

**Bill Analysis and Fiscal Impact Report
Taxation and Revenue Department**

January 21, 2026

Bill:
SB-2

Sponsor:
Senators Roberto “Bobby” J. Gonzales, George K. Muñoz, Pete Campos, Benny Shendo, Jr and
Representative Art De La Cruz

Short Title:
State Highway Project Bonds

Description:
Sections 1 and 2 increase the weight distances tax (WDT) by 35% based on the vehicle’s gross weight. This bill also increases vehicle registration fees by 25%, a vehicle that is not more than 2,000 pounds from \$27 to \$33.75 after five years from \$21 to \$26.25; 2,000 to 3,000 pounds from \$39 to \$48.75 after five years from \$31 to \$38.75; more than 3,000 pounds from \$56.00 to \$70 after five years from \$45 to \$56.25.

Sections 3 and 4 create an additional registration fee for electric and plug-in hybrid electric vehicles. The electric vehicle (EV) fee for calendar year 2027 is \$70; 2028 is \$80, and 2029 and after is \$90. The plug-in hybrid electric vehicle (PHEV) fee for calendar year 2027 is \$35; 2028 is \$40, and 2029 and after is \$45. These new fees will be deposited to the Motor Vehicle Suspense Fund. The Motor Vehicle Division (MVD) will determine if a vehicle is an electric vehicle or plug-in hybrid electric vehicle based on the vehicle’s fuel type or power train classification.

Section 5 changes the distribution of the Motor Vehicle Suspense Fund under Section 66-6-23.1 NMSA 1978 from 74.65% to 79.72% to the State Road Fund and slightly lowers the percentage distributed to each county.

Section 6 adds additional total bond proceeds that may be issued for state highway projects identified in the statewide transportation improvement program.

Effective Date, Applicability, and Contingency Language:
July 1, 2026: Sections 1, 2, and 5. January 1, 2027: Sections 3 and 4.

Taxation and Revenue Department Analyst:
Lucinda Sydow

Estimated Revenue Impact*

FY26	FY27	FY28	FY29	FY30	Recurring or Non-Recurring	Fund(s) Affected
--	37,800	38,430	39,235	40,145	R	Section 1: WDT - State Road Fund
--	31,413	32,083	32,752	33,423	R	Section 2 & 5: Vehicle Registration Fees - State Road Fund
--	--	--	--	--	R	Section 2 & 5: Vehicle Registration Fees - County General Funds

FY26	FY27	FY28	FY29	FY30	Recurring or Non-Recurring	Fund(s) Affected
--	--	--	--	--	R	Section 2 & 5: Vehicle Registration Fees - County Road Funds
--	--	--	--	--	R	Sections 2 & 5: Vehicle Registration Fees - Municipal Street Funds
--	--	--	--	--	R	Sections 2 & 5: Vehicle Registration Fees - County and Municipal General Funds
--	702	1,799	2,346	2,813	R	Section 3: New EV Registration Fee - State Road Fund
--	69,915	72,312	74,334	76,381	R	Total State Road Fund

* In thousands of dollars. Parentheses () indicate a revenue loss.

Methodology for Estimated Revenue Impact:

[Section 1] The Taxation and Revenue Department (Tax & Rev) applied the proposed 35% rate increase for the WDT to the current Department of Transportation's (DOT) January 2026 WDT Road Fund Forecast.

[Sections 2 & 5] Tax & Rev applied the proposed 25% vehicle registration fee increase for all classes of vehicles to the current DOT January 2026 Vehicle Registration Road Fund Forecast. Tax & Rev then applied the changes to distributions under Section 5 that increases the percentage to the State Road Fund and decreases the distributions to local governments funds. The distribution changes result in the State Road Fund receiving the entire revenue increase from the registration fee increases and local government funds maintain their current levels of revenue.

[Section 3] Tax & Rev applied the proposed new registration fees for EVs and PHEVs to DOT's current EV and PHEV forecast for January 2026. The new registration fees become effective January 2027; therefore, the estimate assumes half of the forecasted registered vehicles will pay the fee in fiscal year 2027.

