

# County & Municipal Gasoline Tax

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Demesia Padilla, Cabinet Secretary  
Frank Crociata, Tax Policy Director  
Efraín Ibarra, Economist

# How The State Gas Tax Works

- ▶ A tax of 17 cents per gallon is levied on the first receiver of gasoline in the state.
  - The incident of the tax is on the “receipt” of the fuel.
- ▶ Gasoline is “first received” when it is loaded at a refinery or terminal into a tank truck to be delivered by a distributor.
- ▶ The “distributor” is the taxable party.
  - Depending on business structures, the “distributor” could be the position holder in the fuel, a wholesaler or gasoline marketer, a retailer, or an end user.

# How The State Gas Tax Works

- ▶ Distributors have to register with the Department, report the number of gallons sold, and pay the tax.
- ▶ Distributors use location codes to report where they've sold gasoline.
  - The taxable event occurs before delivery.
  - Location codes may not correspond to retail location because of downstream selling.

# How The State Gas Tax Works

- ▶ Gasoline tax collections are distributed to different funds.
- ▶ The Municipalities and Counties Fund receives 10.38% of the gas tax collections.
- ▶ The Municipal Roads Fund and the County Gov't Road Fund each receive 5.76%.
- ▶ The Local Governments Road Fund receives 1.44%.
- ▶ Collections are distributed to other funds, and the remainder goes to the State Road Fund.
- ▶ Tax distributions are made based on location codes provided by distributors

# County & Municipal Gas Tax

- ▶ §7–24A County and Municipal Gasoline Tax Act allows Class A and H counties to impose a tax in increments of one cent (\$.01) per gallon up to a maximum of two cents (\$.02) per gallon.
- ▶ Counties that may impose the tax are: San Juan, Santa Fe, Dona Ana, Bernalillo, Sandoval, and Los Alamos.
- ▶ Class A counties, population > 100,000
- ▶ Municipalities within these counties may also impose a tax.

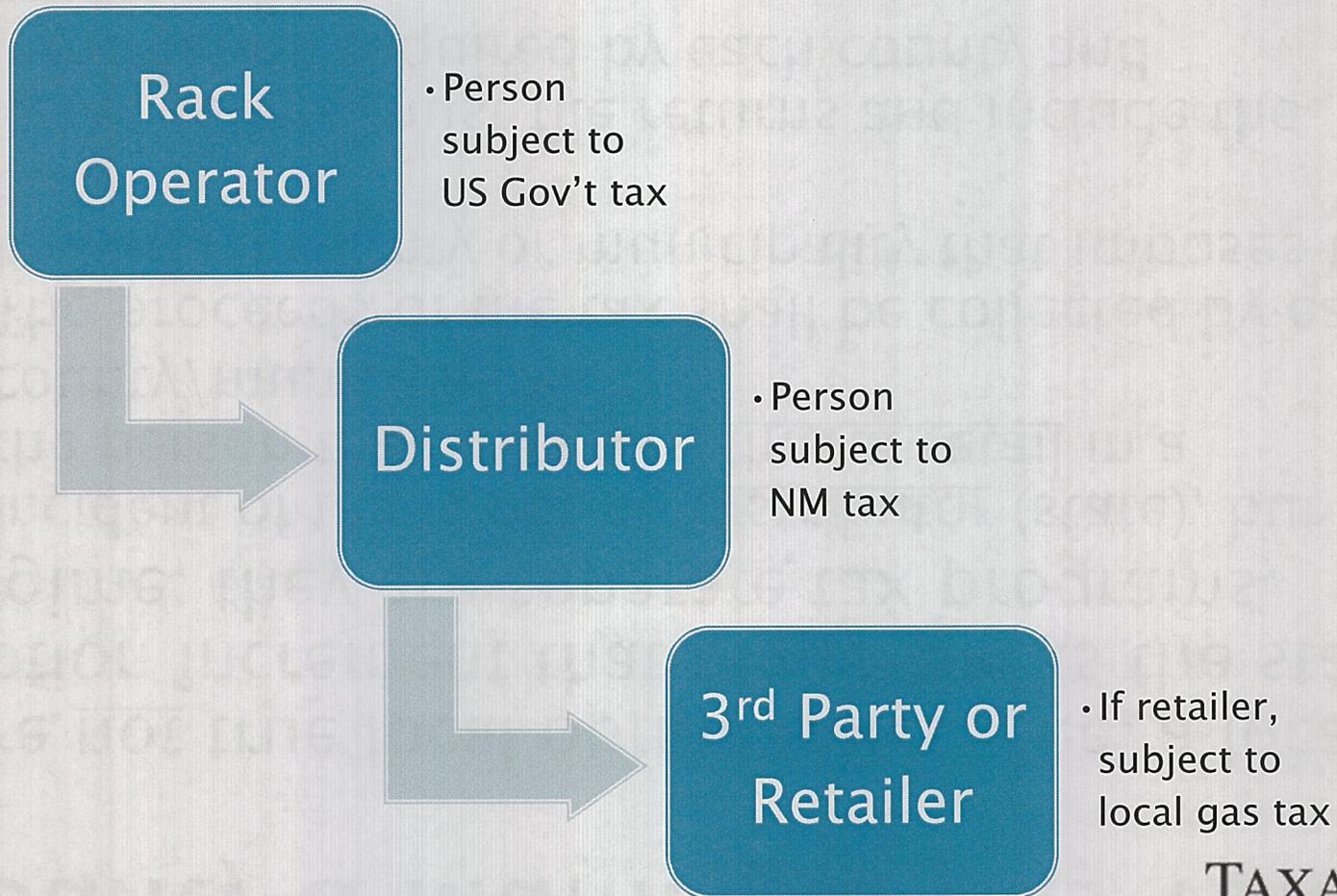
# County & Municipal Gas Taxes

- ▶ Several taxes are authorized depending on location and purpose:
  - § 7-24A-5 (can be imposed for unincorporated parts of county and only for bridge, road, or public transportation purposes); up to \$0.02
  - § 7-24A-6.1 (can be imposed county-wide for vehicle emission inspection purposes if municipalities also adopt ordinances to impose it); up to \$0.04
  - § 7-24A-10 (can be imposed by municipality, presumably for bridge, road, or public transportation purposes). Up to \$0.02
  - Tax on gasoline may increase by 50%.

# County & Municipal Gas Taxes

- ▶ Are not true local option taxes – i.e. a local option increment that piggy-backs the state regime; they are separate tax programs.
  - Incident of tax is not on distributor (state), but on the person that sells gasoline at retail in a county/municipality.
  - The proceeds of the tax shall be collected by each individual county or municipality that imposes the tax.
  - Retail sellers must file returns and include the information required by each county and municipality.

# Gas Tax Flow



# Significant Differences Between State and Local Gasoline Tax

- ▶ Incidence of the tax – distributor/retailer.
- ▶ Deductions/exemptions – the Local taxes were drafted to piggyback the State deductions, but they can't because those deductions were enacted contemplating taxation farther up the supply chain.
- ▶ Jurisdiction to which taxpayers register and pay taxes to – State on return/every city or county that imposes a tax.
- ▶ Tax distributions.

# Significant Issues with Local Fuel Tax

- ▶ The global issue – retail taxation of fuels has become disfavored due to historical experience with evasion.
- ▶ No counties/cities using current program – burdens outweigh benefits:
  - Administration and collection costs;
  - Compliance (audit function);
  - Due process – appeals procedures (legal function).
- ▶ Dramatic increase of compliance burdens on fuel retailers.

# Thank you!

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