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FISCAL IMPACT REPORT

ORIGINAL DATE 2/19/07

SPONSOR Cravens LAST UPDATED _____ HB _____

SHORT TITLE Voluntary Interlock Installation Tax Credit SB 1033

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	0.1		Recurring	General Fund
	* See Narrative			

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 1033 would allow a taxpayer to deduct the cost up to \$1,500 of voluntarily purchasing and installing an ignition interlock device in a vehicle registered in New Mexico. If the installation is required by court order, the deduction is not allowed.

There is no effective date so by default the credit would apply to those installations after June 15th 2007, the default effective date.

FISCAL IMPLICATIONS

TRD:

The Department has no data that would allow it to accurately forecast the extent of voluntary interlock installations that would result from the proposed legislation. The General Fund impact would likely be small, however, because:

- 1) The deduction would be provided for voluntary interlock installation, which would

probably be uncommon; and 2) the proposed measure would provide a deduction of net income against individual tax liability. Hence a taxpayer reporting net income of \$30,000 and claiming, for example, a \$1,500 deduction, and subject to an individual tax rate of 4 percent would experience a reduction in tax liability of $1,500 \times .04 = \$60$.

SIGNIFICANT ISSUES

Department of Public Safety:

While the hope is that use of ignition interlocks would reduce the number of DWIs' and DWI related accidents and deaths especially among dependent children, the initial expense and subsequent monthly maintenance costs for an interlock run approximately \$1350 plus per year per vehicle. Fluctuations in expense depend on the age and condition of the vehicle and how it is driven.

The average household income in Santa Fe County is \$43,000 while Luna County is only \$22,888. Many mid to low income families may not be able to avail themselves of the tax advantage.

ADMINISTRATIVE IMPLICATIONS

TRD:

The Department's cost of implementing the proposal's provisions would be minor. The department would, however, need to develop a mechanism to flag the returns that are claiming this credit in order to verify with the courts that the devices were not installed pursuant to a court order. Changes to various forms and instructions, as well as minor computer program modifications would also be necessary to implement the measure.

TECHNICAL ISSUES

TRD:

If the proposed legislation were to be enacted, a taxpayer whose license is revoked under the Implied Consent Act would probably receive a tax deduction. Someone whose license is only revoked under the Implied Consent Act does not need a court order to obtain an interlock license. It is up to that person to decide whether or not s/he wants to drive, hence the person essentially voluntarily installs the device on their vehicle. Someone in this position should probably not be able to claim the deduction. This issue may be resolved via amending paragraph C (page 2, lines 8-9) of the proposal similar to: "The provisions of this section do not apply to ignition interlock devices installed pursuant to a court order or installed in order to obtain an ignition interlock license."

NF/nt