted by DOT (as of January 2016) by the tax increase of 5 cents for gasoline tax and special fuels tax. The appropriate distribution percentage rates were then applied to the different funds.

The bill increases the overall State Road Fund revenue by approximately 14 percent in FY17, and by about the same percentage in the following fiscal years.

SIGNIFICANT ISSUES

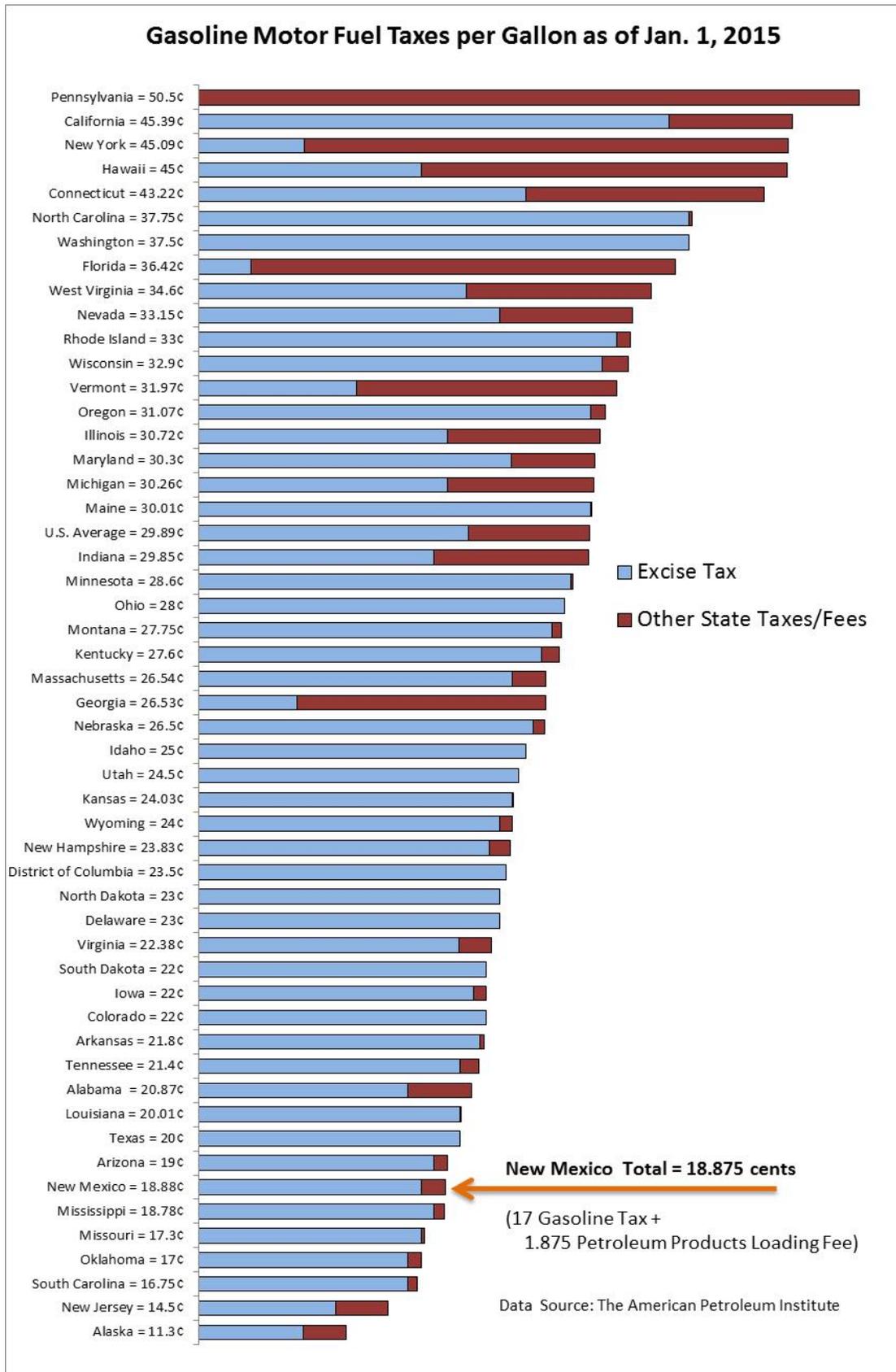
The last increase in the state gasoline tax occurred in 1993, when the tax was raised from \$0.16 to \$0.22 per gallon. It has since been reduced twice to the current rate of \$0.17 per gallon. The special fuels tax rate was last increased in 2003, when it was raised from \$0.18 per gallon to its present rate of \$0.21 per gallon. New Mexico fuel taxes are lower than in surrounding states and lower than the national average. DOT provided graphic depictions of New Mexico's relative fuel tax rates, presented on the following pages.

Many local governments have seen a real decline in the amount of their gasoline tax distributions over the years due to competing sales of gasoline by Native American Tribes in the vicinity of municipal limits. While the proposed tax increase would significantly increase the State Road Fund, county and municipal funds would benefit directly as well. Local governments are responsible for the maintenance, repair and construction of approximately 44,000 miles of roads compared to 30,000 miles of roads for which the state is responsible.

