

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

ORIGINAL DATE 2/20/09

SPONSOR Lundstrom LAST UPDATED \_\_\_\_\_ HB 802

SHORT TITLE Weight Distance Tax on Certain Vehicles SB \_\_\_\_\_

ANALYST Gutierrez

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	\$4,054.1	\$4,113.5	Recurring	State Road Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to HB632, HB554, HB636 and SB455

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

House Bill 802 increases the weight distance tax for on-highway motor vehicles (trucks and buses) with a declared gross weight of 48,001 pounds or more.

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

### FISCAL IMPLICATIONS

The revenue impact is based on a 5 percent increase to the weight distance tax on trucks/buses weighing over 48,000 pounds. A special study conducted in the summer of 2007 of Weight-Distance taxes paid by vehicle weight class indicated that approximately 99 percent of taxes paid, are attributable to vehicles weighing more than 48,000 lbs. For estimation purposes, the forecast for the state road fund, as reviewed in January 2009 by the consensus forecasting group, was used. The weight distance tax was forecasted to be \$81.9 million in FY10 and 99 percent of that is \$81.1 million. Growing the tax for all vehicles that weigh over 48,000 pounds by 5% will increase state road fund revenue by \$4.05 million in FY10. The weight distance tax was forecasted to grow 1.5% in FY11, 1.9% in FY12 and 2.1% in FY13. The 5% increase in the tax rate would increase state road fund revenues by \$4.11 million in FY11, \$4.19 million in FY12 and \$4.28 million in FY13.

TRD:

The 5% tax increase amounts to \$0.00117 per mile for a 50,000 lb truck, and \$0.00219 per mile for a truck in the 78,000 lbs or heavier class. The 5% tax increase amounts to \$0.00117 per mile for a 50,000 lb bus, and \$0.00136 per mile for a bus in the 54,000 lbs or heavier class.

**SIGNIFICANT ISSUES**

New Mexico is one of four states that has what is commonly known as a Weight/Distance tax (NY, KY, OR are the others). For trucks and buses driving in and across the state, a fee is charged based on how far they travel and how much they weigh. In the case of New Mexico, the Weight/Distance tax is offset by the state having the lowest truck registration fees in the country.

The Weight/Distance tax in FY10 will produce \$81.9 million for the state road fund (SRF) and is the SRF's third largest source of revenue after fuel taxes.

**ADMINISTRATIVE IMPLICATIONS**

The Motor Vehicle Division (MVD) would have to change forms, instructions and publications related to the weight distance tax program, as well as the internet tax instruction page. MVD can absorb this cost and would also have to modify the Gentax application to reflect the new rates. This bill will have a low IT impact (30hrs).

**RELATIONSHIP**

House Bill 802 relates to:

- HB632 – increases the weight distance tax 5% for all on-highway vehicles, regardless of weight
- HB554/SB455 – decreases the state road fund because it provides for a deduction from the special fuel excise tax
- HB636 – increases the state road fund because it imposes a motor vehicle registration surcharge and distributes 90% of the collections to the state road fund

BLG/mc

***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](http://www.nmlegis.gov/lcs/lfc)***