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FISCAL IMPACT REPORT

ORIGINAL DATE 02/10/09
 LAST UPDATED 03/11/09 HB 554/aHFL#1

SPONSOR Gonzales

SHORT TITLE Special Fuel From Vegetable Oil Tax Deduction SB _____

ANALYST Gutierrez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	(\$1.4)	(\$2.8)	Nonrecurring	Corrective Action Fund
	(\$1.9)	(\$3.8)	Nonrecurring	Local Government Road Fund
	(\$14.3)	(\$28.5)	Nonrecurring	State Road Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates SB455, Relates to SB438

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

Energy, Mineral and Natural Resources Department (EMNRD)

Department of Transportation (DOT)

SUMMARY

Synopsis of HFL#1 Amendment

The House Floor amendment to House Bill 554 adds a sunset provision to the gross receipts tax deduction, repealing the new deduction language effective July 1, 2014. This amendment also adds a Section 3 which repeals Section 2 and thus repeals the special fuel deduction for fuel made from 99 percent vegetable oil or animal fat effective July 1, 2014.

The effective date of the bill's provisions of Sections 1 and 2 are July 1, 2009.

The effective date of the bill's provisions of Section 3 is July 1, 2014.

Synopsis of Original Bill

House Bill 554 provides a deduction from the gross receipts tax for receipts from selling special fuel consisting of at least 99% vegetable oil or animal fat if the deduction from the special fuel excise tax pursuant to Section 7-16A-10 is claimed. This bill also provides a deduction from the special fuel excise tax under Section 7-16A-10 for fuel consisting of at least 99% vegetable oil or animal fat that is used in an auxiliary fuel system subject to a certificate of conformity pursuant to the federal Clean Air Act.

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

FISCAL IMPLICATIONS

TRD:

The Department expects the use of this type of fuel to be quite limited in the near term. The revenue estimate assumes current volumes of less than 10,000 gallons per year, potentially growing to as much as 600,000 gallons by FY2013. The revenue estimate has assumed annual production capacity of approximately 600,000 gallons of vegetable oil intended to be used in vehicles and equipment with auxiliary (dual fuel) fuel systems.

Receipts from the special fuels excise tax are distributed 11.11% to the local governments road fund and 88.89% to the state road fund. Once this fuel type is deducted from the special fuel excise tax, it is also no longer applicable to the petroleum products loading fee. This loading fee is currently \$150 per 8,000 gallon load and the tax rate is \$0.01875 per gallon. Forty dollars per load are distributed to the local governments road fund, with the remainder to the corrective action fund.

The gross receipts tax is generally applied on fuels that are exempt from special fuels excise tax. This bill provides a gross receipts tax deduction in conjunction with the new special fuels tax deduction and thus there is no fiscal impact to the general fund.

ADMINISTRATIVE IMPLICATIONS

This bill will have a minimal impact on the Taxation and Revenue Department.

DUPLICATION, RELATIONSHIP

This bill duplicates SB455 and relates to SB438 which provides a deduction from the gross receipts tax for special fuel that is dyed.

BLG/mt:svb