



The TRD's Special Fuel Tax return information indicates that approximately 294 million gallons of dyed diesel was received in New Mexico during calendar year 2011. The revenue impact assumes a 3% growth rate per year in the volume of diesel and a tax-excluded price of about \$3.50 per gallon.

The TRD does not report any additional operating budget impact from this bill.

### **SIGNIFICANT ISSUES**

Dyed special fuel (for off-road use) is primarily used in agriculture, mining, construction, and electric power generation where it is used as a fuel to produce other goods that will ultimately be subject to gross receipts tax.

Dyed special fuel (for off-road use) is exempt from state and federal road use taxes on motor fuel. The \$0.244 federal tax and the \$0.21 state tax is not imposed on dyed special fuel.

The TRD suggests this gross receipts tax deduction proposal could be viewed as reducing structural pyramiding in the gross receipts tax.

### **PERFORMANCE IMPLICATIONS**

The LFC tax policy of accountability is not met since TRD is not required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the deduction and other information to determine whether the deduction is meeting its purpose.

### **ADMINISTRATIVE IMPLICATIONS**

The TRD reports no significant administrative or compliance issue for the department.

Does the bill meet the Legislative Finance Committee tax policy principles?

- 1. Adequacy:** Revenue should be adequate to fund needed government services.
- 2. Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- 3. Equity:** Different taxpayers should be treated fairly.
- 4. Simplicity:** Collection should be simple and easily understood.
- 5. Accountability:** Preferences should be easy to monitor and evaluate