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FISCAL IMPACT REPORT

ORIGINAL DATE 02/16/16

SPONSOR Ingle LAST UPDATED _____ HB _____

SHORT TITLE 10-Year Fuel Tax Raise for Roads, CA SB SJR 22

ANALYST Alejandro

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

FY16	FY17	FY18	3-Year Total	Recurring or Nonrecurring	Fund Affected
\$0.0	\$104.0	\$0.0	\$104.0	Nonrecurring	Secretary of State Budget
\$0.0	\$11.0- \$93.0	\$0.0	\$11.0-\$93.0	Nonrecurring	TRD Budget

Parenthesis () indicate expenditure decreases

SOURCES OF INFORMATION

LFC Files

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Senate Joint Resolution 22 increases the gasoline tax by five cents per gallon from \$0.17 to \$0.22, and increases the special fuels tax by five cents per gallon from \$0.21 to \$0.26 for a period of 10 years. The bill indicates that the funds are only to be used for state roads and highways.

This bill has an effective date of July 1, 2017, and expires on June 30, 2027. Because this is a constitutional amendment it will require voter approval at the next general election or at a special election.

FISCAL IMPLICATIONS

While the Constitutional Amendment does not have a direct fiscal impact, per se, a \$0.5 increase on gasoline and special fuels would generate an estimated \$72.4 million in FY18. The joint resolution states that “receipts of this tax shall only be used for state roads and highways.” This wording could create controversy as to how the funds are distributed among state, county, and

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municipal road funds. However, according to the Legislative Council Service, the language should be interpreted to mean roads for which the state Department of Transportation is responsible. As such, revenues generated as a result of this tax increase would be channeled to the State Road Fund.

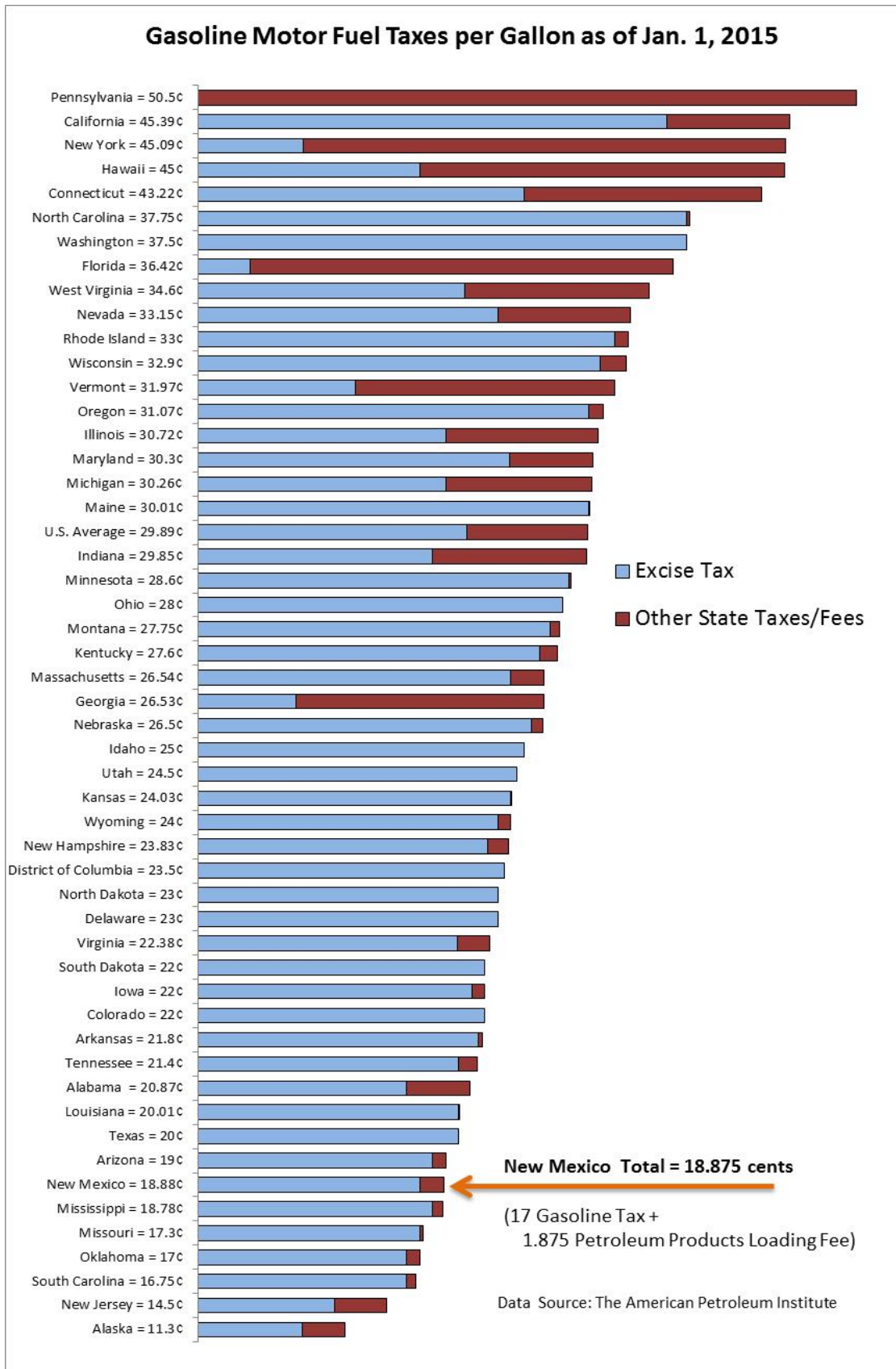
The Secretary of State (SOS) estimates the cost of printing voter guides for a single constitutional amendment to be \$104 thousand.

