

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 and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov).

FISCAL IMPACT REPORT

SPONSOR Montoya/Townsend/
Madrid/Castellano/
Brown ORIGINAL DATE 2/7/22 LAST UPDATED _____ HB 183

SHORT TITLE Motor Vehicle Tax Distributions SB _____

ANALYST Torres

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY22	FY23	FY24	FY25	FY26		
	(\$143,100.0)	(\$146,400.0)	(\$152,340.0)	(\$159,120.0)	Recurring	General Fund
	\$79,851.0	\$81,692.0	\$85,007.0	\$88,790.0	Recurring	State Road Fund
	\$63,249.0	\$64,708.0	\$67,333.0	\$70,330.0	Recurring	Local Governments Road Fund

Parenthesis () indicate revenue decreases

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
\$17.6			\$17.6	Nonrecurring	TRD- Operating Budget

Parenthesis () indicate expenditure decreases

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

Department of Transportation (DOT)

New Mexico Municipal League

SUMMARY

Synopsis of Bill

House bill 183 (HB183) changes the revenue distributions of the motor vehicle excise tax. Starting in FY23, the bill would increase motor vehicle excise tax distributions to the state road fund from 21.86 percent, as it stands currently, to 55 percent; leaves the distribution to the transportation project fund unchanged at 18.75 percent; adds a distribution to the local governments road fund at 26.25 percent; and eliminates the 59.39 percent distribution to the state

general fund.

The effective date of this bill is July 1, 2022.

FISCAL IMPLICATIONS

The estimate is based on the December 2021 Consensus Revenue Estimating Group (CREG) forecast for motor vehicle excise tax (MVX) revenues. The proposed distribution percentages were applied to the forecast estimate to arrive to the fiscal impact.

In FY23, HB183 would distribute approximately \$80 million more to the state road fund; about \$82 million in FY24; about \$85 million in FY25; and about \$89 million in FY26. the local governments road fund would receive about \$63 million in FY23; about \$65 million in FY24; about \$67 million in FY25; and about \$70 million in FY26.

The transportation project fund would receive no additional distributions to what the fund is currently entitled to receive.

Overall, HB183 would make available 45 percent of the motor vehicle excise tax to local construction projects, as both the transportation project fund and the local governments road fund are funds dedicated to local entities.

The additional distributions to the state road fund and the local governments road fund would be completely offset by a reduction in distributions to the general fund.

This bill may be counter to the LFC tax policy principle of adequacy, efficiency, and equity. Due to the increasing cost of tax expenditures, revenues may be insufficient to cover growing recurring appropriations.

The earmarking of over \$140 million contained in this bill is a recurring expense to the general fund. Establishing an earmark creates an expectation that the program will continue in future fiscal years, reducing the ability of future Legislatures to comprehensively appropriate funds and set spending priorities.

Implementation will have a moderate impact on TRD's Information Technology Division (ITD), approximately 320 hours or two months and approximately \$16,525 of ITD resources. The Administrative Services Division (ASD) will work with ITD to implement the new distributions. ASD will have \$1,100 of operating costs. This estimate includes time to develop, test and implement the distribution changes, system configuration changes, and fee and revenue distribution changes for the new recipients.

SIGNIFICANT ISSUES

The New Mexico Municipal League submits:

The New Mexico Municipal League supports using the motor vehicle excise tax to support road projects, both state and local. However, the League recommends that any additional local funds be transferred into the transportation project fund, rather than the local governments road fund. The transportation project fund provides a more efficient structure to utilize the funds and enables a 95% federal match for those funds. The

League also supports a 60/40 split between funding for state and local projects.

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.

IT/acv