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FISCAL IMPACT REPORT

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

SHORT TITLE: Race Track Cost Deductions SB 162

ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	\$1,900.0	\$1,900.0	Recurring	General Fund
	(\$1,900.0)	(\$1,900.0)	Recurring	Race Tracks

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

No Responses Received From:

Taxation and Revenue Department (TRD)

Responses Received from:

State Racing Commission

SUMMARY

Synopsis of Bill

Senate Bill 162 would eliminates the 2% pari mutuel capital improvement tax credits at all New Mexico racetracks with slot machine casinos and eliminates funding for advertising for class A licenses. Class A licenses are any licensee that, during the preceding calendar year, the gross amount wagered through the pari-mutuel system was ten million dollars (\$10,000,000) or more.

Significant Issues

Currently New Mexico racetracks can use 2% of the first \$250,000 daily handle, up to \$5,000 per-day, from pari mutuel taxes to offset expenditures paid by racetracks for approved capital

improvements to their facilities, and in cases of Class A racetracks, to offset certain marketing expenses. During FY02, racetracks generated \$1.9 million in capital improvement tax credits.

FISCAL IMPLICATIONS

According to data provided by the Racing Commission, elimination of tax credits would yield approximately \$1,900.0 to the general fund.

The pari-mutual tax, less allowable offsets is deposited in the general fund; except that up to \$50.0 of the amount generated from a track located within a municipality may be transferred to the that municipality. The amount of the municipal transfer is determined by TRD.

OTHER SUBSTANTIVE ISSUES

According to the Racing Commission, racetracks made over \$44 million in approved capital improvements to their facilities since the inception of the legislation. The average payback period for the racetracks ranges from two to five years

It should be noted that the four racetracks have turned into profitable enterprises with net income of \$4.3 million and \$5.6 million for tax year 2000 and 2001 respectively. For tax year 2002 net income based on two of the four racetracks reporting was in excess of \$14 million.

POSSIBLE QUESTIONS :

Are tax incentives for profitable businesses the most efficient use of public funds?

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