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FISCAL IMPACT REPORT

ORIGINAL DATE 2/16/09

SPONSOR Ulibarri LAST UPDATED _____ HB _____

SHORT TITLE County Gross Receipts for Bond Repayment SB 554

ANALYST Gutierrez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	NFI			

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 554 would allow counties imposing the 1/16 percent increment of the county local option gross receipts tax to pledge revenue from that increment to payment of gross receipts tax revenue bonds. Under current law, counties are allowed to pledge revenue from the first and third 1/8 increments of the county local option gross receipts tax as well as any increment of the county infrastructure and county capital outlay gross receipts tax.

The effective date of this bill's provisions is July 1, 2009.

FISCAL IMPLICATIONS

This bill has no revenue impact. The bill would not allow county governments to impose more local option taxes, but would increase the amount of revenue available to repay gross receipts tax revenue bonds. The table below illustrates the additional revenue each county could have potentially pledged to repay gross receipts tax revenue bonds through the 1/16 percent increment of the county local option gross receipts tax in FY08, had this bill been implemented. Twenty counties have already imposed the tax, but if all counties imposed the tax it would have generated about \$28 million in FY08. The table below also indicates the potential general fund revenue loss that would have occurred due to hold harmless provisions concerning the food and medical deductions enacted in 2004 if all counties had imposed the tax in FY08.

Illustration of Potential Revenue Pledged to GRT Bonds - Fiscal Year 2008

County	Potential Revenue Pledged to GRT Bonds: 1/16% County GRT Increment	Potential General Fund Loss Due to Hold Harmless Distribution: 1/16% County GRT Increment
Bernalillo	10,007,656	Hold Harmless Rate Frozen
Catron	18,792	(675)
Chaves	742,645	Hold Harmless Rate Frozen
Cibola	165,728	Already Imposed
Colfax	200,764	(9,747)
Curry	454,292	Already Imposed
De Baca	13,890	Already Imposed
Dona Ana	2,002,898	Hold Harmless Rate Frozen
Eddy	1,391,604	Hold Harmless Rate Frozen
Grant	297,417	(40,171)
Guadalupe	53,673	Already Imposed
Harding	19,106	Already Imposed
Hidalgo	50,272	Already Imposed
Lea	1,937,426	Hold Harmless Rate Frozen
Lincoln	304,681	(25,758)
Los Alamos	842,058	(30,481)
Luna	206,403	Already Imposed
McKinley	676,133	Hold Harmless Rate Frozen
Mora	18,259	Already Imposed
Otero	511,330	Hold Harmless Rate Frozen
Quay	96,799	Hold Harmless Rate Frozen
Rio Arriba	349,731	(34,434)
Roosevelt	147,594	Already Imposed
San Juan	2,647,334	Hold Harmless Rate Frozen
San Miguel	202,733	Already Imposed
Sandoval	1,028,429	Hold Harmless Rate Frozen
Santa Fe	2,416,633	Hold Harmless Rate Frozen
Sierra	94,779	Already Imposed
Socorro	109,583	(14,478)
Taos	362,682	Already Imposed
Torrance	108,327	Already Imposed
Union	115,325	Already Imposed
Valencia	453,948	Hold Harmless Rate Frozen
Total	\$28,048,924	(\$155,746)

Source: Reports 500 and Reports 80 from TRD

SIGNIFICANT ISSUES

The county local option gross receipts tax may be imposed by any county at a rate up to 7/16 percent (0.4375 percent). The tax may be imposed in up to three 1/8 percent increments and one 1/16 percent increment. The second 1/8 percent increment of the tax must be dedicated to health care of indigent patients.

In a similar bill during the 2008 session, the New Mexico Association of Counties reported that the bill would expand fiscal flexibility at the county level by allowing some counties to continue to use the 1/16 percent increment as general revenue and others to pledge the revenue for bond repayment.

New Mexico's municipalities and counties are authorized to impose over 4 percent of local option gross receipts taxes (that figure excludes several additional local option taxes that have been authorized for selected local governments). Due to increasing imposition of local option taxes, the statewide gross receipts tax rate is increasing steadily. On average, a local option gross receipts tax of about 2.16 percent will be imposed by local governments statewide in FY09. Combined with the state gross receipts tax of 5 percent, the statewide tax rate is therefore 7.16 percent.

BLG/mt

The Legislative Finance Committee has adopted the following principles to guide responsible and effective tax policy decisions:

- 1. Adequacy:*** revenue should be adequate to fund government services.
- 2. Efficiency:*** tax base should be as broad as possible to minimize rates and the structure should minimize economic distortion and avoid excessive reliance on any single tax.
- 3. Equity:*** taxes should be fairly applied across similarly situated taxpayers and across taxpayers with different income levels.
- 4. Simplicity:*** taxes should be as simple as possible to encourage compliance and minimize administrative and audit costs.
- 5. Accountability/Transparency:*** Deductions, credits and exemptions should be easy to monitor and evaluate and be subject to periodic review.

More information about the LFC tax policy principles will soon be available on the LFC website at www.nmlegis.gov/lcs/lfc