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

SPONSOR: Maes DATE TYPED: 1-29-02 HB

SHORT TITLE: Software Development Gross Receipts Deduction SB 215

ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	($1,375.0)	($1,500.0)	Recurring	General Fund
	($915.0)	($1,000.0)	Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates HB 40

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department (TRD)

SUMMARY

Senate Bill 215 enacts a new section of the Gross Receipts and Compensating Tax Act to allow for a deduction from the Gross Receipts Tax for the sale of software development services that are performed in specific areas of New Mexico.

In order to be eligible the company must:

- be located in an area in New Mexico outside cities of populations that are greater than 50,000;
- Primarily engage in software development;
- Have no other business location in New Mexico other than the one receiving the deduction.

SB 215 explicitly excludes implementation of as a definition of software development services.

Effective Date – July 1, 2002

FISCAL IMPLICATIONS

TRD assumes a seven percent industry growth rate based on 1997 data from Economic Census of Professional, Scientific, and Technical Services. TRD estimates $1.4 million and $1.5 million impact to the General Fund for the partial year FY 03 and for subsequent years respectively. Their assumptions for these estimates are not detailed in their analysis.

OTHER SUBSTANTIVE ISSUES

SB 215 does not exclude existing software companies from receiving the Gross Receipts Tax Deduction that do not need an incentive to operate in New Mexico.

SN/njw