

BILL ANALYSIS AND FISCAL IMPACT REPORT
Taxation and Revenue Department

February 6, 2025

Bill: SB-289

Sponsor: Senator Roberto "Bobby" J. Gonzales

Short Title: Motor Vehicle Excise Tax Distributions

Description: This bill amends Section 7-14-10 NMSA 1978 to adjust distribution amounts from the 4% motor vehicle excise tax (MVEX) to the general fund, the state road fund, and the transportation project fund by substantially reducing the distributions to the general fund and directing those monies to the state road fund and transportation project fund instead.

Effective Date: July 1, 2026

Taxation and Revenue Department Analyst: Lucinda Sydow

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2025	FY2026	FY2027	FY2028	FY2029		
--	--	(151,000)	(153,400)	(157,000)	R	General Fund
--	--	131,900	134,000	137,200	R	State Road Fund
--	--	19,100	19,400	19,900	R	Transportation Project Fund

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

Methodology for Estimated Revenue Impact: The Taxation and Revenue Department (Tax & Rev) applied the proposed distribution rates, which decrease the distribution to the general fund from 59.39% percent to 10%, increase the allocation to the State Road Fund from 21.86% to 65%, and increase the allocation to the Transportation Project Fund benefitting local governments from 18.75% to 25% of the MVEX, to the current Consensus Revenue Estimating Group’s (CREG) December 2024 MVEX forecast.

Policy Issues: Directing most of the MVEX revenue to the state road fund and to the transportation project fund benefitting local governments 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 though would decrease a recurring and stable General Fund revenue source, reducing the legislature’s budgetary flexibility with respect to the broad appropriation needs of the State in future years. In FY24, MVEX contributed \$167.3 million to the General Fund, or approximately 1.3% of recurring General Fund revenue. In general, it is better tax policy not to earmark tax revenues for particular purposes, as it does reduce the legislature’s budgetary flexibility and ability to respond to changing fiscal circumstances.

Technical Issues: None.

Other Issues: None.

Administrative & Compliance Impact: This bill is expected to have a low impact on Tax & Rev’s Administrative Services Division (ASD). Tax & Rev will update the Tapestry System’s general ledger and reporting. It is anticipated this work will take approximately 20 hours split between 2 FTE of a pay band 70 and a pay band 80 at a cost of approximately \$1,300. Collaboration and input from the Department of Finance and Administration (DFA) input is required as this will decrease General Fund

revenue distributions.

Implementing this bill will have a low impact on Tax & Rev’s Information Technology Division (ITD), approximately 240 hours or 12 weeks for an estimated \$16,000 of staff workload costs.

Estimated Additional Operating Budget Impact*				R or NR**	Fund(s) or Agency Affected
FY2025	FY2026	FY2027	3 Year Total Cost		
--	\$1.3	--	\$1.3	NR	Tax & Rev- ASD staff workload
--	\$16.0	--	\$16.0	NR	Tax & Rev- ITD staff workload

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

Related Bills: Conflicts with HB-19 and SB-27