FISCAL IMPACT REPORT

SPONSOR: Taylor, TC DATE TYPED: 2/06/02 HB 240

SHORT TITLE: Compensating Tax to Municipalities SB

ANALYST: Smith

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	(11,866.0)		Recurring	General Fund
	11,866.0		Recurring	Municipalities

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

The bill proposes a new distribution to municipalities funded by compensating tax collections. The amount of new funding for the cities is $1,500 per month ($18,000 per year) or a share, based on the municipality's ratio of taxable gross receipts to total municipal taxable gross receipts, of a pool equal to 24.5% of net compensating tax collections, whichever is larger.

FISCAL IMPLICATIONS

Since this is new distribution, compensating tax collections for July, attributed to June economic activity will be distributed in mid-August. Per accounting rules, this will be booked as a general fund loss, and a municipal revenue gain for July. Thus no proration is required for fiscal year 2002.

Because of the $1,500 floor amount, this distribution consumes more than the 24.5% share of net compensating tax collections indicated in the bill. Total distributions would be equal to about 27% of compensating tax collections.

TECHNICAL ISSUES

The Department distributes the 1.225% share of state gross receipts tax to Los Alamos. However, since Los Alamos is incorporated as a class-H county, it might not actually fit the (undefined) characteristic of "municipality" for the statutory purpose of the new section proposed in this bill.

SS/sb/njw