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FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/13
 SPONSOR Wirth LAST UPDATED 02/11/13 HB _____
 SHORT TITLE Sole Member Limited Liability Company Taxes SB 103/aSCORC
 ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15	FY16	FY17		
NFI					Recurring	

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

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

SUMMARY

Synopsis of SCORC Amendment

The Senate Corporations and Transportation Committee amendment to Senate Bill 103 amends Section 7-9-60 NMSA 1978 (a deduction for sales of tangible personal property to a 501(c)(3) organization) to include a limited liability company whose sole member is a 501(c)(3) organization.

Synopsis of Original Bill

Senate Bill 103 proposes that, for the purposes of exemptions from the gross receipts and compensating taxes, a limited liability company be granted tax exempt status under Section 501(c)(3) of the United States Internal Revenue Code of 1954 when the sole member of the company is an organization with tax exempt status under Section 501(c)(3).

FISCAL IMPLICATIONS

TRD believes that this bill should have a minimal revenue impact. It will clarify New Mexico's current treatment of a single member LLC whose sole owner is a 501(c)(3). The LLC will be

covered under the sole owner's exemption as long as it is organized exclusively for the exempt purposes that the sole owner was granted the exempt status for, entitling this entity to the exemptions under Sections 7-9-15 and 7-9-29. The IRS currently treats these companies as exempt but defaults to the states as to how they want to treat them.

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

SS/svb