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FISCAL IMPACT REPORT

SPONSOR: Heaton DATE TYPED: 03/29/00 HB 11
 SHORT TITLE: Laboratory/Small Business Tax Credit (ERDT) SB _____
 ANALYST: Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01			
	\$ (1,800.0)	\$ (1,800.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Companion to _____

SOURCES OF INFORMATION

LFC files

Taxation and Revenue Department (TRD) *analysis for special session is not available*

SUMMARY

Synopsis of Bill

Authorizes a targeted gross receipts tax credit for non-defense business assistance efforts at Sandia National Laboratories. Both technical and non-technical assistance services would be eligible. The tax credit would be \$5,000 for each participating New Mexico small business in an urban area and \$10,000 each for those in a rural area.

A revolving fund would be established by Sandia National Laboratories for qualifying expenditures; this fund would be replenished with monies received pursuant to the tax credit. Qualifying expenditures include salaries and wages, fringe benefits and payroll taxes (limited to 49% of salaries and wages), certain in-state travel expenses and supplies and services of contractors. Businesses participating in the program would be required to certify an alternative source of private assistance is not economically feasible. The Secretary of Economic Development would provide input to improve operations of the program. If the revolving fund is no longer used for this purpose, amounts other than initial funding from non-tax credit sources must be paid to TRD.

Significant Issues

Currently, through federally funded programs, Sandia National Laboratories provides limited assistance to small, defense-related businesses. According to information presented during the

interim, for the most recent year data was available, approximately 40% of these businesses were located in New Mexico. Sandia is currently unable to provide non-defense-related assistance.

FISCAL IMPLICATIONS

The tax credit is limited to \$1,800.0 thousand in a given calendar year. In analysis of regular session legislation, TRD estimated recurring revenue loss to the General Fund of \$1,800.0 thousand in FY01. The estimate is based on Sandia National Laboratories currently not able to assist approximately 250 New Mexico businesses per year because those businesses' requests cannot be addressed under the current federal program.

Also during the interim Sandia noted it currently pays approximately \$43 million annually in gross receipts taxes to the state. Los Alamos National Laboratory does not currently pay gross receipts taxes.

The bill holds local governments, in this case Bernalillo County, harmless from potential revenue losses.

ADMINISTRATIVE IMPLICATIONS

In analysis for regular session legislation, TRD noted a manual process to record credit approvals and applications would be developed.

OTHER SUBSTANTIVE ISSUES

With respect to certification that the assistance cannot be obtained at reasonable costs from the private sector, does the measurement criteria need to be stronger?

While the certification criteria only apply to availability and affordability of services from the private sector, is there overlap from state supported programs such as the Small Business Development Centers (SBDCs)?

AW/gm