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FISCAL IMPACT REPORT

SPONSOR: Harden DATE TYPED: 2/18/03 HB _____

SHORT TITLE: Unemployment Comp Contribution Rate SB 142/aSCORC/aSPAC

ANALYST: Collard

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
\$122.0			\$123.0	Non-Recurring	Federal

(Parenthesis () Indicate Expenditure Decreases)

Relates to a portion of House Bill 261

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(\$15,000.0)		Recurring	UI Trust Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Responses Received From
New Mexico Labor Department

Synopsis of SPAC Amendment

The Senate Public Affairs Committee adds language declaring an emergency and making an appropriation. The appropriation of \$122.0 contained in this bill is a non-recurring expense to the from the Reed Act distribution for implementation costs. Any unexpended or unencumbered balance remaining at the end of FY07 shall revert to the general fund.

Synopsis of SCORC Amendment

The Senate Corporations and Transportation Committee adds language which allows an out-of-state employer to receive its actual experience rate, even if that rate is less than one percent. The

committee amendment also deletes the requirement that businesses be engaged in the same type of business in New Mexico as previously engaged in another state. Finally, the amendment allows the Secretary of the Labor Department to make rules defining what account history from other states will be accepted in New Mexico.

SUMMARY

Synopsis of Original Bill

Senate Bill 142 amends the unemployment compensation law to allow a new employer moving into New Mexico to use favorable out-of-state history, or a beginning contribution rate of two percent, whichever is lower, for the purpose of establishing a contribution rate. The bill lowers the new employer tax rate from 2.7 percent to 2.0 percent.

Significant Issues

The department estimates \$123 thousand will have to be appropriated from the Reed Act distribution one time only to administratively implement the changes in the bill. The department also estimates the revenue decrease to the Unemployment Insurance Trust Fund to be \$15 million annually.

FISCAL IMPLICATIONS

The New Mexico Labor Department indicates some taxpayers may be required to pay a higher tax rate.

ADMINISTRATIVE IMPLICATIONS

The department notes that minor changes will have to be made to current tax software.

RELATIONSHIP

This concept related to a concept in House Bill 261, which includes favorable out-of-state history transfer and other reforms to the Unemployment Insurance Trust Fund.

TECHNICAL ISSUES

The department indicates the bill should be amended to include a non-recurring appropriation of \$123 thousand in Reed Act distribution monies for administrative implementation costs.

OTHER SUBSTANTIVE ISSUES

The New Mexico Labor Department notes that the bill limits new employers transferring history from another state to one percent at the lowest. The department recommends that employers with qualifying history transfers be eligible to receive the lowest rate available under the current tax schedule and not be limited to one percent.