F I S C A L   I M P A C T   R E P O R T

SPONSOR Madrid / Brown **ORIGINAL DATE** 2/4/2020 **LAST UPDATED** **HB** 250

SHORT TITLE Motor Vehicle Tax Distributions **SB**

ANALYST Iglesias

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY20	**FY21**	**FY22**	**FY23**	**FY24**		
-	($36,700.0)	($20,800.0)	($21,500.0)	($22,300.0)	Recurring	General Fund
-	$36,700.0	$62,300.0	$64,400.0	$66,700.0	Recurring	State Road Fund
-	-	($42,000.0)	($43,000.0)	($44,500.0)	Recurring	Local Governments Road Fund

Parenthesis ( ) indicate revenue decreases

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
$16.4	-	-	$16.4	Nonrecurring	TRD - Information Technology Division

Parenthesis ( ) indicate expenditure decreases

Conflicts with HB220

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)
Department of Transportation (DOT)

SUMMARY

Synopsis of Bill

House Bill 250 changes the revenue distributions of the motor vehicle excise tax (MVEX), and establishes some restrictions on how the MVEX revenue can be used.

Starting on January 1, 2021, and until the end of FY 2021, the bill increases the MVEX revenue distribution to the state road fund from 3.11 percent to 37.5 percent, and decreases the MVEX distribution to the general fund from 71.89 percent to 37.5 percent.

Then, commencing in FY 2022, the bill eliminates the distribution of MVEX revenue to the local governments road fund (which, under current law, was supposed to start in FY 2022), and equally distributes the MVEX revenue to state road fund and the general fund.

The bill also requires that the MVEX revenue distributed to state road fund should first be used "for expenditures needed to construct, improve, maintain and repair bridges and railroad crossings on the state highway system", and, once the aforementioned expenditures are not anymore necessary, it removes the use restriction.

The effective date of this revenue use restriction is July 1, 2020.

FISCAL IMPLICATIONS

In FY21, the bill would distribute about $37 million of additional MVEX revenue to the state road fund.

Starting from FY22, the state road fund would receive about $62-67 million of additional MVEX per fiscal year. Because of that increase, the state road fund would receive MVEX revenue totaling about $111 million to $118 million per fiscal year.

Conversely, the local governments road fund would not receive any MVEX revenue in FY22 and in the following fiscal year, and consequently the revenue loss would be approximately $42 million to $44 million per fiscal year.

The general fund revenue would be reduced by about $37 million in FY21, and by about $21 million to $22 million, in each following fiscal years.

This revenue estimate is based on the December 2019 Consensus General Fund Forecast.

SIGNIFICANT ISSUES

Under current law, the Department of Transportation receives a portion of MVEX revenue in FY20 and FY21 to improve road conditions in district 2 (Eddy and Lea counties). This distribution is unchanged by this bill.

Motor vehicle excise tax revenue is relatively stable, and MVEX revenue provide substantially more revenue growth over time than traditional road fund revenues like the gasoline tax because the latter grow very slowly if at all, while the MVEX has demonstrated relatively strong growth over time.

ADMINISTRATIVE IMPLICATIONS

According to the Taxation and Revenue Department, There is a moderate impact to the Information Technology Division, with soft costs of $16.4 thousand in FY20. The agency states that, effectively, the date needed for implementation is January 1, 2021, which is feasible.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill conflicts with HB220, which also changes the MVEX revenue distributions. Like this bill, HB220 also eliminates the MVEX revenue distribution to the local governments road fund, but differently from this bill, HB 220 introduces a new MVEX revenue distribution to the local government infrastructure project fund.

TECHNICAL ISSUES

The Department of Transportation (NMDOT) identified a typo in the bill, and suggests to change the sentence as follows:

On Page 3, line 11: “it may be”.

OTHER SUBSTANTIVE ISSUES

This bill requires that the MVEX revenue distributed to state road fund should first be used for improving, maintaining and repairing bridges, and railroad crossings. The bill, then, specifies that “*to the extent that the distribution is not needed*” the money can be used for all the other state road fund purposes. NMDOT thinks that the word “needed” may be ambiguous and subject to different interpretation. The agency suggests that explicitly mentioning a rating or scoring system would easier for NMDOT to interpret.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy**: Revenue should be adequate to fund needed government services.
2. **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity**: Different taxpayers should be treated fairly.
4. **Simplicity**: Collection should be simple and easily understood.
5. **Accountability**: Preferences should be easy to monitor and evaluate

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