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FISCAL IMPACT REPORT



SPONSOR: Garcia, M.H. DATE TYPED: 02/12/02 HB 115/aHBIC/aHTRC

SHORT TITLE: Gaming Tax Revenue to Municipalities SB _____

ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	(\$625.0)	(\$680.0)	Recurring	General Fund
	\$625.0	\$680.0	Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC files
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment removes any distributions to counties and requires qualifying municipalities to be located in a class B county and have a population of between 13,000 and 13,500 as decennial census. The only municipality that would currently qualify would be Sunland Park.

Synopsis of HBIC Amendment

The House Business and Industry amendment reduces the distribution to local governments to 2 percent from 6.5 percent.

SUMMARY

Synopsis of Original Bill

House Bill 115aa enacts a new section of the Tax Administration Act to provide a distribution of gaming tax revenues generated by a racetrack gaming operator licensed pursuant to the Gaming Control Act to the local governments in which they are located. The distributions will be made to each municipality and county where a racetrack operator is licensed and is located outside of the municipal boundaries in an amount of 6.5 percent of the net receipts attributable to the gaming tax pursuant to Section 60-2E-47 NMSA 1978.

HB 115aa requires that municipalities and counties receiving distributions pursuant to this act use the proceeds for the construction or improvement of local government infrastructure or for fire and police services.

HB 115aa also allows racetrack operators to impose a fee for the cost of administering distributions of the gaming tax.

FISCAL IMPLICATIONS

TRD's FY 2003 estimate reflects 11 months of modified distributions. The full year effect assumes that net gaming tax revenue from racetrack operations in Sunland Park will be \$17 million in FY 2003.

OTHER SUBSTANTIVE ISSUES

The Gaming tax is an excise tax on the privilege of engaging in gaming activities in the state. The gaming tax is in lieu of all state and local gross receipts taxes. The gaming tax has three basic elements:

Manufacturers – The gross receipts from the sale, lease or other transfer of gaming devices in or into the state, except for receipts from a licensed distributor (Section 60-2E-47 NMSA 1978).

Distributor Licensees – The gross receipts from the sale, lease or other transfer of gaming devices in or into the state (Section 60-2E-47 NMSA 1978).

Gaming Operator Licensees – Net take, which is defined as total cash receipts or other compensation received less the total of all cash paid out and amounts paid to purchase annuities to fund losses paid to winning patrons over several years (Section 60-2E-3 and 60-2E-47 NMSA 1978).

For the first three months of FY 02, the state collected approximately \$10.2 million in gaming taxes. For FY 02, the consensus revenue forecast for gaming revenue is approximately \$27.0 million or about \$2.3 million a month.

SN/njw:ar