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## FISCAL IMPACT REPORT

**ORIGINAL DATE**  
**SPONSOR** Gonzales **LAST UPDATED** 2/4/2015 **HB** 58

**SHORT TITLE** Gasoline Tax and Special Fuels Excise Tax **SB** \_\_\_\_\_

**ANALYST** Dorbecker

### REVENUE (dollars in thousands)

Estimated Revenue						Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17	FY18	FY19	FY20		
	\$14,075.0	\$28,280.0	\$42,702.0	\$57,093.0	\$71,835.0	Recurring	State Road Fund
	\$3.0	(\$3.0)	\$0.0	\$4.0	\$1.0	Recurring	Local Governments Road Fund
	(\$5.0)	\$4.0	(\$5.0)	(\$5.0)	(\$2.0)	Recurring	Counties & Municipalities
	\$0.0	(\$6.0)	\$7.0	(\$5.0)	(\$2.0)	Recurring	County Government Road Fund
	\$0.0	(\$6.0)	\$7.0	(\$5.0)	(\$2.0)	Recurring	Municipal Road Fund
	\$0.0	\$3.0	(\$7.0)	\$8.0	(\$5.0)	Recurring	Municipal Arterial Fund
	\$7.0	(\$4.0)	(\$2.0)	(\$1.0)	(\$2.0)	Recurring	Aviation Fund
	\$0.0	\$6.0	(\$1.0)	\$9.0	(\$1.0)	Recurring	Motor Boat Fuel Fund
	\$14,080.0	\$28,274.0	\$42,701.0	\$57,098.0	\$71,822.0	Recurring	<b>TOTAL</b>

Parenthesis ( ) indicate revenue decreases

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	\$36.0	\$0.0	\$0.0	\$36.0	Nonrecurring	TRD – Information Technology
	\$10.0	\$35.0	\$35.0	\$80.0	Recurring	TRD – Revenue Processing Division
<b>Total</b>	\$46.0	\$35.0	\$35.0	\$116.0		

Parenthesis ( ) indicate expenditure decreases

### SOURCES OF INFORMATION

LFC Files

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

**SUMMARY**

Synopsis of Bill

House Bill 58 amends the Tax Administration Act to incrementally increase both the gasoline tax and the special fuels (diesel) excise tax by five cents per gallon through FY 2020. Table 1 shows the proposed phased-in tax increases with one cent (\$0.01) per year increments beginning in FY 2016.

**Table 1.**

<b>Tax</b>	<b>Current Law</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>
Gasoline	\$0.17	\$0.17	\$0.18	\$0.19	\$0.20	\$0.21	\$0.22
Special Fuel (Diesel)	\$0.21	\$0.21	\$0.22	\$0.23	\$0.24	\$0.25	\$0.26

Also, the bill proposes changes to the distribution percentage of net receipts attributable to the taxes imposed pursuant to the Gasoline Tax Act. Table 2 shows the proposed phased-in distribution percentages per fund.

**Table 2.**

<b>Fund</b>	<b>Current Law</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>
Local Governments Road Fund	9.52%	9.52%	9.09%	8.69%	8.33%	8.00%	7.69%
Counties & Municipalities	10.38%	10.38%	9.80%	9.29%	8.82%	8.40%	8.02%
County Government Road Fund	5.76%	5.76%	5.44%	5.15%	4.90%	4.66%	4.45%
Municipal Road Fund	5.76%	5.76%	5.44%	5.15%	4.90%	4.66%	4.45%
Municipal Arterial Fund	1.44%	1.44%	1.36%	1.29%	1.22%	1.17%	1.11%
Aviation Fund	0.26%	0.26%	0.25%	0.23%	0.22%	0.21%	0.20%
Motor Boat Fuel Fund	0.13%	0.13%	0.12%	0.12%	0.11%	0.11%	0.10%

There is no effective date of this bill. It is assumed that the new effective date is 90 days after this session ends.

**FISCAL IMPLICATIONS**

The revenue impact of the bill was estimated using DOT’s January 2015 road fund forecast of gasoline and special fuel volumes. DOT notes the revenue increase is split between gasoline and special fuel with gasoline generating approximately \$9 million per each one cent (\$0.01) increase and special fuel generating approximately \$5.1 million per each one cent (\$0.01) increase.

Analysis from DOT and TRD coincide about the revision of state revenue distributions to direct the increase to the road fund and hold other recipients harmless (within rounding) means once

the tax rates and distributions are completely phased-in, most funds will see a minimal decrease in distribution as compared to current law distributions. Therefore, the net effect of the bill's incremental tax increases for the recipients is expected to be neutral. TRD adds the municipalities and counties fund and the state road fund will see an increase in distributions in the forecast period which will continue after the changes are fully phased-in.

Analysis from TRD states the revenue impact for the Pueblos of Nambe and Santo Domingo is unknown because the bill indicates the appropriate fuel tax distribution shall be agreed between the pueblos and DOT.

Nationwide comparative tables of gasoline and diesel motor fuel taxes per gallon as of July 1, 2014 are available on pages 5 and 6 of this report.

### **SIGNIFICANT ISSUES**

According to DOT, when the gasoline tax increases, tribes must also increase their tribal tax rates in order to continue qualifying for their deductions at 100 percent. If they do so, their taxes in aggregate would be estimated to generate an additional \$700 thousand annually for each one cent (\$0.01) increase per gallon.