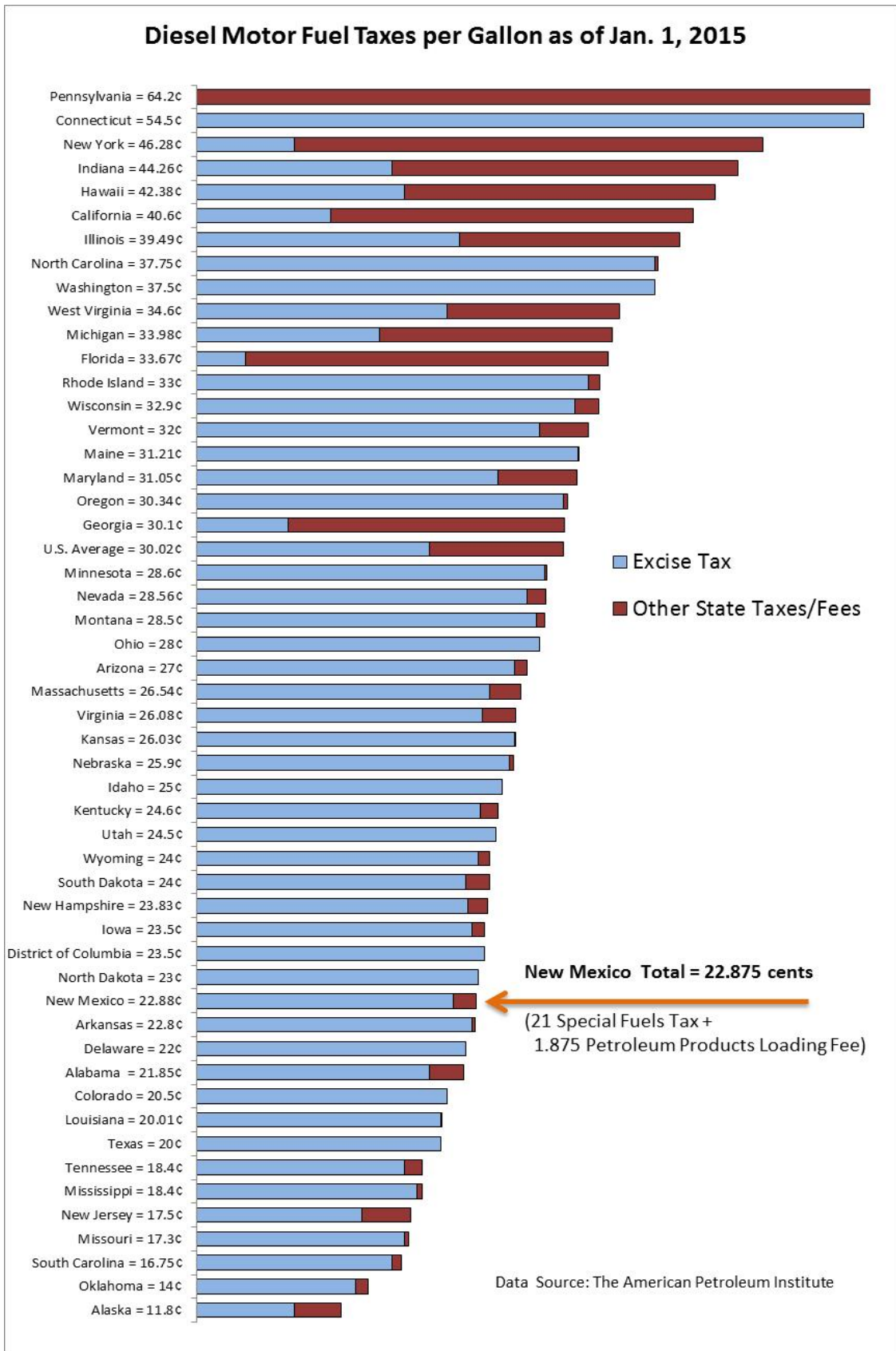
SIGNIFICANT ISSUES

TRD is concerned with setting tax rates via the constitution. Even though voters are required to approve the rates on the front end, constitutional amendments may be more difficult to reverse should the rate increase not achieve the level of funding required, resulting in unintended consequences, or result in lower consumption.

TRD also believes that the proposal to increase the tax could create a competitive advantage for Native American retailers operating on the Indian reservation, as there is no requirement, nor ability to require, the Indian tribe hosting a gas station to enact a mirror image tax.

The last increase in the state gasoline tax occurred in 1993, when the tax was raised from \$0.16 to \$0.22 per gallon. It has since been reduced twice to the current rate of \$0.17 per gallon. The special fuels tax rate was last increased in 2003, when it was raised from \$0.18 per gallon to its present rate of \$0.21 per gallon. New Mexico fuel taxes are lower than in surrounding states and lower than the national average. DOT provided graphic depictions of New Mexico's relative fuel tax rates, presented on the following pages.





TECHNICAL ISSUES

None identified.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 284, Senate Bill 251, and House Bill 328 also increase the gasoline tax and special fuels tax.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is not met since DFA and TRD are not required to report annually to an interim legislative committee regarding the data compiled from the reports from the governing body to determine whether the proceeds from the tax are meeting their purpose.

ADMINISTRATIVE IMPLICATIONS

TRD estimates a moderate impact on administration of the proposed constitutional amendment. Changes will need to be made to the GenTax and Taxpayer Access Point (TAP) systems. Tax rate changes, documents and rules will need to be changed in the systems to the Combined Fuels Tax (CFT) program and the alternative fuels tax program. Also possible distribution and reporting administrative changes may be needed.

Upon election by the voters, the gasoline, special fuels tax and alternative fuels tax rates will change, resulting in moderate non-recurring impact on TRD's Revenue Processing Division (RPD). RPD will need to modify forms and instructions, as well as make changes to the GenTax system to record the inventory tax and payments. If more resources within the GenTax system are needed, RPD will need to set up a new payment process bearing additional administrative costs.

TRD expects that, provided sufficient time is allowed to communicate the change to taxpayers, the impact may be minimal. However, if sufficient time is not allowed, then TRD will need to shift resources from other areas to manage the calls and additional processing needs during the inventory tax collection increasing the administrative costs.

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