

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

February 18, 2026

Bill:

SFC sub. for SB-76

Sponsor:

Senators Roberto “Bobby” J. Gonzales, Leo Jarmillo, Heather Berghmans, and Antonio Maestas and Representative Joy Garratt

Short Title:

Increasing Gasoline and Special Fuels Tax

Description:

The *Senate Finance Committee* substitute increases the gasoline tax from \$0.17 to \$0.20 per gallon and the special fuel excise tax from \$0.21 to \$0.25 per gallon.

Effective Date, Applicability, and Contingency Language:

July 1, 2026

Taxation and Revenue Department Analyst:

Chen Xie and Lucinda Sydow

Estimated Revenue Impact*

FY26	FY27	FY28	FY29	FY30	Recurring or Non- Recurring	Fund(s) Affected
--	\$2,740	\$2,780	\$2,810	\$2,830	R	Section 1: Counties and Municipalities Road Fund (Gasoline)
--	\$20,120	\$20,420	\$20,680	\$20,790	R	Section 1: State Road Fund (Gasoline)
--	\$1,520	\$1,540	\$1,560	\$1,570	R	Section 1: County Government Road Fund (Gasoline)
--	\$1,520	\$1,540	\$1,560	\$1,570	R	Section 1: Municipal Road Fund (Gasoline)
--	\$380	\$390	\$390	\$390	R	Section 1: Municipal Arterial Fund (Gasoline)
--	\$70	\$70	\$70	\$70	R	Section 1: Aviation Board Fund (Gasoline)
--	\$30	\$30	\$40	\$40	R	Section 1: Motor Boat Fund (Gasoline)
--	\$2,720	\$2,800	\$2,900	\$2,990	R	Section 2: Local Government Road Fund (Special Fuel)
--	\$25,810	\$27,400	\$28,330	\$29,170	R	Section 2: State Road Fund (Special Fuel)
--	\$45,930	\$47,820	\$49,010	\$49,960	R	Total State Road Fund
--	\$54,910	\$56,970	\$58,340	\$59,420	R	Total All Funds

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

Methodology for Estimated Revenue Impact:

[Section 1] The Taxation and Revenue Department (Tax & Rev) applied the proposed \$0.03 per gallon increase for the gasoline tax to the current Department of Transportation’s (DOT) January 2026 Road Fund Forecast.

[Section 2] Tax & Rev applied the proposed \$0.04 per gallon increase for the special fuel excise tax to the current Department of Transportation’s (DOT) January 2026 Road Fund Forecast.

Policy Issues:

According to the Tax Foundation, as of 2025, New Mexico has one of the lowest gasoline tax rates among the states, coming in at 48th, with only Hawaii and Alaska being lower¹. However, most of the neighboring states have relatively low rates as well. Arizona is ranked 47th, Texas 45th, and Oklahoma is ranked 44th. Colorado is ranked 29th having increased their gasoline tax in 2021 through an additional fee. The new rate would rank New Mexico at about 45th, tied with Texas on that list assuming other state rates remain unchanged.

New Mexico’s current gasoline tax rate of 17 cents per gallon has been in place since July 1995. Since then, inflation has caused gasoline tax revenues to lose their purchasing power. The increase to 20 cents represents an 18% increase. Annualizing the impact over the past 30 years, this represents an annual 0.6% inflation adjustment. The special fuel tax rate has been in place since 2003 at a rate of 21 cents per gallon. The increase to 25 cents represents a 19% increase or about a 0.8% annual inflation adjustment for 23 years. As these taxes have not increased in over 20 years, the rate increases reflect inflation adjustments to correspond with the inflation cost increases associated with maintaining road infrastructure and may offset, in part, the slower growth in gasoline tax revenue due to more efficient vehicles with higher miles per gallon.

Gasoline taxes are understood to be regressive meaning that, although households with lower incomes pay less in these taxes than middle and high-income households, it is a higher percentage of the low-income families overall income.

State and local governments will receive higher distributions from the gasoline and special fuels taxes, which will then be used to pay for road construction and maintenance. The increase in revenue would help bridge the gap between road construction and maintenance costs and state resources.

Technical Issues:

None.

Other Issues:

None.

Administrative & Compliance Impact:

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.

Tax & Rev’s Administrative Services Division (ASD) will update and test the general ledger and revenue reporting. It is anticipated that this work will take approximately 40 hours split between two FTE of a pay band eight and a pay band ten at a cost of approximately \$2,700. Pay-band level eight hours are estimated at time and ½ for extra hours worked.

¹ <https://taxfoundation.org/data/all/state/gas-taxes-state/>

Implementation will have a low impact on Tax & Rev’s Information Technology Division (ITD) requiring approximately 220 hours of effort or approximately 1 1/2 months for an estimated cost of \$15,226 of staff workload costs.

If several bills with similar effective dates become law, there will be a greater impact to ITD, and additional staff workload costs or contract resources may be needed to complete the changes specified by the effective date(s) of each bill.

Estimated Additional Operating Budget Impact*

FY26	FY27	FY28	3 Year Total Cost	Recurring or Non-Recurring	Fund(s) or Agency Affected
\$2.7	--	--	\$2.7	NR	ASD – Staff workload
\$15.2	--	--	\$15.2	NR	ITD – Staff workload

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