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FISCAL IMPACT REPORT

ORIGINAL DATE 02/09/09
 SPONSOR Gonzales LAST UPDATED 02/19/09 HB 649
 SHORT TITLE Increase Motor Vehicle Tax and Create Fund SB _____
 ANALYST Gutierrez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	\$33,566.7	\$34,566.7	Recurring	State Transit Fund

(Parenthesis () Indicate Revenue Decreases)

Conflicts with HB636

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department, Motor Vehicle Division (TRD, MVD)
 Department of Transportation (DOT)

SUMMARY

Synopsis of Bill

House Bill 649 creates a “State Transit Fund” and increases the motor vehicle excise tax from 3 percent to 4 percent with the additional 1 percent tax appropriated to the non-reverting and self-interest earning state transit fund.

The effective date of this bill’s provisions is July 1, 2009.

FISCAL IMPLICATIONS

According to the February 2009 consensus revenue forecast, the motor vehicle excise tax base is estimated to be \$3.36 billion in FY10. An additional one percent tax would generate \$33.57 million in revenue in FY10 which would be appropriated to the state transit fund. This tax base is estimated to grow at three percent annually.

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 State Transit Fund will be administered by the state treasurer’s office. The earnings on the fund shall be credited to the fund and any remaining balance at the end of the fiscal year will not revert to the general fund. The money in the fund shall be used as follows:

- 0.25% for administration of the fund and for programs receiving money from the fund
- 10% for special needs transportation for the elderly and for individuals with a disability
- 60% for public transit service providers that are:
 1. for a regional transit district
 2. for eligible entities that are not located within a regional transit district
- 14.88% for the department park-and-ride services
- 14.87% to the rio metro regional transit district for commuter rail services of which ¾ is for operations, maintenance or direct service functions and ¼ is for commuter rail planning and development.

DOT:

The following table is based on a current State forecast for motor vehicle sales base of \$3.684 billion. In FY 2010, \$36.5 million would become available for the creation of the Transit Fund. The distribution of the funds as shown in the table below is based on the distribution as stipulated in the Bill. Some of the funds in the table below may be utilized to match federal transit grants that are available for these transit services.

	FY 10
MVD vehicle sales estimates	\$ 3,684,000,000
3% to General Fund	\$ 110,520,000
1% to State Transit Fund	\$ 36,471,600
NMDOT administration	\$ 91,179
5310 – elderly and disabled	\$ 3,647,160
Public transit	\$ 21,882,960
RTD service area providers	\$ 15,361,838
NCRTD	\$ 2,584,378
RMRTD	\$ 8,987,332
SCRTD	\$ 3,046,108
SWRTD	\$ 700,255
Other service area providers	\$ 6,267,280
NMDOT Park and Ride	\$ 5,426,974
Rail Runner Express	\$ 5,423,327
operations	\$ 4,067,495
planning	\$ 1,355,832
TOTAL distributed	\$ 36,217,758
Funds not distributed (see technical issues)	\$ 253,842

PERFORMANCE IMPLICATIONS

DOT:

NMDOT will need to develop the method/plan by which funds are sub-allocated to public transportation providers.

Currently, special needs transportation grants awarded by NMDOT are for capital expenditure only (vehicles). This bill would allow for special needs transportation providers to utilize funds for operating, maintaining, administering, managing, construction of facilities, etc. as allowed on page 4, line 25 through page 5, line 7.

ADMINISTRATIVE IMPLICATIONS

MVD:

This bill will have a moderate IT impact. Estimated times for changes are as follows:

- MVD 2.0 Vehicle Application (100)
- MVD Internet Registration/KIOSK (120)
- Distribution Application (MVRO) (120)
- CICS Mainframe Applications (100)
- User Acceptance Testing. (80 hrs.)

Total Hours: 520

DOT:

Funds for NMDOT to administer the program are included in the bill.

CONFLICT

This bill conflicts with House Bill 636 which also creates the “state transit fund” but the two bills differ as to the purposes of the fund and how moneys in the fund are to be used. For example, while HB 636 prohibits any use of the fund for commuter rail projects, this bill specifically provides for that use.

