BILL ANALYSIS AND FISCAL IMPACT REPORT Taxation and Revenue Department

February 4, 2025

Bill: HB-19, as amended
by HCEDCSponsor: Representatives Patricia A. Lundstrom, Dayan Hochman-Vigil,
Raymundo Lara, Tara L. Lujan, and Joy Garratt

Short Title: Trade Ports Development Act

Description: Section 11 of this bill provides that prior to July 1, 2035, a distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be made to the trade ports development fund in an amount equal to 1% of the net receipts attributable to the gross receipts tax (GRT) after distributions have been made pursuant to Sections 7-1-6.46 and 7-1-6.47 NMSA 1978.

Section 12 amends the Motor Vehicle Excise Tax Act to alter distributions of motor vehicle excise tax prior to July 1, 2035. Four percent less will be distributed to the general fund, and a 4% distribution to the newly created trade ports development fund will occur. The amounts distributed on or after July 1, 2035, will revert back to the prior distributions, eliminating the new 4% distribution to the trade ports development fund.

The *House Commerce and Economic Development Committee* amendment makes a small addition related to public-private partnership agreements, and a new section clarifying the applicability of other laws related to construction that also apply to the construction of a trade port. Neither of these amendments affect the portion of the bill related to the Taxation and Revenue Department (Tax & Rev), or its analysis of the fiscal impact of the bill.

Effective Date: July 1, 2025

	Estima	R or				
FY2025	FY2026	FY2027	FY2028	FY2029	NR**	Fund(s) Affected
	(51,600)	(53,300)	(54,800)	(56,700)	R	Section 12: General Fund
	51,600	53,300	54,800	56,700	R	Section 12: Trade Ports
						Development Fund
	(11,960)	(12,230)	(12,420)	(12,720)	R	Section 13: General Fund
	11,960	12,230	12,420	12,720	R	Section 13: Trade Ports
						Development Fund
	(63,560)	(65,530)	(67,220)	(69,420)	R	Total General Fund
	63,560	65,530	67,220	69,420	R	Total Trade Ports
						Development Fund

Taxation and Revenue Department Analyst: Lucinda Sydow and Pedro Clavijo

* In thousands of dollars. Parentheses () indicate a revenue loss. ** Recurring (R) or Non-Recurring (NR).

Methodology for Estimated Revenue Impact: [Section 12] Tax & Rev used matched taxable gross receipts as reported in the RP500 and multiplied the GRT tax base by the current state GRT rate. Then Tax & Rev deducted the December 2024 Consensus Revenue Estimating Group (CREG) forecast for food and medical hold harmless distributions pursuant to Sections 7-1-6.46 and 7-1-6.47 NMSA 1978 to calculate the 1% GRT distribution to the Trade Ports Development Fund. The estimated impact growth is based on the GRT revenue growth from the December 2024 CREG forecast.

[Section 13] Tax & Rev applied the proposed distribution rates to the current CREG December 2024 Motor Vehicle Excise Tax (MVEX) forecast. The bill decreases the distribution to the general fund and adds a distribution to the new Trade Ports Development Fund of 4% of the MVEX.

Policy Issues: [Sections 12 and 13] The general fund is a primary operating fund that serves as the main source of funding for the state government's day-to-day operations and essential services. It is a centralized fund that collects revenue from various sources, such as taxes, fees, and other income, and allocates those funds to support various government programs and services. The general fund plays a crucial role in financing a wide range of public expenditures, including education, healthcare, public safety, transportation, and other essential services. It is subject to annual appropriation by the state legislature.

The general fund is distinct from other dedicated funds within the state's financial structure, which may have specific revenue streams and limitations on their use for designated purposes. The general fund provides a more flexible source of funding that can be utilized to address a wide array of government responsibilities and obligations.

Earmarking revenues to other funds like the newly created trade ports development fund will have a direct fiscal impact on the general fund. The reduction in revenue may require state government to reassess and prioritize spending, leading to potential adjustments in different areas to compensate for the reduction in the general fund.

The diversity of special funds and distributions across the Tax Administration Act is becoming intricate, leading to a more complex tax management process. Simplicity and fairness are important considerations in making tax policy, and the proliferation of general and special distributions to special funds goes against those principles.

New Mexico's tax code is out of line with most states in that more complex distributions are made through the tax code. The more complex the tax code's distributions, the costlier it is for Tax & Rev to maintain the GenTax system and the more risk is involved in programming changes.

Technical Issues: None.

Other Issues: Tax & Rev suggests that there be a delayed repeal of Section 12 to clarify that the distribution ends on July 1, 2035, and that the tax code maintain accuracy and brevity by automatically removing language that expires. The following is new proposed language for an additional section of the bill: "DELAYED REPEAL. - - Section 11 of this act is repealed effective July 1, 2035."

Administrative & Compliance Impact: Tax & Rev's Administrative Services Division (ASD) anticipates this bill will take approximately 120 hours for testing, creating new reports, modifying existing reports including the RP-500 GRT report and establishing new revenue distributions. ASD will require updates in both GenTax, the tax system of record, and Tapestry, the MVX system of record, to create the new accounting and distribution functions for distributions to the Trade Ports Development Fund. It is anticipated this work will take approximately 120 hours split between 4 FTE of a pay band 70 and 80 at a cost of approximately \$7,600. Collaboration and input from the Department of Finance and Administration (DFA) is required as this will decrease General Fund revenue distributions.

This bill has a moderate overall impact on Tax & Rev's Information Technology Division (ITD), equivalent to approximately 650 hours or approximately 4 months, resulting in staff workload costs of \$43,316. ITD will add a new GRT distribution in the GenTax system and implement the new distributions in Tapestry.

Estimated Additional Operating Budget Impact*				R or	
FY2025	FY2026	FY2027	3 Year Total Cost	NR**	Fund(s) or Agency Affected
\$7.6			\$7.6	NR	Tax & Rev - ASD – staff workload
\$43.3			\$43.3	NR	Tax & Rev - ITD - staff workload

* In thousands of dollars. Parentheses () indicate a cost saving. ** Recurring (R) or Non-Recurring (NR).

Related Bills: Conflicts with SB-27