

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

	<b>ORIGINAL DATE</b> 2/2/06		
<b>SPONSOR</b>	Ruiz	<b>LAST UPDATED</b>	2/14/06
	LOW-INCOME RESIDENT CAR INSURANCE	<b>HB</b>	507
<b>SHORT TITLE</b>	TAX CREDIT	<b>SB</b>	
		<b>ANALYST</b>	Francis

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
(13,000.0)	(26,000.0)	(26,000.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates SB 659

### SOURCES OF INFORMATION

LFC Files  
Taxation and Revenue Department (TRD)

Responses Received From  
Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

House Bill 507 amends the Income Tax Act to provide an income tax credit for low income households for motor vehicle liability insurance. The maximum credit is \$150 per vehicle in the household with a limit on two credits. The threshold for low income is 150 percent of the federal poverty guidelines. The credit is only allowed for members of the household who are (a) US citizen and NM resident, (b) has a valid NM Driver's license with no moving violations within the last 3 years, (c) has not had a conviction for driving under the influence in the last three years and (d) has proof of insurance. If the credit is more than the tax liability than the excess is refunded.

The effective date is January 1, 2006.

## FISCAL IMPLICATIONS

TRD reports that 71.4 percent of driver’s license holders have had no moving violation or DWI, Using data from 2004 tax returns, approximately 142,800 people are deemed eligible for the credit which would cost \$26 million per year. Half of this amount, or \$13 million, is in FY06.

Family Size	Federal Poverty Income Thresholds, 2006			
	100%	120%	133%	150%
1	9,800	11,760	13,034	14,700
2	13,200	15,840	17,556	19,800
3	16,600	19,920	22,078	24,900
4	20,000	24,000	26,600	30,000
5	23,400	28,080	31,122	35,100
6	26,800	32,160	35,644	40,200
7	30,200	36,240	40,166	45,300
8	33,600	40,320	44,688	50,400

Information source: U.S. Department of Health and Human Services web site:  
<http://aspe.hhs.gov/poverty/06poverty.shtml> .

## ADMINISTRATIVE IMPLICATIONS

TRD reports that the Motor Vehicle Division would probably require additional resources to verify eligibility and issue credits. HB 507 requires the division to verify citizenship, residency and income, information that is not currently available to the division.

## CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplicates SB 659.

## TECHNICAL ISSUES

Other credits on the PIT-RC form use “modified gross income” which is a measure of total household income. HB 507 refers to “gross annual household income.”

TRD:

- Language in the proposal is unclear regarding whether the proposed if credit is \$150 per vehicle or in total.
- Paragraph C(2), Section 1 of the proposal requires a person claiming the credits to possess a valid driver’s license. As written, the measure could be interpreted to include an ignition interlock license.
- Paragraph C(3) does not allow anyone with a DWI conviction in the past thirty-six months to claim this tax credit. However, someone with multiple DWI convictions can be on a lifetime revocation and have an interlock license. These people pay substantial amounts for insurance but it because of their own actions. Hence there is no apparent reason for those people to be eligible for this credit. Paragraph 3 of the proposal should probably therefore be amended to state that there person has not had a DWI conviction within the past 55 years. That language would match the retention period in Section 66-

8-135 NMSA 1978. Insurance companies check records and the convictions are on the public record for 55 years, the insurance costs reflect that.

- Several violations should probably be added to the list of disqualifying actions to obtain the tax credit. They include: 1) individuals with an implied consent revocation on the record. Like the conviction it is on the public record for 55 years; 2) individuals with open conviction(s) during the past thirty-six months, and 3) taxpayers that have been conviction under Section 66-8-102 NMSA 1978 – vehicular homicide/great bodily injury. Again this should be for the 55 year time period, consistent with New Mexico law.
- Eligibility for the credit should probably be based on adjusted gross income or some other income measure that is readily available to the Department.

NF/nt