

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

**February 2, 2026**

**Bill:**  
SB-185

**Sponsor:**  
Senator William P. Soules

**Short Title:**  
Increase Gasoline Tax

**Description:**  
This bill amends the New Mexico gasoline tax rate from \$0.17 to \$0.20 per gallon.

**Effective Date, Applicability, and Contingency Language:**  
July 1, 2026

**Taxation and Revenue Department Analyst:**  
Chen Xie

**Estimated Revenue Impact\***

<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>FY29</b>	<b>FY30</b>	<b>Recurring or Non-Recurring</b>	<b>Fund(s) Affected</b>
--	20,120	20,420	20,680	20,790	R	State Road Fund
--	2,740	2,780	2,810	2,830	R	Counties and Municipalities Road Fund
--	1,520	1,540	1,560	1,570	R	County Government Road Fund
--	1,520	1,540	1,560	1,570	R	Municipal Road Fund
--	380	390	390	390	R	Municipal Arterial Fund
--	70	70	70	70	R	Aviation Board Fund
--	30	30	40	40	R	Motorboat Fuel Tax Fund

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

**Methodology for Estimated Revenue Impact:**

The New Mexico Department of Transportation provided projections on gasoline tax from FY2026-FY2030. The Taxation and Revenue Department (Tax & Rev) applied the proposed rate change to the existing forecast value to calculate the additional gasoline tax revenue generated as a result of this bill.

**Policy Issues:**

According to the Tax Foundation, New Mexico has one of the lowest gasoline tax rates among the states, ranking 48<sup>th</sup>, with only Hawaii and Alaska imposing lower rates<sup>1</sup>. However, most neighboring states have relatively low rates as well. Colorado is ranked at 29<sup>th</sup>, Arizona 47<sup>th</sup>, Texas 45<sup>th</sup>, and Oklahoma 45<sup>th</sup>. The new rate would put New Mexico at 45<sup>th</sup>, tied with Oklahoma assuming other state rates remain unchanged.

<sup>1</sup> <https://taxfoundation.org/data/all/state/gas-taxes-state/>  
SB-185

New Mexico’s current gasoline tax rate of 17 cents per gallon has been in place since July 1995. Since then, inflation has eroded the purchasing power of gas tax revenues. The increase to 20 cents represents an 18% increase in the rate. Annualizing the rate impact over the past 30 years, this represents an annual 0.6% inflation adjustment. Because the gas tax has not been increased in over 30 years, the rate increase reflects a partial inflation adjustment to correspond with the inflationary cost increases associated with maintaining road infrastructure. The tax rate increase may offset, in part, the slower growth in gasoline tax revenue due to more efficient vehicles with higher miles per gallon.

Gasoline taxes are regressive, meaning that households with lower incomes pay less in these taxes than middle and high-income households, this lower amount is a higher percentage of their overall income.

Gas tax revenues are distributed to municipalities and counties for deposit into separate road funds. With the gas tax rate increase, State and local governments will receive higher distributions due to the rate increase to pay for road construction and maintenance costs. A national transportation research group, TRIP, estimates that New Mexico road conditions cost drivers \$3.3 billion per year due to driving on New Mexico roads that are deteriorated, congested, or lacking in some desirable safety features<sup>2</sup>. The increase in gas tax revenue would help bridge the gap between road construction and maintenance costs and current revenue sources.

**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 for one FTE of a pay band 10 at a cost of approximately \$2,400.

This bill will have a low impact on Tax & Rev’s Information Technology Division (ITD), approximately 220 hours or just over 1 month and \$15,226 of staff workload costs.

**Estimated Additional Operating Budget Impact\***

FY26	FY27	FY28	3 Year Total Cost	Recurring or Non-Recurring	Fund(s) or Agency Affected
--	\$2.4	--	\$2.4	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).

**Related Bills:**

Similar to SB-76

<sup>2</sup>[https://tripnet.org/wp-content/uploads/2026/01/TRIP\\_New\\_Mexico\\_Transportation\\_by\\_the\\_Numbers\\_Report\\_January\\_2026.pdf](https://tripnet.org/wp-content/uploads/2026/01/TRIP_New_Mexico_Transportation_by_the_Numbers_Report_January_2026.pdf)