As registration fees are a small percentage of the overall cost of purchasing and maintaining a vehicle, Tax & Rev assumed no impact to the rate of vehicle purchases assumed in the DOT forecasts due to the increases in registration fees.

Policy Issues:

The proposed increases to taxes and fees and the additional bonding authority will benefit New Mexico's road infrastructure by generating crucial funds for repairs, maintenance, and investment in new construction allowing safer roads for drivers. The Department of Finance and Administration (DFA) notes that while transportation projects may be funded from other sources, such as the General Fund or other bonding programs, utilizing the additional capacity authorized under the bill provides greater stability and predictability for project planning and execution, and frees up other funding sources for other state priorities.

The additional registration fees in the bill for EVs and PHEVs attempt to maintain funding for roads in a market with rising sales of electric vehicles. Because EVs and PHEVs consume less gasoline, owners of electric vehicles pay less gasoline excise tax than drivers of internal combustion engine vehicles. Although the percentage of EVs and PHEVs in the state is currently so small as to have little effect on road funding, the impact will grow over time to the extent more New Mexicans choose to purchase EVs and PHEVs. Overall, increasing mileage efficiency of all vehicles and increasing sales of larger vehicles have been shown to have much greater effects on the road fund than electric vehicles. As an estimated 99% of all vehicles on New Mexico roads are non-electric and have increased in fuel efficiency overall, this has shown impacts through the gasoline tax. Based on DOT's historical data and their forecast, from FY2014 to FY2019, gasoline tax revenue increased on average by 2% a year but is forecast to only grow by 1% in the next 5 years. As registration fees and the WDT have not been increased in over 20 years, the rate increases reflect sound inflation adjustments to correspond with the inflation cost increases associated with maintaining road infrastructure and to offset in part the slower growth of gasoline tax revenue.

Technical Issues:

None.

Other Issues:

None.

Administrative & Compliance Impact:

[Sections 1-5] Tax & Rev will update forms, instructions, publications and training. These changes will be incorporated into Tax and Rev's annual legislative implementation with current staff.

Based on the complexity of the new fee tables proposed in this bill, it is possible to see a negative impact on Tax & Rev's Motor Vehicle Division (MVD) field office transaction times. MVD will be required to explain the proposed fee changes and how they are applied to specific vehicles based on different criteria such as the year of registration, weight of vehicle, determination of EV fee applicability, and one- or two-year registration periods.

This bill is expected to have a moderate impact on Tax & Rev's Administrative Services Division (ASD) impacting both the Tapestry system, the system of record for motor vehicle fees and GenTax, the system of record for taxes including the weight distance tax. ASD will update the Tapestry System's and GenTax system's general ledger and reporting. It is anticipated this work will take approximately 280 hours split between two existing FTEs of a pay band C08 and a pay band C10 at a cost of approximately \$19,100 of staff workload costs.

The implementation of this bill will result in an overall high impact on Tax & Rev's Information Technology Division (ITD), requiring approximately six months and incurring total costs of approximately \$321,668. This cost breakdown includes \$240,000 for contractual resources and \$81,668 for staff workload costs that are included in the Tax & Rev Executive Request for FY27. These costs include changes to both the Tapestry and GenTax systems. The changes in Tapestry include changes to the current registration fees and adding the new fees for EVs and PHEVs.

Estimated Additional Operating Budget Impact*

FY26	FY27	FY28	3 Year Total Cost	Recurring or Non-Recurring	Fund(s) or Agency Affected
--	\$19.1	--	\$19.1	NR	ASD - Staff workload

FY26	FY27	FY28	3 Year Total Cost	Recurring or Non-Recurring	Fund(s) or Agency Affected
--	\$240	--	\$240	NR	ITD – Contractual Costs
\$15.2	\$66.4	--	\$81.6	NR	ITD – Staff workload

* In thousands of dollars. Parentheses () indicate a cost saving. ** Recurring (R) or Non-Recurring (NR).