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FISCAL IMPACT REPORT

ORIGINAL DATE 02/25/13

SPONSOR Campos LAST UPDATED _____ HB _____

SHORT TITLE Cultural Property Preservation Tax Credit SB 239/aSCORC

ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15	FY16	FY17		
\$0.0	\$0.0	(\$88.0)	(\$88.0)	(\$88.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicate to HB 298

SOURCES OF INFORMATION

LFC Files

Response Received From

Taxation and Revenue Department (TRD)
Economic Development Department (EDD)

SUMMARY

Synopsis of SCORC Amendment

The Senate Corporations and Transportation Committee amendment adds reporting requirements to the bill, requiring the department to compile annual reports with information about the credits approved under the provisions of this bill.

Synopsis of Original Bill

Senate Bill 239 amends Section 7-2-18.2 to allow a \$50 thousand credit for cultural property renovations that are eligible for the Main Street Act or Main Street Revolving Loan Act.

Effective Date: January 1, 2014

FISCAL IMPLICATIONS

The TRD used data from the EDD Main Street Program and New Mexico personal income tax data from 2005 through 2010 were used in this analysis. According to New Mexico Main Street 2012 Annual Report although private reinvestments in Main Street Districts have not yet reached pre-recession levels, Main Street property owners and district investors put \$16.9 million toward the rehabilitation of 135 buildings. It was assumed that 5 of these properties will qualify as cultural properties belonging in the State Registrar listings. To estimate the value of each credit, the maximum credit amount claimed each year (from 2005 through 2010) was averaged, which was found to be approximately \$17,500. The number of eligible properties was multiplied by this amount to estimate the fiscal impact.

SIGNIFICANT ISSUES

The Main Street Program is part of an economic development network of more than 37 states and 1200 communities across the country and use the National Trust Main Street Center's proven revitalization strategies. The program was created by state statute in 1978 and launched in 1984. The National Trust accredits and licenses the program after a successful biennial assessment. Within each of the local main street districts, the local main street organization (downtown stakeholders organized as a 501c3) works in partnership with the municipality. The organization assists property owners rehabilitate buildings, address infrastructure needs, and fund capital improvements, creating an environment to attract new businesses and entrepreneurs resulting in job creation. Local affiliates receive services, resources, and technical assistance from the state and national programs.

PERFORMANCE IMPLICATIONS

The Legislative Finance Committee (LFC) tax policy of accountability is not met since the TRD is not required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the deduction and other information to determine whether the deduction is meeting its purpose.

TECHNICAL ISSUES

This bill does not contain a sunset date. The LFC recommends adding a sunset date.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy:** Revenue should be adequate to fund needed government services.
2. **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity:** Different taxpayers should be treated fairly.
4. **Simplicity:** Collection should be simple and easily understood.
5. **Accountability:** Preferences should be easy to monitor and evaluate