



**FISCAL IMPLICATIONS**

The Taxation and Revenue Department (TRD) is unable to predict how many municipalities might make use of the supplemental municipal gross receipts tax to fund water and wastewater systems. If all municipalities were to impose such a tax the annual municipal revenue would be on the order of \$252 million to \$267 million and the associated TRD administrative fees would be about \$8 million. That level of revenue should be able to support approximately \$3.2 billion in bonds for water and wastewater systems (assuming 20 year bonds at 5% and a coverage ratio of 1).

The 3% TRD administrative fees are directed to TRIMS bonds issued through the New Mexico Finance Authority (NMFA) through December 2006 or the date the bonds are fully discharged. After that date, TRD administrative fees are directed to the general fund.

The TRD warns that since this local option tax is designed to be pledged toward special obligation bonds, and no legislative action may interfere with existing bonds, the legislature might find its options somewhat more limited when dealing with gross receipts tax issues in the future.

**ADMINISTRATIVE IMPLICATIONS**

The Taxation and Revenue Department (TRD) report that a administrative burden on the department could be associated with any widespread utilization of the supplemental municipal gross receipts tax.

JBE/njw