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FISCAL IMPACT REPORT

ORIGINAL DATE 2/22/09

SPONSOR Munoz LAST UPDATED _____ HB _____

SHORT TITLE State Lodgers' Gross Receipts Surtax SB 595

ANALYST Gutierrez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	\$18,459.8	\$37,288.8	Recurring	State Lodgers' Education Fund
	\$11,075.9	\$22,373.3	Recurring	State Lodgers' Economic Development Fund
	\$7,383.9	\$14,915.5	Recurring	State General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

Tourism Department (TD)

SUMMARY

Synopsis of Bill

Senate Bill 595 imposes a ten percent "State Lodgers' Surtax" on gross receipts of a hotelkeeper who furnishes tourist accommodations to a renter. For this bill, tourist accommodation is defined as a hotel, apartment, apartment hotel, apartment house, lodge, lodging house, rooming house, motor hotel, guest house, guest ranch, ranch resort, guest resort, mobile home, motor court, auto court, auto camp, trailer court, trailer camp, trailer park, tourist camp, cabin or other premises used for accommodation.

This bill also creates a "State Lodgers' Education Fund" and a "State Lodgers' Economic Development Fund". The state lodgers' education fund will be a non-reverting fund in the state treasury and shall be administered by the public education department (PED). The state lodgers' economic development fund will be non-reverting fund in the state treasury and shall be

administered by the economic development department (EDD). Both funds shall be invested by the state investment officer in the manner that land grant permanent funds are invested and the income from the investment shall be credited to the funds.

Fifty percent of the revenue from the surtax will be appropriated to the State Lodgers' Education Fund, 30 percent to the State Lodgers' Economic Development Fund, and the final 20 percent to the general fund.

The effective date of this bill's provisions is January 1, 2010.

FISCAL IMPLICATIONS

Since this bill becomes effective January 1, 2010, the effect on FY10 will only be half a year. For this analysis it is assumed that the growth in the accommodations sector will be 0 percent in FY10, 1 percent in FY11 and 2 percent in FY12 and FY13. Taxable gross receipts for the accommodations sector are estimated to be \$738.4 million in FY10 and \$745.8 million in FY11. With a surtax of 10 percent, the revenue from this surtax in FY10 will be \$36.9 million (half of a year) and \$74.6 million in FY11.

This bill creates new funds and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

SIGNIFICANT ISSUES

Currently, local governments in New Mexico already have the option of imposing an occupancy tax on rentals of motel and hotel rooms, trailer camps, etc (see attachment). Receipts from the tax are used to promote tourist attractions and facilities within the state. The surtax proposed in this bill would be an additional 10 percent tax to those who may already be paying up to 5 percent on an occupancy tax.

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 by FY10. Combined with the state gross receipts tax of 5 percent, the statewide tax rate is therefore 7.12 percent.

This bill does not specify how PED or EDD are to apply or use the revenue provided to them from the surtax.

PERFORMANCE IMPLICATIONS

TD:

An increase in the cost of an overnight stay in a New Mexico lodging establishment could result in decreased visitation to New Mexico, a key performance measure for TD.

ADMINISTRATIVE IMPLICATIONS

TRD:

The proposal will have a small administrative impact on the Department. It will require new publications, revised CRS forms, revised CRS-Net applications, and distribution changes. These changes can be accomplished with existing Department resources.

The proposal will have a Low IT impact. A new location code will need to be added to GenTax CRS program.

- 1) Changes to configuration for the location codes and reports - 40 hours
- 2) Changes to configuration for new transactions – 40 hours
- 3) Changes to revenue accounting – 40 hours

Total systems impact: 120 hours

TECHNICAL ISSUES

The new “state lodgers’ surtax” should be added to the list of taxes in Section 7-1-2 1978 NMSA that designates which taxes The Tax Administration Act applies to and governs.

