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### FISCAL IMPACT REPORT

SPONSOR:	Mohorovic	DATE TYPED:	02/11/00	HB	423
SHORT TITLE:	Motor Vehicle Excise Tax Distribution			SB	
				ANALYST:	Eaton

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY00	FY01	FY00	FY01		
	\$ 750.0			Recurring	General Fund

### REVENUE

Estimated Revenue		Subsequent Years Impact*	Recurring or Non-Rec	Fund Affected
FY00	FY01			
	\$ (35,525.0)		Recurring	General Fund
	\$ 17,388.0		Recurring	State Road Fund
	\$ 8,694.0		Recurring	County Road
	\$ 8,694.0		Recurring	Municipal Road

(Parenthesis ( ) Indicate Revenue Decreases)

\*FY02-03 General Fund impact: \$(74.8 million); FY03-04 General Fund Impact: \$(119 million).

## SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

## SUMMARY

### Synopsis of Bill

This bill redirects revenue associated with the Motor Vehicle Excise Tax from the State General Fund to the Energy, Minerals and Natural Resources Department (ENMRD), to the State Road Fund and to County and Municipal Governments. The change is phased-in over a three-year period.

- In fiscal year 2001-2002, \$750 thousand would be distributed to EMNRD and of the remainder, 2/3 to the State General Fund, 1/6 to the State Road Fund, and 1/6 to County and Municipal Governments.
- In fiscal year 2002-2003, \$750 thousand would be distributed to EMNRD and of the remainder, 1/3 to the State General Fund, 1/3 to the State Road Fund, and 1/3 to County and Municipal Governments.
- In fiscal year 2003-2004 and subsequent fiscal years, \$750 thousand would be distributed to EMNRD and of the remainder, 2/3 to the State Road Fund, and 1/3 to County and Municipal Governments.

The allocation among counties would first be calculated based on the county's share of vehicle registration fees. 50% of each counties' amount would be distributed to the County Road Fund, and the remaining 50% allocated to municipalities for street construction and repair, based on the municipality's pro rata share of net

taxable value reported for property tax purposes (somewhat reminiscent of the existing allocation of motor vehicle fees under Section 66-6-23.1, Subsection A, Paragraph 4).

The bill repeals Section 66-3-19 NMSA 1978 which directs the State Highway and Transportation Department to repair and maintain roads, bridges, and parking areas within state parks and recreation areas, and which provide access to state parks and recreation areas. The duty for that repair and maintenance is moved to the ENMRD, and the \$750 thousand from the Motor Vehicle Excise Tax is appropriated to the Department for that purpose.

## **FISCAL IMPLICATIONS**

The Taxation and Revenue Department estimate that the impact to the General Fund in fiscal year 2001 is \$35,525.0, increasing to \$74,784.0 in fiscal year 2003 and \$118,956.0 in fiscal year 2004.

Since Section 7-14-10 NMSA 1978 (Section 1 of the bill) specifies that the Motor Vehicle Excise Tax is distributed "As of the end of each month ...", the TRD interprets the date of the revenue distribution change to affect July, 2001 tax collections distributed "as of" July 31, 2001, and actually transferred in mid-August, 2001. Thus the fiscal impact in the first fiscal year includes 12 months of accrued revenue.

## **ADMINISTRATIVE IMPLICATIONS**

Minor.

## **OTHER SUBSTANTIVE ISSUES**

Sales and use of motor vehicles were taxed based on sales price (less trade-in value) beginning in 1934. In the ensuing 63 years, 77% of total vehicle excise taxes collected have, on average, been distributed to the general fund, while 23%, on average, have been distributed to the state road fund and local governments road fund. Only for the period 1981 through 1986 did the state general fund receive no portion of the motor vehicle excise tax. From the point of view of tax policy, the motor vehicle excise tax is imposed in lieu of the gross receipts tax, not as an access fee for use of state roads.

The motor vehicle excise tax might be more accurately viewed as a selective sales tax imposed to provide a favorable tax rate upon a specific commodity, rather than an intrinsically "road-related" revenue. A great deal

of the value of contemporary motor vehicles has more to do with comfort, styling, safety features, and amenities (air conditioning, sound systems, power steering, anti-lock brakes, automatic door locks, air bags, etc.) than strictly to do with use of the roads.

JE/njw