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## FISCAL IMPACT REPORT

SPONSOR Campos DATE TYPED 1/27/2004 HB 37

SHORT TITLE Municipal Income Tax Distribution SB \_\_\_\_\_

ANALYST Taylor

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
	(4,600.0)	(9,200.0)	Recurring	General Fund
	4,600.0	9,200.0	Recurring	Local

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department

### SUMMARY

#### Synopsis of Bill

House Bill 37 creates a municipal income tax distribution and reduces the municipal gross receipts tax distribution.

The municipal gross receipts tax distribution is decreased from 1.225 percent to 1.0 percent.

A monthly municipal income tax distribution is provided to all municipalities. The amount of the distribution is the greater of what the municipality would have received in the month from the 0.225 percent gross receipts distribution given up or one twelfth of 0.275 percent of total Adjusted Gross Income (AGI) reported by their residents in the tax year two years prior to the calendar year in which the distribution is made.

If the lower municipal gross receipt tax distribution would impair the municipalities ability to meet bond obligations, it would be able to pledge any amount of the income tax distribution.

The bill carries a January 1, 2005 effective date.

## **FISCAL IMPLICATIONS**

TRD estimates that enacting this bill would reduce general fund revenues by \$4.6 million in FY05 and by \$9.2 million on a full year basis. Municipal government revenues would be increased by an equal amount. The TRD estimate is based on tax year 2001 returns and taxpayers' mailing addresses. They note that estimates are only approximate because the data is not precise. TRD's estimate for all municipalities is attached.

## **ADMINISTRATIVE IMPLICATIONS**

TRD reports that 2005 tax year forms will need to be changed to allow them to determine residency. They also note that this will require more data entry. However, they are silent as to whether this will require additional resources.

## **TECHNICAL ISSUES**

TRD's report raised the following technical issue:

In proposed new Section 7-1-6.43(A) the first alternative distribution amount references the amount that would be distributed under Section 7-1-6.4 "...if the percentage used for purposes of that section was two hundred twenty-five thousandths percent..." The problem is that there are two percentages used in Section 7-1-6.4. The section would be clearer if it read "...if the percentage into which the tax rate imposed by Section 7-9-4 is divided in that section were two hundred twenty-five thousandths percent..."

The proposal does not specify what revenue source TRD is to use in making the required distribution. The bill should specify the intended source.

**BT/yr**

## Illustration of Potential Calendar Year 2004 Distributions Under HB 542

Municipality:	Present Law:		Proposed Law:	
	GRT Dist.	AGI Dist.	Greater	Change
Alamogordo	\$1,052,227	\$1,105,590	\$1,105,590	\$53,363
Albuquerque	\$27,455,013	\$28,188,019	\$28,188,019	\$733,006
Angel Fire	\$139,223	\$73,752	\$139,223	\$0
Artesia	\$686,710	\$853,981	\$853,981	\$167,271
Aztec	\$221,612	\$526,387	\$526,387	\$304,775
Bayard	\$38,049	\$81,681	\$81,681	\$43,632
Belen	\$494,718	\$650,326	\$650,326	\$155,607
Bernalillo	\$164,691	\$293,707	\$293,707	\$129,016
Bloomfield	\$224,799	\$473,347	\$473,347	\$248,549
Bosque Farms	\$66,156	\$303,582	\$303,582	\$237,427
Capitan	\$28,797	\$61,920	\$61,920	\$33,122
Carlsbad	\$1,156,293	\$1,239,614	\$1,239,614	\$83,321
Carrizozo	\$22,984	\$37,467	\$37,467	\$14,483
Causey	\$508	\$344	\$508	\$0
Chama	\$49,977	\$46,998	\$49,977	\$0
Cimarron	\$19,722	\$39,154	\$39,154	\$19,432
Clayton	\$84,235	\$84,574	\$84,574	\$339
Cloudcroft	\$47,186	\$76,902	\$76,902	\$29,717
Clovis	\$1,224,172	\$1,267,209	\$1,267,209	\$43,037
Columbus	\$11,356	\$29,595	\$29,595	\$18,239
Corona	\$4,653	\$9,349	\$9,349	\$4,696
Corrales	\$140,876	\$781,821	\$781,821	\$640,945
Cuba	\$44,197	\$81,787	\$81,787	\$37,590
Deming	\$578,103	\$507,143	\$578,103	\$0
Des Moines	\$10,655	\$18,690	\$18,690	\$8,035
Dexter	\$36,437	\$120,339	\$120,339	\$83,903
Dora	\$2,127	\$3,694	\$3,694	\$1,568
Eagle Nest	\$14,005	\$15,146	\$15,146	\$1,141
Edgewood	\$122,456	\$569,516	\$569,516	\$447,060
Elephant Butte	\$27,260	\$66,765	\$66,765	\$39,505
Elida	\$7,095	\$9,723	\$9,723	\$2,627
Encino	\$2,973	\$6,185	\$6,185	\$3,212
Espanola	\$622,511	\$646,299	\$646,299	\$23,788
Estancia	\$47,786	\$76,118	\$76,118	\$28,332
Eunice	\$104,965	\$111,939	\$111,939	\$6,974
Farmington	\$3,803,254	\$2,819,052	\$3,803,254	\$0
Floyd	\$2,619	\$4,769	\$4,769	\$2,150
Folsom	\$380	\$7,692	\$7,692	\$7,312
Fort Sumner	\$31,419	\$45,839	\$45,839	\$14,420
Gallup	\$1,324,411	\$1,305,917	\$1,324,411	\$0
Grady	\$1,269	\$5,671	\$5,671	\$4,401
Grants	\$338,344	\$324,785	\$338,344	\$0
Grenville	\$186	\$3,224	\$3,224	\$3,039
Hagerman	\$23,545	\$20,418	\$23,545	\$0
Hatch	\$56,946	\$85,536	\$85,536	\$28,589
Hobbs	\$1,945,807	\$1,326,274	\$1,945,807	\$0
Hope	\$1,464	\$7,186	\$7,186	\$5,722
House	\$3,609	\$2,377	\$3,609	\$0
Hurley	\$15,594	\$45,212	\$45,212	\$29,618
Jal	\$60,905	\$75,158	\$75,158	\$14,253