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F I S C A L   I M P A C T   R E P O R T

SPONSOR: Tripp   DATE TYPED: 02-8-02   HB 290/aHF1#1

SHORT TITLE: Amend Local Hospital Gross Receipts Tax   SB

ANALYST: Neel

Revenue

		Estimated Revenue		**Recurring or Non-Rec**	**Fund Affected**
FY02	**FY03**	**FY02**	**FY03**		
			Undetermined	Recurring	

(Parenthesis ( ) Indicate Expenditure Decreases) *In thousands*

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HF#1 Amendment

The House Floor Amendment added provisions requiring the county to dedicate the revenue received from the Gross Receipts Tax after January 1, 2002 be dedicated to the acquisition, lease, renovation, or equipping of a hospital facility or for operations and maintenance of the facility. HF amendment also adds a definitions section allowing the following counties to qualify for Local Hospital Gross Receipts Tax: Colfax, Curry, Grant, Hidalgo, Lea, Lincoln, Los Alamos, Luna, McKinley, Rio Arriba, Roosevelt, San Miguel, Socorro, Taos, and Valencia.

Synopsis of Original Bill

Currently, the counties of Cibola, Sierra and Torrance may impose the Local Hospital Gross Receipts Tax at a rate of up to one-half of one percent (one time only & subject to voter approval), for a period of no more than twenty years. This bill updates the law to allow these counties to impose the tax for a period not to exceed *forty* years. Pursuant to Section 7-20C-NMSA 1978, the tax revenue is dedicated to the acquisition of land or buildings, or the construction and maintenance of a county hospital facility or health clinic operated by the county or another party pursuant to a lease or management contract. The bill adds "*health care facilities contract*" to the current language including lease or management contracts.

OTHER SUBSTANTIVE ISSUES

TRD makes the following comments:

Cibola County has already imposed the Local Hospital Gross Receipts Tax at a rate of 0.5% effective July 1997 and is not allowed to impose the tax again.

Creation or expansion of local option taxes of this sort, particularly at the tax rate level of up to .5%, may inhibit the ability of the state to raise revenue from the gross receipts tax, assuming there is a maximum tax rate the public will tolerate.

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. Virtually every type of authorized local option gross receipts tax, as well as the 1.225% amount shared by the state with municipal governments, has been pledged toward bonds by one local government or another.

SN/njw