F I S C A L I M P A C T R E P O R T

SPONSOR:	Pearce	DATE TYPED:	02/08/00	HB	337
SHORT TITLE:	Agricultural Implements Tax Deduction			SB	
			ANALYST:	Eaton	

REVENUE

Estimated Revenue		**Subsequent Years Impact**	**Recurring or Non-Rec**	**Fund Affected**
FY00	**FY01**			
	See Narrative	$ (1,080.0)	Recurring	General Fund
	See Narrative	$ (470.0)	Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Under current law, sellers are permitted to deduct 50% of the receipts from selling agricultural implements and farm tractors. This bill increases the deduction to 100% of the value of the implements or tractors.

Effective date not specified - assume 90 days after adjournment (May 17, 2000).

FISCAL IMPLICATIONS

The Taxation and Revenue Department (TRD) report that the full year impact is a loss of $1,080.0 to the general fund and $470.0 to local governments.

The Taxation and Revenue Department (TRD) report that the farm community is lax about paying compensating tax on tractors and implements purchased from out of state vendors. Alternatively, they pay the tax to Texas, Oklahoma, Colorado, Utah or Arizona and take full credit against comp tax liability due New Mexico. In any event, farmers are not paying compensating tax on such tractors and implements. On the other hand, retailers in farm equipment have reported deductions of about 63% of sales. Thus, the average farm machinery dealer apparently conducts substantial sales with 100% deductions. It is thus estimated that farm machinery dealers will deduct about $26 million in additional sales. Some sellers of farm equipment are registered as miscellaneous retailers (auctioneers, for example). This effect is not included in the fiscal estimate. There is no accurate way to estimate the impact, and therefore the ongoing loss in compensating tax revenues is not included, although it could be substantial.

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