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FISCAL IMPACT REPORT

ORIGINAL DATE 02/13/17

SPONSOR Stewart LAST UPDATED _____ HB _____

SHORT TITLE Increase Motor Vehicle Excise Tax SB 353

ANALYST Clark

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY17	FY18	FY19	FY20	FY21		
\$0.0	\$49,167.0	\$51,000.0	\$53,000.0	\$54,000.0	Recurring	General Fund

Parenthesis () indicate revenue decreases

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	Minimal			Minimal	Nonrecurring	Taxation and Revenue Department

Parenthesis () indicate expenditure decreases

Conflicts with HB167, HB310, SB343

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Department of Transportation (NMDOT)

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 353 increases the motor vehicle excise tax rate from 3 percent to 4 percent. The effective date of the bill is July 1, 2017.

FISCAL IMPLICATIONS

The fiscal impact was determined using the December 2016 consensus revenue estimates for this tax. The estimates from LFC, NMDOT, and TRD staff are essentially identical and assume little to no impact on sales of new or used cars and light trucks from this change in the tax rate.

This bill addresses the LFC tax policy principles of adequacy and efficiency by raising revenues from a source that is far less volatile than some of the other sources of general fund revenues. Motor vehicle excise tax revenues fluctuate over time, but the revenue stream is much more stable than those tied to oil and gas prices, for example.

SIGNIFICANT ISSUES

Motor vehicle excise taxes in New Mexico are less than half the rates in many places in Arizona, Colorado, and Texas. New Mexico's rate is 3 percent, while rates in surrounding areas can be more than 8 percent after adding in local rate increments. The Arizona and Texas statewide rates alone are approximately double New Mexico's. Each additional percent added to New Mexico's rate would generate about \$50 million for the general fund.

ADMINISTRATIVE IMPLICATIONS

There would be a minimal impact to the Taxation and Revenue Department to implement and publish the rate change.

CONFLICT

HB167 phases in a redistribution of this revenue from the general fund back to the state road fund over a period of four years.

HB310 increases the tax to 5 percent.

SB343 raises the tax rate and distributes 50 percent of the revenue to the state road fund.

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