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FISCAL IMPACT REPORT

ORIGINAL DATE 2/20/07
 LAST UPDATED 3/15/07 HB _____

SPONSOR Robinson

SHORT TITLE Motor Vehicle Insurance Tax Rebate SB 760/aSPAC/aSFC

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	NFI		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)
 Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee strikes the Senate Public Affairs Committee amendment to Senate Bill 760. This restores the bill to its original form.

Synopsis of SPAC Amendment

The Senate Public Affairs Committee amended Senate Bill 760 to include an additional credit under the Low-Income Comprehensive Tax Credit (LICTR) program if the recipient uses a portion for car insurance. The SPAC amendment also defines car insurance as “motor vehicle liability insurance at the minimum limits required by the Mandatory Financial Responsibility Act.” The maximum additional credit is an amount up to 25 percent of the amount of car insurance.

Synopsis of Original Bill

Senate Bill 760 allows recipients of the low-income comprehensive tax rebate (LICTR) to apply

a portion of the rebate to the cost of basic motor vehicle insurance up to 50 percent of the premium cost. The Taxation and Revenue Department will adopt rules for the administration of the rebate, including for proof of insurance and direct payment from the rebate to the insurer. There is no effective date so it is assumed that the effective date is June 15, 2007.

FISCAL IMPLICATIONS

SB 760 as amended by SFC does not change or modify the LICTR other than allowing the rebate to be used for motor vehicle insurance so there is no fiscal impact.

SIGNIFICANT ISSUES

As written, a LICTR recipient does not have to apply a portion of his or her rebate to motor vehicle insurance. Since LICTR is a refundable credit, the taxpayer receives a check from the state for the excess over his or her liability. There are no restrictions on how the proceeds from LICTR are used by the taxpayer and SB760 does not add any restrictions. Under current law, a LICTR recipient can use some or all of the rebate for motor vehicle insurance.

New Mexico Vecinos United, a community organization, has reported that there may be potential savings to all other drivers if the rate of uninsured motorists declines that are not shown in this fiscal impact estimate. Since low income populations tend to have a higher uninsured rate than the broader population, targeting this population for incentives to purchase insurance would help lower the rate of uninsured motorists.

New Mexico's average insurance premium in 2006 has declined 7.2 percent from 2005, moving down one slot in the ranking from 20th highest premium to 21st. Overall, 38 states realized declines in insurance premiums. See table at end.

Since there is no minimum premium, recipients will receive different amounts and so there may be issues of equity. In other words, a recipient with a poor driving record and so a higher premium will receive a higher credit than a recipient with a lower premium.

ADMINISTRATIVE IMPLICATIONS

It is unclear what TRD's function will be since it is not a mandatory payment. They would have to come up with forms for the direct payment and a method to pay the insurers if that is what must be done.

TECHNICAL ISSUES

PRC: The term "basic motor vehicle insurance" contained in the new section is undefined. A more accurate phrase would be "motor vehicle liability insurance at the minimum limits required by the Mandatory Financial Responsibility Act."

ALTERNATIVES

If the intent was to require those receiving LICTR to have motor vehicle liability insurance, this legislation does not do that. To achieve this goal, additional language would be required to either provide proof of insurance with the rebate application or to provide proof the taxpayer does not own a vehicle.

2006 Auto Insurance Pricing Report

State	2005 Premium	2006 Premium	2006 Change from 2005	% 2006 Change from 2005
AL	\$1,897.00	\$1,846.68	-50.31	-2.70%
AR	\$2,068.25	\$2,118.02	49.77	2.40%
AZ	\$2,050.79	\$1,928.98	-121.81	-5.90%
CA	\$2,075.72	\$1,841.91	-233.81	-11.30%
CO	\$1,827.79	\$1,658.50	-169.29	-9.30%
CT	\$2,052.77	\$1,964.97	-87.8	-4.30%
DC	\$2,716.94	\$2,753.21	36.28	1.30%
DE	\$2,331.46	\$2,620.99	289.53	12.40%
FL	\$2,134.16	\$2,105.25	-28.91	-1.40%
GA	\$1,885.55	\$1,705.32	-180.23	-9.60%
IA	\$1,554.52	\$1,496.49	-58.03	-3.70%
ID	\$1,630.88	\$1,547.77	-83.11	-5.10%
IL	\$1,644.51	\$1,556.46	-88.05	-5.40%
IN	\$1,707.83	\$1,462.75	-245.08	-14.40%
KS	\$1,836.83	\$1,618.98	-217.84	-11.90%
KY	\$2,447.91	\$2,298.92	-148.98	-6.10%
LA	\$3,015.55	\$2,832.78	-182.77	-6.10%
MD	\$2,528.57	\$2,225.93	-302.64	-12.00%
ME	\$1,474.12	\$1,484.12	10	0.70%
MI	\$2,110.63	\$2,158.05	47.42	2.20%
MN	\$2,042.92	\$1,658.07	-384.85	-18.80%
MO	\$1,588.32	\$1,557.91	-30.41	-1.90%
MS	\$2,173.83	\$2,020.86	-152.98	-7.00%
MT	\$1,897.04	\$1,769.30	-127.74	-6.70%
NC	\$2,198.51	\$2,260.68	62.17	2.80%
ND	\$2,003.95	\$1,941.32	-62.63	-3.10%
NE	\$1,963.00	\$1,701.69	-261.31	-13.30%
NH	\$1,843.06	\$1,649.82	-193.24	-10.50%
NJ	\$3,728.60	\$2,736.71	-991.89	-26.60%
NM	\$2,046.53	\$1,900.06	-146.46	-7.20%
NV	\$1,959.37	\$1,941.77	-17.6	-0.90%
NY	\$2,672.79	\$2,713.94	41.15	1.50%
OH	\$1,485.15	\$1,358.09	-127.07	-8.60%
OK	\$2,013.45	\$1,894.32	-119.13	-5.90%
OR	\$1,720.08	\$1,648.06	-72.02	-4.20%
PA	\$2,218.39	\$1,924.95	-293.45	-13.20%
RI	\$2,401.42	\$2,552.75	151.34	6.30%
SC	\$1,935.94	\$1,717.15	-218.79	-11.30%
SD	\$1,857.85	\$1,811.98	-45.88	-2.50%
TN	\$1,672.50	\$1,547.53	-124.96	-7.50%
TX	\$1,949.67	\$1,801.50	-148.17	-7.60%
UT	\$1,789.43	\$1,797.44	8.01	0.40%
VA	\$1,675.40	\$1,575.29	-100.11	-6.00%
VT	\$1,611.47	\$1,554.28	-57.19	-3.50%
WA	\$1,940.24	\$1,792.22	-148.02	-7.60%
WI	\$1,605.40	\$1,352.32	-253.09	-15.80%
WV	\$2,408.44	\$2,366.60	-41.84	-1.70%
WY	\$2,166.22	\$2,189.67	23.45	1.10%