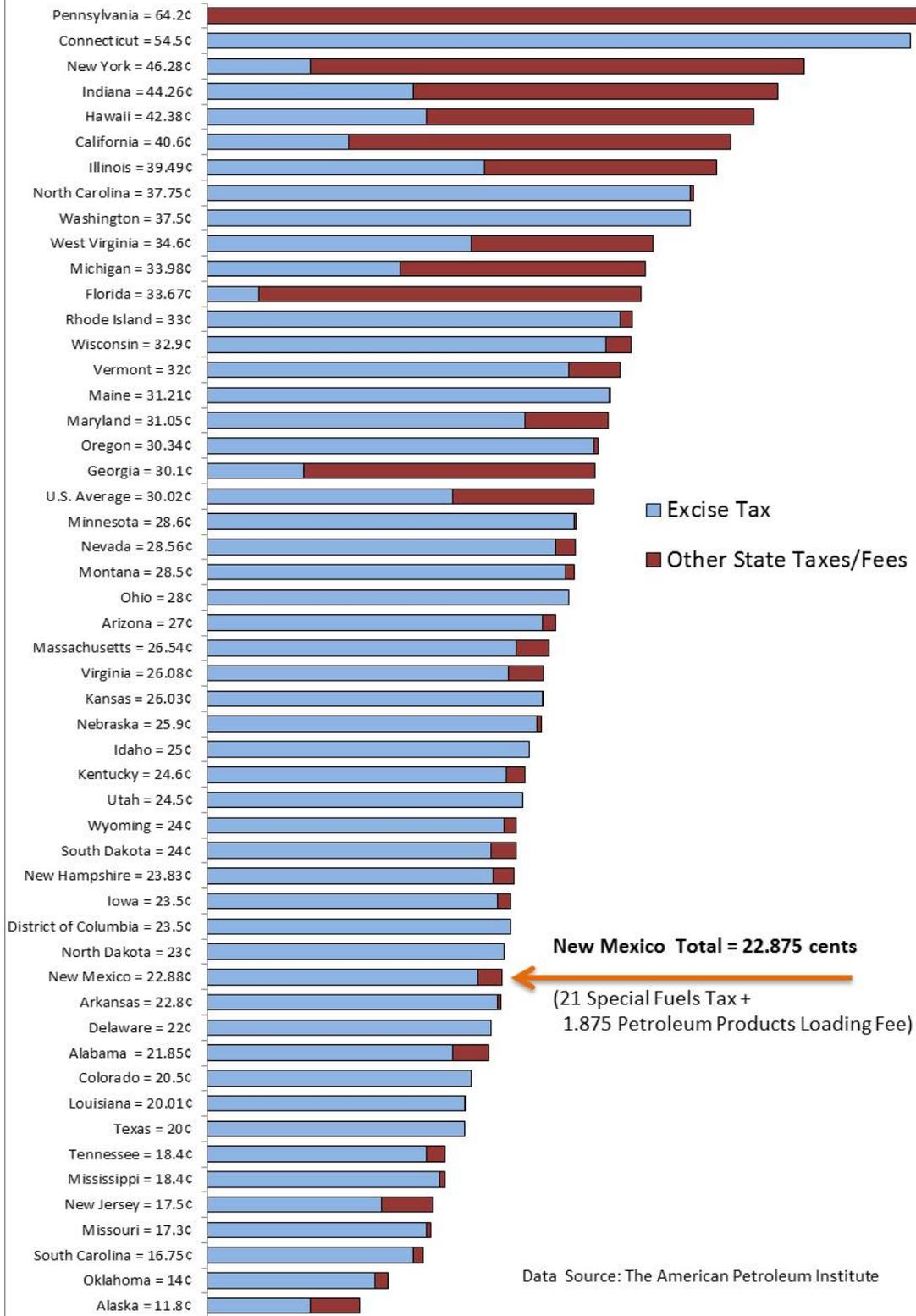
It should be noted that Native American Tribes tribes can increase their taxes in step with state increases but preserve any differential they deem appropriate.

Gasoline prices fluctuate with crude oil prices. However, gasoline tends to be a relatively inelastic product in that price fluctuations do not tend to significantly increase or reduce demand. As such, the revenues resulting from passage of this bill would likely remain consistent

regardless of changes in prices at the pump.



Diesel Motor Fuel Taxes per Gallon as of Jan. 1, 2015



TECHNICAL ISSUES

None identified.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 284 and Senate Joint Resolution 22 also increase the gasoline tax and special fuels tax.

ADMINISTRATIVE IMPLICATIONS

TRD estimates that this bill will have a moderate impact on financial distribution business processes and administration. The gasoline and special fuel tax rate changes will need to be made in the GenTax system and TRD's Financial Distribution Bureau (FDB) staff will need to verify the changes by performing selected data tests, functionality and reporting, prior to authorizing the GenTax system to move changes into final production. FDB testing should be completed no later than June 11, as the new tax would be effective July 1, 2016.

TRD's Revenue Processing Division (RPD) estimates that the changes will need to occur rapidly and at a high impact. There is an inventory tax imposed pursuant to the Gasoline Tax Act and the Special Fuel Excise Tax Act (Section 7-13-3.1 NMSA 1978, and Section 7-16A-4 NMSA 1978) that is measured by the quantity of gallons in the possession of a distributor or wholesaler on the day in which an increase in the tax is effective. Forms, instructions, and notice to taxpayers will need to be developed in a very short period of time in order to meet the July 1, 2016 effective date. The GenTax system will need to be configured to record the inventory tax and payments. If a new program is needed, RPD will need to set up a new payment type. Resources will need to be shifted from other areas to assist with implementation of this bill. RPD estimates that an additional 1.5 full-time employee will be needed to manage the calls and additional processing needs during the inventory tax collection.

LA/jo