TECHNICAL ISSUES

DOT:

Currently, there are four private, non-profit organizations in New Mexico that provide public transportation service. These organizations would not be eligible to receive funds under this Bill because they do not qualify under the definition of “eligible entities” on page 5, lines 16-20 of the Bill, nor under the provisions governing public transportation providers within an RTD as described on page 4, lines 20-24.

In the formula for funding distribution on page 3, line 24 through page 4, line 10, all funds will not be distributed due to areas of the State that are not covered by RTDs and local public transportation provider service areas.

OTHER SUBSTANTIVE ISSUES

During the 2007 session, House Memorial 35 reviewed funding strategies for the DOT. Cambridge Systematics Inc., released their final report in October 2007. That report showed that New Mexico’s motor vehicle excise tax (MVET) rate of 3 percent is relatively low compared to other states that assess that tax (Attachment A). The report also noted that ten states (IA, KS, MD, MI, MN, NC, NE, OK, SD and VA) dedicate their excise tax on vehicle sales to transportation. Since 1996 New Mexico’s MVET revenue has been distributed solely to the general fund, however this was not always the case. The revenue had previously been distributed to the state road fund as well as the local government road fund (Attachment A).

The report also noted that the majority of states that assess a MVET treat it as a property tax imposed annually at the original or renewal vehicle registration. However, New Mexico and eight other states administer the tax as a sales tax imposed at the moment the vehicle is traded/sold.

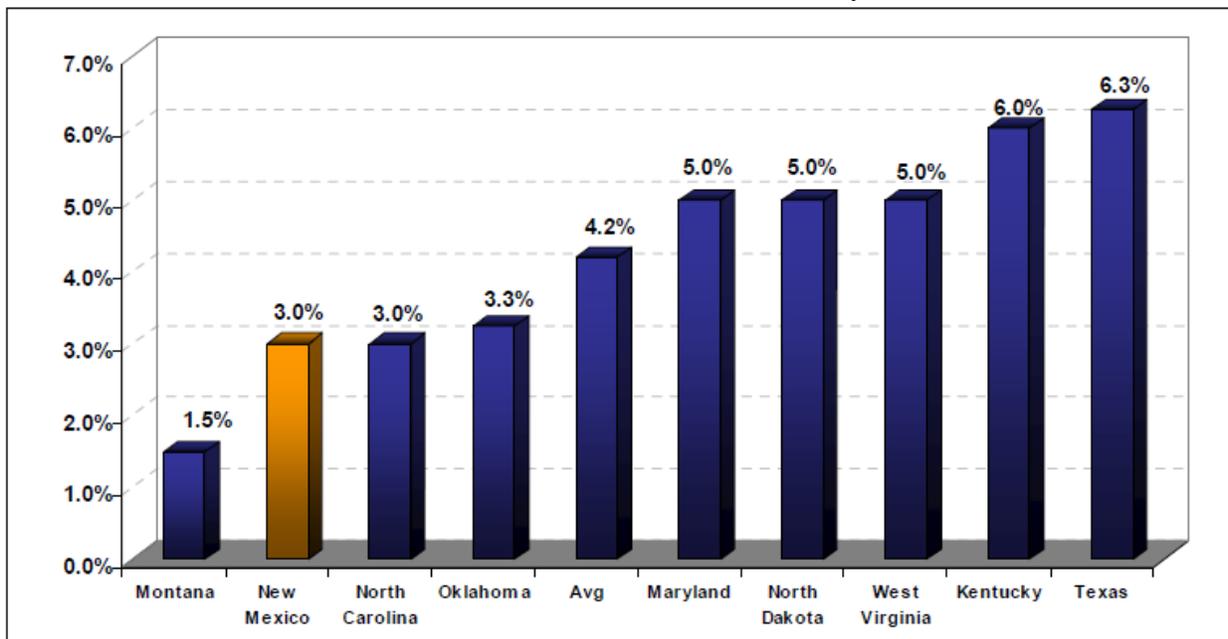
**Motor Vehicle Excise Tax:
Sales vs. Property Tax**

Sales tax	KY, MD, MT, NC, ND, NM, OK, TX, WV
Property Tax	AZ, CA, IN, IA, KS, LA, ME, MA, MI, MN, MS, NE, NV, RI, SC, SD, VT, VA, WA

Source: Cambridge Systematics, Inc., and Motor Vehicle Excise Tax Study, Washington State Joint Transportation Committee, 2006.

