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FISCAL IMPACT REPORT

ORIGINAL DATE 3/5/09

SPONSOR Sharer LAST UPDATED _____ HB _____

SHORT TITLE Taxation of Energy Imports SB 619

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	(68,775.0)	(52,430.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to SB620

SOURCES OF INFORMATION

LFC Files
US Bureau of Economic Analysis (BEA)

Responses Received From
Energy Minerals and Natural Resources (EMNRD)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 619 amends the Corporate Income and Franchise Tax Act to exclude income from sales, delivery and use of energy outside of the state of New Mexico. The exclusion is equal to 100 percent of “energy exports” in tax year 2010, 75 percent in 2011, 50 percent in 2012 and 25 percent after that.

FISCAL IMPLICATIONS

The fiscal impact was determined by assuming that “energy export” refers to all energy production including oil, gas, and electricity. Further, it is assumed that 90 percent of the energy produced is sold, delivered or used outside of the state.

Impact of SB619

	FY2010	FY2011	FY2012
\$Millions	(68.8)	(52.4)	(35.7)

Source: TRD

EMNRD:

In many instances New Mexico's energy resources are sold for use out of state or used to create electricity, such as coal fired power plants, and the electricity is delivered to out of state customers. For instance, 88% of natural gas produced in New Mexico is exported, the bill's waiver of all corporate income and franchise tax on net income from sales of exported energy would have a negative impact on the state's revenue. Waiver of the franchise tax may also negatively affect municipal revenue.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB620 is related.

TECHNICAL ISSUES

Sales, use and delivery of "energy" is ambiguous as to whether oil and gas exports are included or just power generation.

EMNRD reports that SB 619's short title, "Taxation of Energy Imports," is misleading because the legislation relates to energy exports.

NF/mc