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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/22/21

SPONSOR Lopez LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Motor Vehicle Fee Exemption SB 394

ANALYST Graeser

### REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY21	FY22	FY23	FY24	FY25		
	Indeterminate, Negative ≈ (\$75.0)	Indeterminate, Negative ≈ (\$75.0)	Indeterminate, Negative ≈ (\$75.0)	Indeterminate, Negative ≈ (\$75.0)	Recurring	State Road Fund
	Indeterminate Negative ≈ (\$25.0)	Indeterminate Negative ≈ (\$25.0)	Indeterminate Negative ≈ (\$25.0)	Indeterminate Negative ≈ (\$25.0)	Recurring	Local Governments

Parenthesis ( ) indicate revenue decreases

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

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	\$289.0			\$289.0	Nonrecurring	TRD operating General Fund

Parenthesis ( ) indicate expenditure decreases

### SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 394 would exempt disabled persons who have annual modified gross income of \$15 thousand or less from motor vehicle registration fees. A person claiming this exemption shall provide the Motor Vehicle Division (MVD) with an affidavit attesting to the person's eligibility and provide an income tax return or other proof required by the Taxation and Revenue Department (TRD) to verify the amount of the annual modified gross income. A disabled person is defined in

this bill as a person who has lost the permanent and total use of both hands, both arms, both feet, both legs, both eyes or any combination of two or someone that has sustained a brain injury that results in the permanent impairment of 30 percent or more as determined by the current American Medical Association guide. The exemption would be for one vehicle owned by the disabled person.

The effective date of this bill is July 1, 2021.

## FISCAL IMPLICATIONS

### TRD comments

While it is not possible to estimate the revenue impact without knowing the number of applicants for the benefit this bill proposes, the fee amounts may be significant. The registration fee for passenger vehicles is based on the weight and model year of the vehicle. Registration fees range from \$27 to \$62 for a 1-year registration or \$54 to \$124 for a 2-year registration. Registration fees for trucks with a declared gross vehicle weight (DGWV) of 26 thousand pounds or less are also based on the weight and model year of the vehicle. Registration fees range from \$38 to \$207 for a 1-year registration or \$76 to \$414 for a 2-year registration.

To determine an order of magnitude of the fiscal impact of this bill, LFC staff assembled the following data table from the DP02 report prepared by the American Community Survey available from the U.S. Census and judicious guesses. LFC staff were unable to find data from which to establish the percentage of disabled individuals with a disability that would qualify that individual for the registration exemption.

Geographic Area Name	Population Age 16 and Over
New Mexico	1,640,276
Percentage of Population Over 16 with a disability	18.8%
Percentage of Disabled Population with Income < \$15,000	38.4%
% of disabled persons with qualifying disability.	5.0%
Claimants	50%
Average Motor Vehicle Registration	\$36
	\$106,600
≈ 70% to State Road Fund	\$74,600
Local Governments	\$32,000

## SIGNIFICANT ISSUES

### TRD comments on the policy implications of the provisions of this bill:

If passed, this bill will provide a small but impactful annual benefit to individuals who are living in poverty due to a permanent disability. This is in line with a benefit provided to disabled veterans that exempts them from registration fees. However, unlike that benefit, this bill does

not include language requiring proof of disability from a medical provider. MVD recommends amending the bill on page 2, line 1, to strike the language after the word “shall” through the end of the line and instead adding “provide a signed statement from the person’s physician attesting to the person’s eligibility as defined in section B on a form provided by the division”.

To be eligible for this fee relief, the vehicle owner must have modified gross income of \$15 thousand or less. The income threshold is the same, whether the individual files their taxes single, married filing joint, married filing separately, or head of household. As drafted, a disabled individual who files married filing joint may be excluded from this fee relief due to the income of their spouse.

## **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 exception to determine whether the deduction is meeting its purpose.

## **ADMINISTRATIVE IMPLICATIONS**

### **TRD expects a moderate impact to implement the provisions of this bill:**

Implementation of the bill will require additional information to be captured for vehicle registration and titling transactions and adding new database fields and tables to create the registry. It will also require application changes for capturing affidavit information and scanning and uploading of the required documents. Application and configuration changes to the Tapestry system will need to be made, as well as changes to MVD interfaces including the registration renewal reminder notifications.

Online, IVR, and Kiosk systems will also have to be modified to have the ability to process these changes and exempt registration fees based on an applicant’s eligibility. MVD and TRD’s Financial Distributions Bureau will need to verify Tapestry system changes by performing selected tests of data, functionality and reporting, including performing a mock distribution prior to authorizing Tapestry to move changes into production.

The estimated time to develop, test and implement these changes is approximately 1,520 hours or 9.5 months and approximately \$279 thousand (\$200 thousand contractual resources and staff workload costs of \$79 thousand).

This bill may have some implications and changes necessary for TRD’s Gentax system if the department chose to verify annual modified gross income electronically via a web services in lieu of an applicant providing a copy of their tax return. If this were the case, implementation would include 200 hours or five weeks and an estimated cost of \$10 thousand.

## **TECHNICAL ISSUES**

MVD often captures health-related details of an individual applying for a mobility disability placard or driver’s license, and access to that information is heavily limited to avoid violation of HIPA rules. MVD does not currently capture the details of an individual’s disabilities or other health-related information within its vehicle database. Collecting and storing health-related information for vehicles transactions may create increased risk of exposure.

**SUGGESTED AMENDMENTS**

MVD recommends amending the bill on page 2, line 1, to strike the language after the word “shall” through the end of the line and instead adding “provide a signed statement from the person’s physician attesting to the person’s eligibility as defined in section B on a form provided by the division”.

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