

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

ORIGINAL DATE 02/05/10
LAST UPDATED 02/13/10 **HB** 271/aHTPWC/aHTRC

SPONSOR Gonzales

SHORT TITLE Motor Vehicle Tax Increase to Road Fund **SB** _____

ANALYST Gutierrez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY10	FY11	FY12		
	\$17,167.0	\$18,833.0	Recurring	State Road Fund
	\$17,167.0	\$18,833.0	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to SB240

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Transportation (DOT)
 Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment to House Bill 271 strikes all House Transportation and Public Works Committee amendments.

Synopsis of HTPWC Amendment

The House Transportation and Public Works Committee amendment to House Bill 271 distributes the revenue from the 1 percent increase solely to the state road fund.

Synopsis of Original Bill

House Bill 271 increases the motor vehicle excise tax by 1 percent (from 3 percent to 4 percent) and evenly distributes the revenue from the 1 percent increase to the general fund and the state road fund.

Motor Vehicle Excise Tax – State Comparisons							
State	Tax Rate Range		Type of Tax	Comments	Rank	State	Rate
Alabama	annual		Property Tax	ad valorem property tax	1	Alabama	annual
Alaska	0		none	no state tax	2	California	8.25%
Arizona	5.60%		Sales Tax		3	Colorado	7.72%
Arkansas	6.00%		Sales Tax		4	Indiana	7.00%
California	8.25%	10.75%	Sales Tax	sales tax varies by county	5	New Jersey	7.00%
Colorado	2.90%	7.72%	Sales Tax	(2.9% plus RTD and City taxes – 7.72% total in Denver)	6	Rhode Island	7.00%
Connecticut	6.00%		Sales Tax		7	Tennessee	7.00%
D.C.	6.00%	8.00%	Excise Tax		8	Minnesota	6.50%
Delaware	3.65%		Other	3.65% vehicle document Fee	9	Nevada	6.50%
Florida	6.00%		Sales Tax		10	Washington	6.50%
Georgia	4.00%	8.00%	Sales Tax		11	Illinois	6.25%
Hawaii	4.00%		Sales Tax		12	Texas	6.25%
Idaho	6.00%		Sales Tax		13	Arkansas	6.00%
Illinois	6.25%		Sales Tax		14	Connecticut	6.00%
Indiana	7.00%		Sales Tax		15	D.C.	6.00%
Iowa	5.00%		Other	5.0% one-time registration fee	16	Florida	6.00%
Kansas	5.30%		Sales Tax		17	Idaho	6.00%
Kentucky	6.00%		Other	6.0% motor vehicle usage tax	18	Kentucky	6.00%
Louisiana	4.00%		Sales Tax		19	Maryland	6.00%
Maine	5.00%		Sales Tax		20	Michigan	6.00%
Maryland	6.00%		Excise Tax		21	Pennsylvania	6.00%
Massachusetts	5.00%		Sales Tax		22	Vermont	6.00%
Michigan	6.00%		Sales Tax		23	Utah	5.75%
Minnesota	6.50%		Sales Tax		24	Arizona	5.60%
Mississippi	5.00%		Sales Tax		25	Nebraska	5.50%
Missouri	4.23%		Sales Tax		26	Ohio	5.50%
Montana	0		none	flat registration fees – no separate tax	27	Kansas	5.30%
N. Carolina	3.00%		Other	Highway use tax	28	Iowa	5.00%
N. Dakota	5.00%		Excise Tax		29	Maine	5.00%
Nebraska	5.50%		Sales Tax		30	Massachusetts	5.00%
Nevada	6.50%	7.75%	Sales Tax		31	Mississippi	5.00%
New Hampshire	0		none	permit fee based on list price and age	32	N. Dakota	5.00%
New Jersey	7.00%		Sales Tax		33	S. Carolina	5.00%
New Mexico	3.00%		Excise Tax	5.0% for vessels	34	West Virginia	5.00%
New York	4.00%		Sales Tax		35	Wisconsin	5.00%
Ohio	5.50%		Sales Tax		36	Missouri	4.23%
Oklahoma	3.25%		Excise Tax		37	Georgia	4.00%
Oregon	0		none		38	Hawaii	4.00%
Pennsylvania	6.00%	7.00%	Sales Tax		39	Louisiana	4.00%
Rhode Island	7.00%		Sales Tax		40	New York	4.00%
S. Carolina	5.00%		Sales Tax		41	Wyoming	4.00%
S. Dakota	3.00%		Excise Tax		42	Delaware	3.65%
Tennessee	7.00%		Sales Tax		43	Oklahoma	3.25%
Texas	6.25%		Sales Tax		44	N. Carolina	3.00%
Utah	5.75%	8.00%	Other	5.75% - 8% fee in lieu of property tax	45	New Mexico	3.00%
Vermont	6.00%		Sales Tax		46	S. Dakota	3.00%
Virginia	3.00%		Sales Tax		47	Virginia	3.00%
Washington	6.50%		Sales Tax		48	Alaska	0
West Virginia	5.00%		Sales Tax		49	Montana	0
Wisconsin	5.00%		Sales Tax		50	New Hampshire	0
Wyoming	4.00%	7.00%	Sales Tax	plus county registration fees	51	Oregon	0

The effective date of this bill's provisions is July 1, 2010.

FISCAL IMPLICATIONS

This estimate is based on the December 2009 consensus estimate for motor vehicle excise tax which is \$103 million in FY11 and \$113 million in FY12.

SIGNIFICANT ISSUES

New Mexico's motor vehicle excise tax rate is among the lowest in the country (see Attachment 1).

DOT:

The State Road Fund has been losing effective buying power because costs for operations, maintenance and construction have increased faster than revenues. In the legislative sessions of 2007 and 2009, HM 35 and HM 5 provided for studies of long term financial options for revenue enhancements. The increase in MVET proposed in HB 271 was one of the options considered.

Unlike SB 240, HB 271 funds could be used to pay for NMDOT's costs for general operations and maintenance activities in addition to construction. SB 240 would only be used for capital outlay projects (construction), which would not alleviate NMDOT's shortfalls in its operations and maintenance budgets.

RELATIONSHIP

This bill relates to SB240 which increases the motor vehicle excise tax by 1 percent and distributes the additional revenue to the newly created highway priority project fund.

BLG/svb:mew

The Legislative Finance Committee has adopted the following principles to guide responsible and effective tax policy decisions:

- 1. Adequacy:*** revenue should be adequate to fund government services.
- 2. Efficiency:*** tax base should be as broad as possible to minimize rates and the structure should minimize economic distortion and avoid excessive reliance on any single tax.
- 3. Equity:*** taxes should be fairly applied across similarly situated taxpayers and across taxpayers with different income levels.
- 4. Simplicity:*** taxes should be as simple as possible to encourage compliance and minimize administrative and audit costs.
- 5. Accountability/Transparency:*** Deductions, credits and exemptions should be easy to monitor and evaluate and be subject to periodic review.

More information about the LFC tax policy principles will soon be available on the LFC website at www.nmlegis.gov/lcs/lfc