Comparing New Mexico’s tax with states that treat the MVET similarly, the data shows that New Mexico is charging 3 percent compared to an average of 4.2 percent. For a comparison of our neighbor states, see Attachment B.

Motor Vehicle Excise Tax as a Sales Tax by State

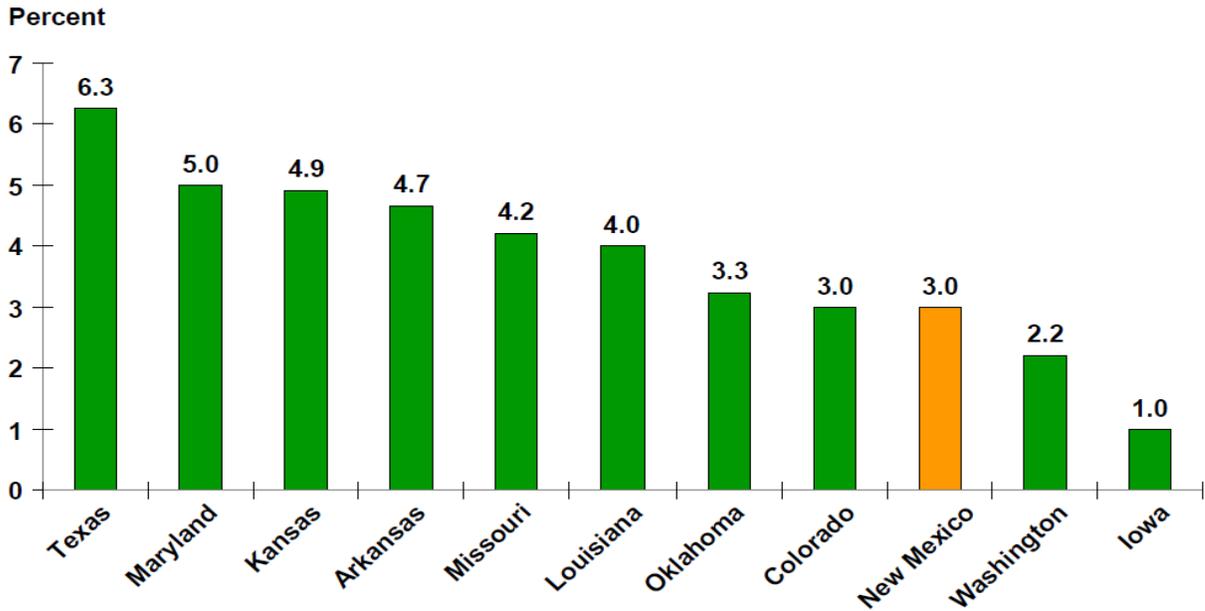


The Legislative Finance Committee has adopted the following principles to guide responsible and effective tax policy decisions:

- 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.

