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## FISCAL IMPACT REPORT

**BILL NUMBER:** Senate Bill 213

**SHORT TITLE:** Index Gas, Weight & Special Fuel Taxes

**SPONSOR:** Muñoz

**LAST UPDATE:** \_\_\_\_\_ **ORIGINAL DATE:** 2/11/26 **ANALYST:** Francis

### REVENUE\* (dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
Gasoline tax	Choose an item.		<b>See fiscal impact section.</b>		Choose an item.	Recurring	State road fund
Gasoline tax						Recurring	Counties and Municipalities Road Fund
Gasoline tax						Recurring	County Government Road Fund
Gasoline tax						Recurring	Municipal Road Fund
Gasoline tax						Recurring	Municipal Arterial Fund
Gasoline tax						Recurring	Motorboat fuel Tax Fund
Gasoline tax						Recurring	State Aviation Board fund
Gasoline tax						Recurring	Local Government Road fund
Weight Distance						Recurring	State Road Fund
Special Fuels					<b>\$7,104.0</b>	Recurring	State Road Fund
Special Fuels					<b>\$748.0</b>	Recurring	Local Government Road Fund

Parentheses indicate revenue decreases.

\*Amounts reflect most recent analysis of this legislation.

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>TRD</b>	Choose an item.	Choose an item.	<b>\$50.5</b>	<b>\$50.5</b>	Recurring	<b>General Fund</b>

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

Relates to Senate Bill 2 (Laws 2026, Chapter 4), SB76 and SB185

### Sources of Information

LFC Files

Agency or Agencies Providing Analysis  
 Taxation and Revenue Department

Agency or Agencies That Were Asked for Analysis but did not Respond  
 Department of Transportation  
 Department of Finance and Administration

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive analysis from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

## SUMMARY

### Synopsis of Senate Bill 213

Senate Bill 213 (SB213) modifies the gasoline tax, the weight distance tax and the special fuels tax to index them to inflation. Currently, the rates are set in statute and SB213 would apply an inflation factor which will increase the rates. The indexed value is rounded down to the nearest penny but cannot be less than the current rate.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026. The indexing applies to transactions after July 1, 2028.

## FISCAL IMPLICATIONS

SB213 applies a factor to index tax rates for transportation taxes. The Department of Transportation (NMDOT) will set the rates for the next fiscal year in April using the U.S. Bureau of Labor Statistics Consumer Price Index (CPI) for the prior calendar year divided by the CPI for year 2026. For example, the first year SB213 is in effect, NMDOT would use 2027 (calendar) CPI divided by 2026 (calendar) as the inflation factor to index the FY 2028 tax rates (table) to FY 2029. In the example, the increase is less than ½ a penny so there’s no change in the gas tax rate until FY 2031, outside the five-year fiscal impact window. For the special fuel tax rate, the rate increases by one penny in 2030, increasing revenue for the state road fund and local government road fund.

	2026	2027	2028	2029	2030	2031
CPI	3.30	3.39	3.47	3.55	3.63	3.70
CPI base 2026	1.000	1.028	1.052	1.076	1.100	1.121
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Gasoline tax						
\$ per gallon	\$0.17	\$0.17	\$0.17	\$0.17	\$0.17	\$0.18
Special fuel tax						
\$ per gallon	\$0.21	\$0.21	\$0.21	\$0.21	\$0.22	\$0.22

For weight distance taxes, the tax rates are in mills not cents. So, for the top weight class (non bus) of 78,001 pounds or greater, the mill rate is 43.78 which is the equivalent to 0.04378 dollars per mile traveled (43.78/1000). By rounding down, the inflation adjustment could for some weight classes reduce the tax because of the way mills work. For example, the mill rate of 43.78 is equivalent to 0.04378 per mile. Applying the calculated inflation factor (1.022 in the table above), yields 0.04472 per mile. When this value is rounded down *to the nearest penny*, per SB213, it becomes 0.0400, which is less than the current 0.04378. As a result, in FY29, weight distance taxes would decrease for most weight classes except that SB213 also states that the rate cannot be less than the current rate. (See technical issues for amendment recommendation.)

## SIGNIFICANT ISSUES

New Mexico's gasoline tax and special fuels excise tax have not been increased for several decades, with current rates established in 1995 and 2004, respectively. Using the methodology in SB213, the \$0.17 per gallon gasoline tax set in 1995 would be \$0.34 per gallon in FY 2025, or double. As a result, the purchasing power of these revenues has declined over time due to inflation and rising construction, maintenance, and labor costs associated with transportation infrastructure. During this period, fuel tax revenues have remained largely flat in nominal terms while the cost of preserving and expanding the state's roadway system has increased substantially. TRD reports that New Mexico has one of the lowest gas excise taxes in the country.

Revenues from the gasoline tax and special fuels excise tax are constitutionally and statutorily dedicated to transportation-related purposes and may not be used for general governmental operations. These revenues support state and local road construction, maintenance, and preservation, as well as specific transportation-related funds, including the state road fund, local governments road fund, county government road fund, Municipal Arterial Program, state aviation fund, and motorboat fuel tax fund. As fuel efficiency has improved and vehicle technology has evolved, growth in fuel consumption has slowed, further constraining revenue growth from per-gallon excise taxes.

Because fuel taxes are assessed on a per-gallon basis rather than as a percentage of price, increases in fuel prices do not result in proportional revenue gains. Absent periodic rate adjustments, this structure can lead to a gradual erosion in real revenues available for transportation infrastructure, shifting a greater share of funding responsibility to federal sources or other state and local revenue mechanisms. Indexing to inflation mitigates the erosion.

## PERFORMANCE IMPLICATIONS

Each penny increase in gas excise tax is estimated to increase revenue by about \$9 million and each increase in the special fuels tax is estimated to increase revenue by about \$7 million.

TRD notes:

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>1</sup> The increase in gas tax, WDT and special fuel excise tax revenue would help bridge the gap between road construction and maintenance costs and current revenue sources.

## ADMINISTRATIVE IMPLICATIONS

The Taxation and Revenue Department (TRD) and the NMDOT would incur administrative costs to implement the bill. TRD would be required to update tax forms, instructions, electronic filing systems, and internal accounting processes to reflect the new gasoline and special fuels excise tax rates, as well as provide guidance to taxpayers and fuel distributors. TRD estimates those costs to be recurring \$50.5 thousand.

## CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Related to SB2 (Laws 2026, Chapter 4) which increases weight distance taxes, SB76 which increases the gasoline and special fuels tax rates and SB185 which increases the gasoline tax. If both SB76 and SB213 were enacted, the gasoline tax rate would go from \$0.17 per gallon to \$0.23 per gallon in FY 2027 and then be indexed for inflation beginning FY 2029.

Note: SB2 (Laws 2026, Chapter 4) has been enacted and SB213 will conflict with the weight distance mills enacted by SB2 (Laws 2026, Chapter 4).

## TECHNICAL ISSUES

As currently written, the weight distance tax rates will be rounded down to the nearest penny which will end up reducing the taxes rather than increasing or maintaining because these rates are mill rates rather than dollar rates. SB213 should be amended to reflect rounding down the mill rates to the nearest 100<sup>th</sup> mill per mile.

TRD notes that the definition of consumer price index should be consistent with the definition in other parts of the code and recommends adding the phrase “for the month ending September 30” to each definition of “consumer price index.”

## OTHER SUBSTANTIVE ISSUES

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

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

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<sup>1</sup> <https://tripnet.org/reports/new-mexico-transportation-by-the-numbers-statewide-news-release-01-15-2026/>