

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill Number: HB 410**

**51st Legislature, 1st Session, 2013**

**Tracking Number: .192004.1**

**Short Title: Motor Tax for Highway Projects & Project Fund**

**Sponsor(s): Representatives Patricia A. Lundstrom and Roberto “Bobby” J. Gonzales, and Others**

**Analyst: Ian Kleats**

**Date: February 18, 2013**

**Bill Summary:**

HB 410 amends sections of the *Motor Vehicle Excise Tax Act* and adds new material to other sections of law relating to state transportation infrastructure projects effective July 1, 2013. Among its provisions, the bill would:

- temporarily increase the motor vehicle excise (MVX) tax rate to 4.0 percent, up from 3.0 percent, until July 1, 2028;
- distribute 75 percent of MVX collections to the General Fund, and 25 percent to the Major Investment Highway Project Fund;
- create the Major Investment Highway Project Fund and stipulate the allowed uses of its funds; and
- authorize the State Transportation Commission to issue major investment highway project bonds.

**Fiscal Impact:**

HB 410 appropriates money in the newly-created Major Investment Highway Project Fund solely for the payment of debt service and other costs associated with bonds issued for the purpose of the completion of construction and improvement of major improvement highway projects.

<b>Estimated Revenue Impact*</b>				<b>R or NR**</b>	<b>Fund(s) Affected</b>
<b>FY 13</b>	<b>FY 14</b>	<b>FY 15</b>	<b>FY 16</b>		
0	(1,194)	(1,223)	(1,272)	R	General Fund
0	41,592	43,243	44,893	R	Major Investment Highway Project Fund

\* In thousands of dollars. Parentheses ( ) indicate a revenue loss.

\*\* Recurring (R) or Non-Recurring (NR).

The revenue impact was estimated using the projected MVX revenue distributable to the General Fund, as estimated by the consensus revenue estimating group in its December 2012 revenue estimate. The estimate further assumes a -1.0 price elasticity of demand for new motor vehicles, which results in decreased General Fund revenue.

The Taxation and Revenue Department (TRD) bill analysis does not consider the revenue impact of any decrease to motor vehicle sales resulting from the increased tax rate. Consequently, the TRD analysis could be overestimating the impact to the Major Investment Highway Project Fund and underestimating the potential impact to the General Fund.

**Fiscal Issues:**

The provisions of HB 410 could reduce General Fund revenue by approximately \$1.2 million in FY 14 and every year thereafter until FY 29.

Based on *General Appropriation Act* appropriations for the last five years, the Legislature has appropriated approximately 43.5 percent of General Fund revenue for public education. The reduction of revenue from the General Fund as proposed in this bill could result in decreased annual appropriations of \$522,000 in FY 14 until FY 29.

**Substantive Issues:**

The TRD bill analysis highlights New Mexico's MVX tax rate, among the lowest in the country, is lower than the rates in surrounding states. Moreover, the New Mexico MVX tax rate is even much lower than the gross receipts tax rate that applies to receipts from the sale of other tangible products purchased in New Mexico.

**Committee Referrals:**

HTPWC/HTRC/HAFC

**Related Bills:**

HB 81a *Motor Vehicle Tax to Road Fund & Requirements*