NOTE: As provided in LFC policy, this report is intended only for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used for other purposes.

The most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR:	Silv	a	DATE TYPED:	2/19/03	НВ	691
SHORT TITL	E: _	Increase Motor Excis	e Tax for Road Fu	nd	SB	
				ANA	LYST:	Reynolds-Forte

REVENUE

Estimated Revenue			Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03		FY04			
	*	\$19,500.0		Recurring	Road Improvement
					Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Responses Received From

Taxation and Revenue Department

SUMMARY

Synopsis of Bill

House Bill 691 amends Section 7-14-4 NMSA 1978 to increase the current three percent (3%) motor vehicle excise tax by one-half percent (.5%). HB 691 creates a new road improvement fund to be administered by the State Highway and Transportation Department. Section 7-14-10 is amended to divert the additional .5% to the new "road improvement fund" to be spent for loans or grants for road improvement projects specifically authorized by law."

The rate increase becomes effective the month after this bill is signed into law. The other provisions are effective one month later. The bill also contains an emergency clause.

FISCAL IMPLICATIONS

HB 691 increases the current three percent motor vehicle excise tax by one-half percent to three and one-half percent. The one-half percent will generate approximately \$19.5 million in FY04. The bill may have a fiscal year 2003 impact, depending upon when these provisions are signed into law. If the bill is signed in March, the excise tax rate will increase in April affecting distributions

^{*}This bill may have a fiscal year 2003 impact, depending upon when these provisions are signed into law. If the bill is signed in March, the excise tax rate will increase in April affecting distributions beginning in May. Hence the fiscal year 2003 impact could be as much as \$3 million.

Bill No. - Page 2

beginning in May. Hence the fiscal year 2003 impact could be as much as \$3 million.

HB 691 distributes the revenues to the newly created road improvement fund. The fund is to be used by the State Highway and Transportation Department for road improvement projects specifically authorized by law.

ADMINISTRATIVE IMPLICATIONS

The Taxation and Revenue Department states that HB691 will have a minor administrative impact on the department. However, they believe that the department should be able to administer the provisions with existing resources.

OTHER SUBSTANTIVE ISSUES

The Taxation and Revenue Department notes that 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.

Most states impose a sales tax on the sale of motor vehicles without the benefit of the "favorable rate" afforded by New Mexico's motor vehicle excise tax. A reasonable national average of states that impose a transactional tax on motor vehicles would be in excess of 6%.

PRF/yr