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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

SPONSOR Munoz LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Motor Vehicle Tax for Highway Projects SB 240

ANALYST Gutierrez

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY10	FY11	FY12		
	\$34,333.0	\$37,667.0	Recurring	Highway Priority Project Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to SB239 and HB271

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Transportation (DOT)

New Mexico Finance Authority (NMFA)

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 240 increases the motor vehicle excise tax by 1 percent (from 3 percent to 4 percent) and distributes the revenue from the 1 percent increase to the newly created highway priority project fund. This bill creates the non-reverting highway priority project fund and authorizes NMFA to issue and sell highway priority project bonds.

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.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

## SIGNIFICANT ISSUES

The revenue in the highway priority project fund is to be used solely for acquisition of rights of way or planning, design, engineering, construction or improvement of the highway priority projects listed in this bill. There are 26 projects, totaling \$500 million.

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

## RELATIONSHIP

This bill relates to:

- SB239 – imposes a gasoline and special fuel surtax to provide additional revenue for state and local road construction and maintenance
- HB271 – increases the motor vehicle excise tax and distributes the revenue to the general fund and the state road fund

BLG/svb

***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](http://www.nmlegis.gov/lcs/lfc)***

<b>Motor Vehicle Excise Tax – State Comparisons</b>							
<b>State</b>	<b>Tax Rate Range</b>		<b>Type of Tax</b>	<b>Comments</b>	<b>Rank</b>	<b>State</b>	<b>Rate</b>
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%
<b>New Mexico</b>	<b>3.00%</b>		<b>Excise Tax</b>	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	<b>45</b>	<b>New Mexico</b>	<b>3.00%</b>
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