

[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 NR**	Fund(s) or Agency Affected
FY2025	FY2026	FY2027	3 Year Total Cost		
\$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