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**FISCAL IMPACT REPORT**



**SPONSOR:** Smith **DATE TYPED:** 2/06/02 **HB** \_\_\_\_\_  
**SHORT TITLE:** Resources and Processors Tax on Copper **SB** 223  
**ANALYST:** Smith

**REVENUE**

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	(\$990.0)		Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

**Duplicates** HB94

**SOURCES OF INFORMATION**

Taxation and Revenue Department

**SUMMARY**

Synopsis of Bill

The proposal would extend reduced tax rates under the resources excise tax on copper from June 30, 2002 through June 30, 2005. The reduced rate is 0.25 percent of taxable value of the resource. The higher rate would be 0.75 percent of taxable value. Taxable value is generally the gross sales value of the minerals less royalties paid to the U.S. government, the State of New Mexico or a tribal government

**FISCAL IMPLICATIONS**

TRD notes that the FY 2003 revenue impact reflects 11 months of revenue collections. The estimates presented here reflect the current value of copper sales as reflected in monthly resource excise tax collections. Collections have been running at about \$45 thousand per month for the last six months. At the reduced tax rate of 0.25%, this translates into taxable value of about \$18 million per month or \$216 million per year. If the tax rate is allowed to increase to 0.75%, monthly revenue would increase to \$135 thousand, an increase of \$90 thousand, or \$1,080 thousand on an annual basis. Based on recent announcements by copper producers in the state, it appears likely that the production volumes may be declining over time if market conditions do not improve.

**OTHER SUBSTANTIVE ISSUES**

The 1999 Legislature reduced the rate of resources excise tax on copper from 0.75 percent to 0.25 percent in response to depressed prices for the commodity. At that time, prevailing copper prices were about \$0.65 cents per pound. Although prices have risen at times since then to over \$0.85 cents per pound, the average price is currently about \$0.70 per pound.

SS/njw