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FISCAL IMPACT REPORT

SPONSOR Jennings DATE TYPED 2-22-2005 HB _____

SHORT TITLE Leased Vehicle Surcharge Exemption SB 430

ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	(\$900.0)	Similar	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department

SUMMARY

Senate Bill 430 would exempt New Mexico residents from the \$2.00 per day surcharge for leased vehicles.

The bill has an effective date of July 1, 2005.

FISCAL IMPLICATIONS

In FY04, leased vehicle surcharge brought in \$5.9 million to the state general fund. Similar amounts are expected in FY05 and FY06. Although it is difficult to estimate how much of this is due to residents compared to non-residents, the revenue from residents is not inconsequential. The Blue Ribbon Tax Commission considered an initiative to allow a deduction for replacement vehicles. That deduction was estimated to reduce general fund revenues by \$900 thousand. This is likely the minimum impact, as it does not capture other possible leases by residents.

ADMINISTRATIVE IMPLICATIONS

TRD reports that the administrative impacts would be minimal and could be absorbed with existing resources.

TECHNICAL ISSUES

TRD's bill analysis included the following technical issues:

The bill would probably be interpreted as unconstitutional under Article IV, Section 2 of the U.S. Constitution which states "The Citizens of each State shall be entitled to all Privileges and Immunities of Citizens in the several States."

"New Mexico Resident" is not defined. It is unknown if this bill applies to part-year residents. Proof of New Mexico residency and enforcement of this exemption is not explained. It is unknown whether liability for proof of residency rests with the owner or lessee.

It would be more clear if section 7-14A-4 NMSA 1978 (Presumption of Taxability) and 7-14A-2 NMSA 1978 (Definitions) be included and amended to reflect the intentions of this bill.

BT/lg