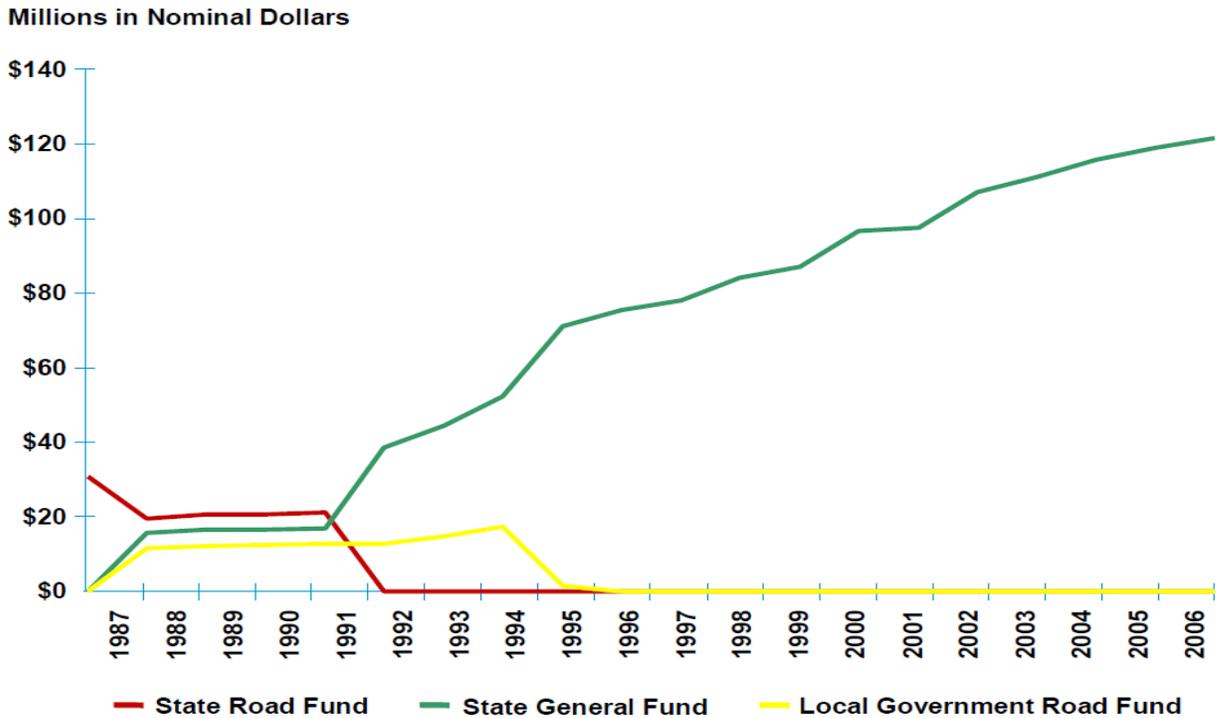
More information about the LFC tax policy principles will soon be available on the LFC website at www.nmlegis.gov/lcs/lfc

Motor Vehicle Excise Tax Rates (2007)



Source: Cambridge Systematics, Inc., based on telephone calls and web site information.

New Mexico Motor Vehicle Excise Tax Disbursements FY1987 – FY2006



Source: New Mexico Department of Transportation.

Border States MVET Comparison

	New Mexico	Colorado	Texas	Arizona	Oklahoma
Types of vehicles imposed	All motor vehicles	Motor vehicles, trucks, laden or unladed trucks, trailers, and semi-trailers transporting persons or property	<ul style="list-style-type: none"> • Vehicles purchased outside the state • Vehicles brought into the state • Vehicles sold within the state • Diesel vehicles over 14,000 lbs* 	All motor vehicles	Motor vehicle, boat, or outboard motor
Source of taxable value	Purchase price	Manufacturer's suggested price	Regional motor vehicle value guidebook	Manufacturer's suggested price	Purchase price
Type of payment	At the moment of the sale	Annual at the moment of registration	At the moment of the sale	Annual at the moment of registration	At the moment of the sale
Rate/fee	3% of vehicle price	Year 1: 2.10% MSRP Year 2: 1.50% MSRP Year 3: 1.20% MSRP Year 4: 0.90% MSRP Years 5-9: 0.45% MSRP or \$10, whatever is greater More than 10 years: \$3	Vehicles purchased outside the state: 6.25% vehicle price Vehicles brought into the state: \$90 per vehicle Vehicles sold within the state: \$5 on the seller and the buyer Diesel vehicles over 14,000 lbs 1996 or earlier: 2.5% vehicle price Diesel vehicles over 14,000 lbs 1996 or later: 1% vehicle price	Year 1: 2.8% of 60% MSRP Year 2 and subsequent: 1% over 16.25% less than the value of the preceding year, or \$10 whatever is greater Noncommercial trailers <6,000 lbs Year 1: \$105, subsequent years: \$70 Trailers >10,000 lbs Year 1: \$550, subsequent years: \$71	New Vehicle: 3.25% of vehicle price Used vehicle: \$20 on the first \$1,500 of value + 3.25% of the remainder

Source: Cambridge Systematics, Inc.