

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 ([www.nmlegis.gov](http://www.nmlegis.gov)). 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 1/25/18

SPONSOR Little LAST UPDATED \_\_\_\_\_ HB 70

SHORT TITLE Change Motor Vehicle Tax Distribution SB \_\_\_\_\_

ANALYST Iglesias

### REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20	FY21	FY22		
	\$38,775.0	\$79,500.0	\$121,350.0	\$164,900.0	Recurring	State Road Fund
	\$(38,775.0)	\$(79,500.0)	\$(121,350.0)	\$(164,900.0)	Recurring	General Fund

Parenthesis ( ) indicate revenue decreases

Relates to SB162

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Transportation (DOT)

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

House Bill 70 (HB 70) phases in a redistribution of Motor Vehicle Excise Tax (MVX) revenue from the General Fund back to the State Road Fund over a period of four years.

In FY 2019, twenty-five percent of MVX revenue is distributed to the State Road Fund, fifty percent in FY 2020, seventy-five percent in FY 2021, and one hundred percent in FY 2022 and thereafter.

This bill applies to MVX receipts collected on or after July 1, 2018. There is no effective date of this bill. It is assumed that the effective date is 90 days after this session ends.

### FISCAL IMPLICATIONS

This bill increases the overall State Road Fund revenue of about nine percent in FY 2019, nineteen percent in FY 2020, twenty-eight percent in FY 2021 and thirty-eight percent in FY 2022.

2022.

This revenue estimate was provided by the Department of Transportation (DOT) and the Taxation and Revenue Department (TRD). It is based on the December 2017 Consensus General Fund Forecast and on the January 2018 State Road Fund estimates. The estimate was derived by modifying the percentage of the revenue going to the General Fund and adding the percentage going to the State Road Fund as specified in the bill.

### **SIGNIFICANT ISSUES**

According to TRD, an argument can be made that MVX approximates a user fee on the use of state roads and therefore is an appropriate source for the State Road Fund according to the principle that those who benefit from public services should pay their cost. The MVX would provide substantially more revenue growth over time than traditional road fund revenues such as the gasoline tax because the latter grow very slowly if at all, while the MVX has demonstrated relatively strong growth over time.

### **ADMINISTRATIVE IMPLICATIONS**

TRD indicates implementation of this bill will have a low impact on the Motor Vehicle Division's information technology staff.

### **RELATIONSHIP**

Relates to Senate Bill 162, which among other things increases the motor vehicle excise tax to 4 percent from its current rate of 3 percent.

#### **Does the bill meet the Legislative Finance Committee tax policy principles?**

- 1. Adequacy:** Revenue should be adequate to fund needed government services.
- 2. Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- 3. Equity:** Different taxpayers should be treated fairly.
- 4. Simplicity:** Collection should be simple and easily understood.
- 5. Accountability:** Preferences should be easy to monitor and evaluate

DI/jle