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

REPORTED LODGERS TAX RECEIPTS, BY CITY OR COUNTY -- FY 2008

Tax Rate*	City/County	3Q07	4Q07	1Q08	2Q08	FY2008
5.0%	Alamogordo	\$105,383	\$102,461	\$82,611	\$119,707	\$410,162
5.0%	Albuquerque	1,913,860	3,050,011	2,190,195	3,218,588	10,372,654
1.0%	ABQ Hospitality	382,772	610,002	438,039	643,718	2,074,531
5.0%	Angel Fire	32,768	76,720	153,002	23,455	285,945
5.0%	Artesia	49,536	39,021	50,945	54,336	193,838
5.0%	Aztec	4,122	5,193	1,785	8,107	19,207
4.0%	Belen	0	40,762	17,359	19,896	78,017
3.0%	Bernalillo	32,784	31,574	25,789	31,890	122,037
3.0%	Bloomfield	18,089	18,187	13,256	18,064	67,596
3.0%	Capitan	1,774	1,508	780	1,226	5,288
5.0%	Carlsbad	181,314	149,738	147,885	205,962	684,899
3.0%	Carrizozo	2,525	1,897	2,963	1,892	9,277
4.0%	Chama	48,957	30,590	9,676	9,866	99,089
4.0%	Cimarron	6,495	6,465	2,652	3,771	19,383
5.0%	Clayton	49,499	34,625	25,826	38,720	148,670
5.0%	Cloudcroft	44,929	30,245	26,189	25,351	126,714
5.0%	Clovis	128,849	131,367	93,321	142,139	495,676
5.0%	Columbus	846	55	-85	2,602	3,418
3.5%	Corrales	2,010	1,785	1,608	2,372	7,775
3.0%	Cuba	2,241	1,507	1,745	2,465	7,958
5.0%	Deming	109,113	91,994	99,170	103,991	404,268
3.0%	Eagle Nest	10,902	5,044	5,803	5,690	27,439
5.0%	Eddy County	24,854	12,097	5,469	15,488	57,908
5.0%	Elephant Butte	9,370	7,706	4,263	8,360	29,699
5.0%	Espanola	28,619	19,634	22,595	na	na
5.0%	Farmington	291,951	330,487	265,128	317,056	1,204,622
5.0%	Fort Sumner	7,566	7,191	5,599	7,484	27,840
5.0%	Gallup	285,611	265,447	250,448	262,536	1,064,042
5.0%	Grant County	19,385	16,057	13,644	40,911	89,997
5.0%	Grants	108,344	91,439	74,593	96,391	370,767
3.0%	Hatch	na	11	133	7	151
5.0%	Hobbs	177,962	187,280	172,435	196,392	734,069
3.0%	Hurley	534	156	1,357	842	2,889
5.0%	Jemez Springs	4,698	5,195	2,937	2,796	15,626
5.0%	Las Cruces	424,572	432,715	470,096	478,828	1,806,211
4.0%	Las Vegas	94,929	36,060	33,122	107,047	271,158
4.0%	Lincoln County	28,832	15,243	10,694	13,941	68,710
3.0%	Logan	3,455	2,035	1,695	3,099	10,284
5.0%	Lordsburg	71,075	61,736	65,317	55,579	253,707
5.0%	Los Alamos	76,588	53,446	42,914	62,196	235,144
4.0%	Los Lunas	35,840	16,002	12,981	19,154	83,977
5.0%	Lovington	12,326	22,520	13,802	17,662	66,310
3.0%	Luna County	559	1,402	1,040	1,037	4,038
4.0%	Magdalena	1,009	na	3,817	1,478	na
5.0%	Mesilla	0	0	532	3,348	3,880
3.0%	Milan	1,105	1,090	767	1,046	4,008
5.0%	Moriarty	43,745	40,438	25,514	83,421	193,118
3.0%	Mountainair	2,365	1,787	3,046	2,263	9,461
5.0%	Portales	23,001	23,623	20,380	23,798	90,802
5.0%	Raton	145,202	96,558	63,969	90,757	396,486
5.0%	Red River	173,756	67,776	146,749	88,561	476,842
3.0%	Rio Arriba Coun	1,616	17,874	3,685	5,250	28,425
5.0%	Rio Rancho	96,718	101,685	85,114	108,789	392,306
5.0%	Roswell	269,794	224,221	218,134	245,088	957,237
5.0%	Ruidoso	455,793	256,105	292,295	219,660	1,223,853
5.0%	Ruidoso Downs	66,282	44,808	29,348	35,323	175,761
5.0%	Sandoval Count	5,816	4,422	3,060	3,435	16,733
5.0%	San Miguel Cou	22,677	8,869	1,042	5,897	38,485
5.0%	Santa Fe	2,639,724	2,578,055	1,502,666	2,069,389	8,789,834

2.0%	SF Conv. Ctr. Fi	0	0	0	0	0
4.0%	Santa Fe Count	161,551	106,332	51,188	87,016	406,087
5.0%	Santa Rosa	128,150	89,520	76,635	109,174	403,479
3.0%	Sierra County	6,966	1,969	1,853	3,576	14,364
5.0%	Silver City	70,176	47,001	70,565	77,657	265,399
5.0%	Socorro	80,506	99,628	78,475	90,436	349,045
3.0%	Springer	5,435	608	2,707	3,935	12,685
5.0%	Taos	308,608	247,260	173,254	280,563	1,009,685
5.0%	Taos County	88,280	57,489	50,362	56,864	252,995
5.0%	Taos Ski Valley	12,448	7,234	180,454	90,738	290,874
5.0%	Truth or Consec	48,686	40,467	34,772	44,446	168,371
5.0%	Tucumcari	147,269	108,107	82,747	138,602	476,725
5.0%	Vaughn	17,308	16,734	16,885	18,269	69,196
3.0%	Williamsburg	1,265	1,324	597	1,304	4,490

na Not available at time of posting.

* Tax rates as shown are effective as of the last quarter of data shown for that area.

Note: Local governments in New Mexico have the option of imposing a lodgers tax on rentals of motel and hotel rooms, trailer camps, etc. Receipts from the tax are used to promote tourist attractions and facilities within the state. The laws were amended in 1983 to include use of proceeds to defray operating costs of such facilities and to include performing arts facilities.

Source: New Mexico Department of Finance and Administration, Local Government Division.

Table prepared by: Bureau of Business and Economic Research, University of New Mexico.