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FISCAL IMPACT REPORT



SPONSOR: Heaton DATE TYPED: 01/24/02 HB 40

SHORT TITLE: Software Development Gross Receipts Deduction SB _____

ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	(\$1,375.0)		Recurring	General Fund
	(\$915.0)		Recurring	Local Government

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

This bill enacts a new section of the Gross Receipts and Compensating Tax Act to provide a gross receipts tax deduction for receipts from software design and development and web site design and development. Software implementation and support services are excluded from the deduction. To qualify for the deduction, a business must be located outside the incorporated boundaries of Albuquerque, Las Cruces, Santa Fe and Rio Rancho (cities over 50,000 population in the 2000 decennial census).

FISCAL IMPLICATIONS

TRD estimates a revenue loss of \$1,375.0 to the general fund and \$915.0 in local government funds. Data for the estimate was obtained from the 1997 Economic Census of Professional, Scientific, and Technical Services. TRD assumed that the industry has been growing at about 7% per year.

ADMINISTRATIVE IMPLICATIONS

TRD notes that it is difficult to separate design and development from implementation and support. This could cause difficulties with their audit function.

OTHER SUBSTANTIVE ISSUES

TRD argues that with most tax expenditures, state and local governments must subsidize firms already in the market. This bill will benefit existing businesses that may require no additional incentive to operate and expand in New Mexico.

SN/ar