F I S C A L   I M P A C T   R E P O R T

	ORIGINAL DATE	02/09/14	
SPONSOR Sanchez	**LAST UPDATED**		**HB**

SHORT TITLE Motor Vehicle Tax to Lottery Tuition	**SB**	303

ANALYST van Moorsel

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY14	**FY15**	**FY16**	**FY17**	**FY18**		
$0.0	$34,375.0	$35,700.0	$36,675.0	$37,450.0	Recurring	Lottery Tuition Fund

Parenthesis ( ) indicate revenue decreases

Relates to SB 302 – Repeal Capital Gains Deduction.

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)
Department of Transportation (DOT)

SUMMARY

  Synopsis of Bill

Senate Bill 303 increases the Motor Vehicle Excise tax by 0.75 percent to 3.75 percent and distributes the additional revenue to the lottery tuition fund.

The receipts from the tax and any associated interest and penalties would be deposited in the Motor Vehicle Suspense Fund. At the end of each month, the net receipts would be distributed as follows: 80 percent to the general fund, and 20 percent to the lottery tuition fund.

The bill provides these distributions apply to receipts from the motor vehicle excise tax that are attributable to sales that occur on or after July 1, 2014.

The effective date of this bill is July 1, 2014.

FISCAL IMPLICATIONS

The December 2013 consensus revenue estimate of the motor vehicle excise tax was used to estimate the impact of the bill. The 25 percent increase in the motor vehicle excise tax, paired with the distribution of 20 percent of the resulting revenue to the lottery tuition fund means all of

the additional revenue attributable to the bill is distributed to that fund. There is no impact on revenue to the general fund.

SIGNIFICANT ISSUES

New Mexico's motor vehicle excise tax is low relative to surrounding states; only Colorado imposes a slightly lower rate (see table). The rate is also below the state's gross receipts tax rate.

Motor Vehicle Sales Tax - 2012	
Arizona	6.60%
California	7.25%
Colorado	2.90%
Nevada	6.85%
New Mexico	**3.00%**
Oklahoma	4.50%
Texas	6.25%
Utah	4.70%

In its January 2014 Policy and Performance Analysis the LFC recommended both a short-term and long-term solution to address revenue shortfalls in the Legislative Lottery Scholarship Program. For FY14, the committee recommended an $11 million supplemental appropriation of financial aid fund balance to mitigate dramatic reductions to spring 2014 semester scholarship amounts. For FY15, the committee proposed supplemental general fund appropriations totaling $10.9 million contingent on legislation being enacted during the session that improves program stability.

While the LFC's recommendation included funding to maintain scholarship awards and program criteria for students who have received the scholarship for four or more semesters, the recommendation suggested program changes to improve solvency, such as setting flat scholarship amounts for students attending research, comprehensive, and two-year colleges; increasing the grade point average required to maintain scholarship availability; and requiring students attending four-year colleges to complete 15 credits per semester. A workable solution to restore solvency to the lottery tuition program will likely require both revenue enhancements and program changes to control rising costs.

ADMINISTRATIVE IMPLICATIONS

The Department of Transportation (DOT) notes there is no impact to the DOT.

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

PvM/jl