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F I S C A L I M P A C T R E P O R T

SPONSOR: Watchman DATE TYPED: 03/15/01 HB 497/aHTRC

SHORT TITLE: PPLF Deduction for Tribes SB

ANALYST: Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	**FY02**			
Uncertain; see text	Uncertain; see text		Recurring	Corrective Action Fund
Uncertain; see text	Uncertain; see text		Recurring	Local Governments Road Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to HB 448, HB 616, HB 807, HB 904, SB 119, SB 407, SB 559, SB 808

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department
State Highway and Transportation Department
Environment Department

SUMMARY

Synopsis of HTRC Amendment

The HTRC amendment restores the current law deduction allowed for fuel sold by "registered Indian tribal distributors" outside tribal boundaries, i.e. the 60 million gallons sold by Nambe and Santo Domingo.

Synopsis of Original Bill

The bill changes the imposition of the petroleum products loading fee on gasoline. Volumes would be calculated to the nearest one-hundredth of a load.

The gasoline tax deduction for a "registered Indian tribal distributor" would be revised. The deduction allowed for fuel sold outside tribal boundaries would be eliminated. A deduction from the petroleum products loading fee for gasoline and special fuel sold on tribal lands is authorized if a tribal tax or fee has been imposed for corrective action at sites contaminated by leaking storage tanks.

The bill contains an emergency clause.

Significant Issues

- See Technical Issues.
- A load is 80 gallons.

FISCAL IMPLICATIONS

Synopsis of HTRC Amendments

TRD notes the fiscal impact in FY01 is uncertain and depends on passage of the bill with an emergency clause. Tribes and pueblos may not have time to respond with imposition of their own leaking storage tank tax and may become subject to the petroleum products loading fee on volumes retailed within reservation and pueblo boundaries. In this case, the fiscal impact could range up to about $400.0 to $600.0 ($200.0 to $400.0 thousand for the corrective action fund and $200.0 for the local governments road fund). The range of the fiscal impact illustrates a petroleum products loading fee tax rate of 1 cent per gallon and 1.5 cents per gallon. The petroleum products loading fee rate can be adjusted each year on October 1 based on balances in the corrective action fund.

Approximately 100 million gallons of gasoline are reported annually by "registered Indian tribal distributors" as exempt from state gasoline tax. Of that amount, approximately 60 million gallons are attributable to two distributors specially certified for sales outside tribal reservation boundaries.

Synopsis of Original Bill

The bill is projected to increase revenues to the corrective action fund and the local governments road fund by approximately $450.0 and $300.0, respectively, beginning FY02. The net volume products loading fee rate is subject to adjustment each October 1, based on balances in the corrective action fund. The fiscal impact reflects a tax levy of 1.25 cents per gallon. The fiscal impact is generated by the elimination of the deduction for fuel sold outside tribal boundaries.

There is notable uncertainty on whether tribal volumes are subject to the petroleum products loading fee under current law; significant issues include wheather the fuel is taken from an off-reservation rack or imported. It appears the fee is not being paid for most volumes sold on the reservation. This analysis does not assume a decrease in revenues from the approximately 40 million gallons sold at retail within tribal boundaries, because of the likelihood the tribes will impose a similar tax.

There is also the remote possibility that tribes would not impose the corresponding tax. In this case the fiscal impact would increase by $400.0 to 600.0.

TECHNICAL ISSUES

TRD notes an unknown number of retailers in Northern New Mexico with standing to request assistance from the corrective action fund may not be contributing their fair share to the corrective action fund.

Because the state's levy can potentially change, annual dissemination of rate changes to tribal governments would be useful.

An effective date of April 1, 2001 should be considered.

AW/ar:prr/njw