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FISCAL IMPACT REPORT

SPONSOR Romero **DATE TYPED** 2-18-2004 **HB** _____

SHORT TITLE Mail Carrier Gross Receipts Deduction **SB** 158/aSFC

ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
	(610.0)	(610.0)	Recurring	General Fund
	(370.0)	(370.0)	Recurring	Local Funds

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendment provides a delayed repeal for the gross receipts tax deduction provided in the bill. The deduction is repealed effective July 1, 2009.

Synopsis of Original Bill

Senate Bill 158 provides a gross receipts tax deduction for the receipts of U.S. postal service independent mail delivery contractors performing services as a rural route carrier or a highway contract route carrier.

FISCAL IMPLICATIONS

TRD estimates that there are 650 rural letter carriers—full and part time who would qualify for the deduction. Assuming, an average of 25 hours per week per carrier implies there are a little more than 400 full-time equivalent carriers. Average pay for a full-time carrier is about \$40 thousand. Multiplying \$40 thousand by 400 carriers by an average gross receipts tax rate implies, the loss to the general fund is

ADMINISTRATIVE IMPACT

TRD reports that these provisions could be administered with existing resources.

OTHER SUBSTITUTE ISSUES

TRD issued the following policy issues:

Section 7-9-17 NMSA 1978 currently provides a GRT exemption for receipts of employees from wages, salaries, commissions and other forms of remuneration for personal services. Self-employed independent contractors are required to report contract payments as business income on Schedule “C” (Profit and Loss from Business) on federal income tax returns. Independent contractors are not employees and do not qualify for exemption pursuant to Section 7-9-17. The mail carriers in question are independent contractors, a question clearly addressed in state and federal case law and statute. Thus providing a GRT deduction for self-employed rural letter carriers would be inconsistent and inequitable treatment when compared to treatment of other independent contractors who must pay GRT for the privilege of doing business in the state.

The rural letter carrier workforce is comprised of career workers and relief workers. Career workers include regular carriers who serve on an established route 3-6 days per week, and part-time carriers who provide service on regular or auxiliary routes as determined by management. There are several classifications of relief workers including: substitute rural carriers, rural carrier associates, rural carrier reliefs, auxiliary rural carriers, and temporary relief carriers.

The USPS does not provide substitute carriers to take over when the contractor is ill or on vacation. Instead, it is the contractor’s responsibility to arrange a substitute to insure the route is covered. Additionally, a contractor whose relief employees drive on a regularly scheduled basis must, by law, pay the employees the wages and fringe benefits outlined in the “wage determination” incorporated into the contract.

According to the USPS, rural carriers deliver mail on nearly 57,000 routes out of 15,000 post offices nationwide.

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