

**BILL ANALYSIS AND FISCAL IMPACT REPORT**  
**Taxation and Revenue Department**

**January 29, 2024**

**Bill:** HB-217

**Sponsor:** Representatives Jason C. Harper and Dayan Hochman-Vigil

**Short Title:** Liquor & Car Tax Distributions

**Description:** The bill amends Section 7-1-6.40 NMSA 1978 to distribute 60% of the receipts attributable to the liquor excise tax to the local DWI grant fund, 30% to the Health Care Authority Department, and 10% to the Drug Court Fund. It also amends Section 7-14-10 NMSA 1978 to distribute 50% of the revenues of the Motor Vehicle Excise Tax to the State Road Fund and 50% to the Transportation Project Fund.

**Effective Date:** July 1, 2024

**Taxation and Revenue Department Analyst:** Lucinda Sydow

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2024	FY2025	FY2026	FY2027	FY2028		
--	(\$25,000)	(\$25,200)	(\$25,500)	(\$25,700)	R	Section 1: General Fund
--	\$7,600	\$7,600	\$7,700	\$7,800	R	Section 1: Local DWI Grant Fund
--	(\$249)	(\$249)	(\$249)	(\$249)	R	Section 1: Municipality – Class A County (Farmington)
--	\$2,500	\$2,500	\$2,600	\$2,600	R	Section 1: Drug Court Fund
--	\$15,200	\$15,300	\$15,400	\$15,600	R	Section 1: Health Care Authority Department
--	(\$166,400)	(\$171,200)	(\$176,900)	(\$182,700)	R	Section 2: General Fund
--	\$78,800	\$81,100	\$83,800	\$86,600	R	Section 2: State Road Fund
--	\$87,600	\$90,100	\$93,100	\$96,100	R	Section 2: Transportation Project Fund (local)

\* In thousands of dollars. Parentheses ( ) indicate a revenue loss. \*\* Recurring (R) or Non-Recurring (NR).

**Methodology for Estimated Revenue Impact: Section 1:** Tax & Rev used the December 2023 Consensus Revenue Estimating Group (CREG) forecast for the liquor excise tax receipts to determine the impact of the new distributions. The estimated impact is based on the bill's new distribution percentages, which includes a new distribution to the Health Care Authority (HCA) Department (see Technical Issues) and eliminates a distribution to the General Fund.

**Section 2:** Tax & Rev applied the proposed distribution rates allocating 50% of motor vehicle excise tax (MVEX) revenues to the State Road Fund and 50% to the Transportation Project Fund, to the current Consensus Revenue Estimating Group's (CREG) December 2023 MVEX forecast.

**Policy Issues: Section 1:** Alcohol and substance abuse are among the costliest health problems in the United States. Studies have shown that public investment reduces alcohol and substance abuse and delays

abuse initiation at young ages. In that regard, the redistribution of revenue to targeted substance abuse funds and to the HCA for Medicaid expenditures may impact and support community programs. This would establish a consistent future fund balance for budgeting appropriations from these funds but would permanently divert revenue from the General Fund.

New Mexico’s tax code is out of line with most states in that more complex distributions are made through the tax code. As an alternate to this proposal and revenue earmarks, substance abuse funding and state Medicaid funds needs could be provided for through regular appropriations in HB-2. The more complex the tax code’s distributions are, the costlier it is for Tax & Rev to maintain the GenTax system and the more risk is involved in programming changes.

**Section 2:** Directing all MVEX revenue to the state road fund and local governments road funds is a supportable earmark since the cost of maintaining roads is directly tied to vehicle sales, which contribute to road deterioration. This would enable direct planning of budget use with forecasted MVEX revenue. This proposal eliminates a recurring general fund revenue source, reducing the legislature’s budgetary flexibility with respect to the broad appropriation needs of the general fund in future years. In FY23, MVEX contributed \$164.7 million to the general fund, or approximately 1.4% of recurring general fund revenue.

**Technical Issues: Section 1:** Under sub-section B, page 2, line 8, the bill states the distribution shall be made to the “health care authority department.” To distribute the fund, Tax & Rev needs a Health Care Authority Department fund specified.

**Other Issues:** None.

**Administrative & Compliance Impact:** Tax and Rev will make information system changes to accommodate new distributions for the Liquor Excise Tax and the Motor Vehicle Excise Tax. Implementing the changes to distributions will have a moderate impact on Tax & Rev’s Information Technology Division (ITD) taking approximately 790 hours or about 4 and ½ months at a cost of \$43,845 in staff workload costs.

Tax & Rev’s Administrative Services Division (ASD) will need to define and test requirements for new distributions. These new distributions will also require changes to revenue reports and audit financial statements. It is anticipated this work will take approximately 60 hours split between 2 Full-Time Equivalent (FTE) of a pay band 70 and a pay band 80 at a cost of approximately \$3,200.

Estimated Additional Operating Budget Impact*				R or NR**	Fund(s) or Agency Affected
FY2024	FY2025	FY2026	3 Year Total Cost		
\$43.8	--	--	\$43.8	NR	Tax & Rev – ITD contractual costs
\$3.2	--	--	\$3.2	NR	Tax & Rev – ASD staff workload

\* In thousands of dollars. Parentheses ( ) indicate a cost saving. \*\* Recurring (R) or Non-Recurring (NR).

**Related Bills:** Conflicts with HB-112, HB-212, HB-213, SB-65, SB-147 and SB-184