According to TRD, changes made to Section 7-1-6.44 NMSA 1978, "Distribution—Gasoline Tax Sharing Agreement" (agreements made with Indian tribes) will no longer define the calculation of distribution by statute but by the four corners of the agreement made between the DOT and the tribes. TRD recommends the state could look into the powers of the Secretary of the Transportation department for guidance on how to manage the distributions as defined in Section 67-3-8.1 NMSA 1978. TRD warns the removal of the calculation of distribution from statute may pose a risk to the gasoline tax sharing agreement.

### **TECHNICAL ISSUES**

This bill does not contain a sunset date. The LFC recommends adding a sunset date.

### **ADMINISTRATIVE IMPLICATIONS**

TRD reports a moderate administrative impact from the bill. The department would need to change to configuration of tax rates for gasoline and special fuels, and for distribution rates for taxes imposed. Configuration and report changes to GenTax would require Financial Distribution Bureau testing.

TRD notes for five years starting in 2016, at the distributor and wholesale levels taxpayers will need to file, report, and pay the additional tax on their inventories. The department will need to develop and modify existing forms and instructions to comply with the new inventory reporting process. These changes would cost around \$10 thousand. GenTax would need to develop a new tax program to accept the additional reports and payments to include the distribution percentage changes. The new inventory forms will need to be imaged and captured requiring the need for an additional FTE, at a cost of \$35 thousand for each of the five years of increased processing requirements.

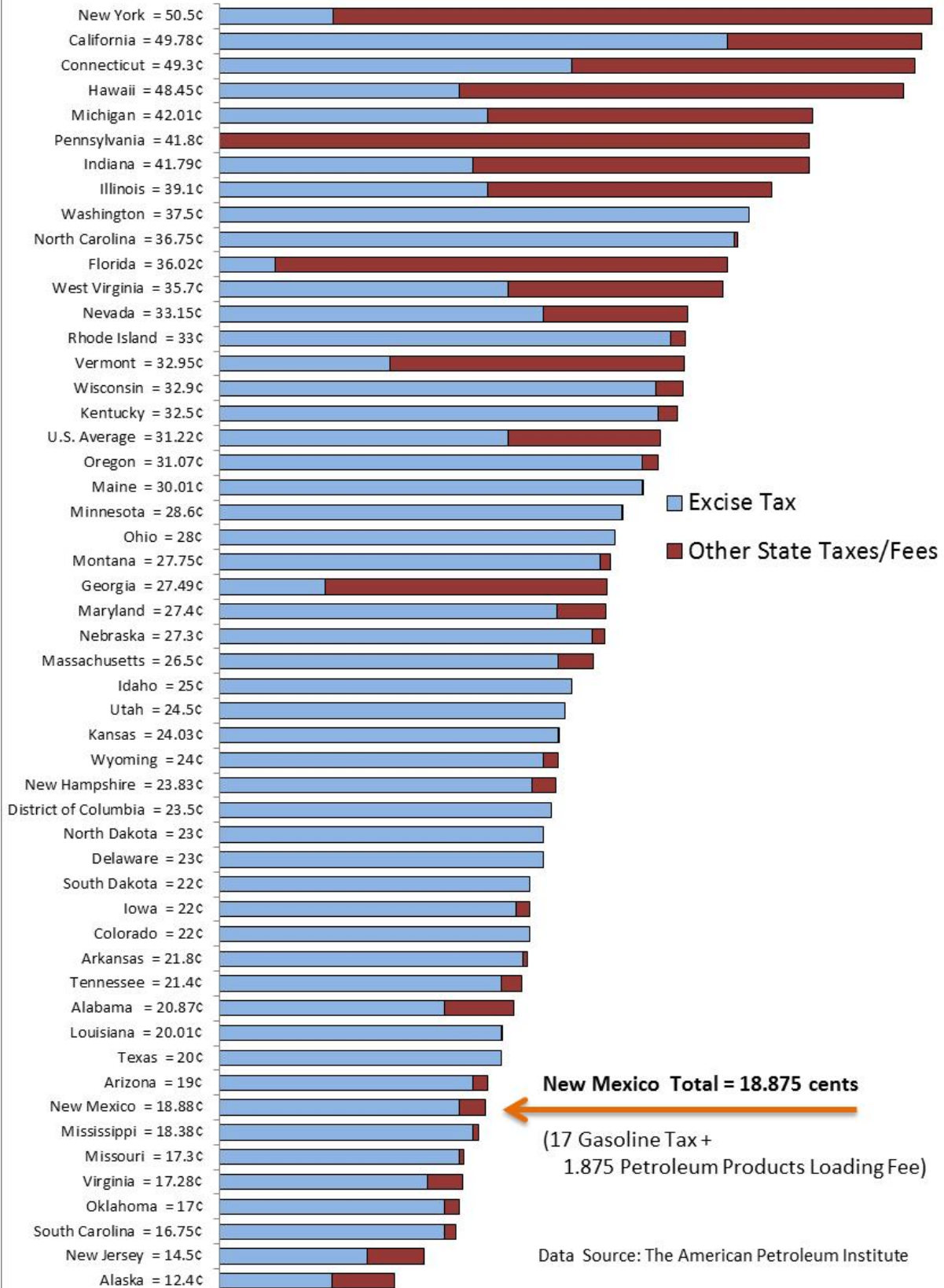
The Information Technology (IT) division at TRD estimates it would take about 400 hours to configure the new tax rates as well as distribution rates for gasoline and special fuels in the GenTax system. TRD estimated the additional cost of this bill to their IT division by multiplying the average hourly wage of a senior software developer (\$90 per hour) by the estimated time required to complete the task (400 hours).

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

HD/bb

### Gasoline Motor Fuel Taxes per Gallon as of July 1, 2014



### Diesel Motor Fuel Taxes per Gallon as of July 1, 2014

