

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 03/15/09

SPONSOR SFC LAST UPDATED _____ HB _____

SHORT TITLE Special Fuel From Vegetable Oil Tax Deduction SB 455/SFCS

ANALYST Gutierrez

REVENUE (dollars in thousands)

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

(Parenthesis () Indicate Revenue Decreases)

Duplicates HB554, 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 Finance and Administration (DFA)

SUMMARY

Synopsis of SFC Substitute

The Senate Finance Committee substitute to Senate Bill 455 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.

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 HB554 and relates to SB438 which provides a deduction from the gross receipts tax for special fuel that is dyed.

BLG/mt

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