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## FISCAL IMPACT REPORT

SPONSOR HTRC                      DATE TYPED 2-17-04                      HB 549/HTRCS  
 SHORT TITLE Water & Sanitation District Gross Receipts                      SB \_\_\_\_\_  
 \_\_\_\_\_ ANALYST Neel

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
		See Narrative	Recurring	Water & Sanitation District

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

The House Taxation and Revenue Committee Substitute for House Bill 549 enacts a new section of the Water and Sanitation District Act to allow water and sanitation districts to impose a gross receipts tax in an amount up to twenty-five hundredths percent (0.25 percent). The proceeds of the tax will be used to purchase, acquire, establish and construct waterworks to supply water for domestic, commercial and industrial purposes, other infrastructure needs, establish or construct parks and pay revenue bonds issue pursuant to the act.

The Water and Sanitation District Board is tasked with determining the appropriate rate level and certify this figure to TRD by October 1 of each year. In determining the rate, the board shall review other revenue available to the district to supply funds to acquire, establish, and constrict water and equipment of the district. The resolution of the board to impose the GRT tax must be submitted to voters for their approval.

TRD is responsible for administering the new tax with disbursements made the month following it collection.

### **FISCAL IMPLICATIONS**

TRD notes the following assumptions:

Uncertain amount of revenue could be raised if the districts authorized to impose tax under the provisions vote to do so. Most of the districts in existence currently have small gross receipts tax bases, so the immediate impacts, if these districts were to impose the new tax, would be limited.

### **ADMINISTRATIVE IMPLICATIONS**

TRD notes the following administrative impacts:

Local option gross receipts taxes are simply not set-up to function as a revenue source for special districts. The gross receipts tax system has been designed to function as a revenue source for state, county, and municipal governments only; no gross receipts taxes are currently imposed by any other jurisdiction or entity. Because of this, provisions contained in this bill would have a major administrative impact on the department.

Section 73-21-4 NMSA 1978 defines “district” as, “a water and sanitation district that is established pursuant to that act and that is either entirely within or partly within and partly without one or more counties, provided those parts or parcels of the district lying in tow or more counties are contiguous with one another; and further provided, a district created pursuant to a petition signed by the board of county commissioners of a county shall be entirely within that county.” Hence portions of a county area may be within a district, while other portions of the same county area are not. Further, a district may contain portions of multiple counties. At the very least, this would create a need for computer systems modifications and additional location codes for the purpose of reporting gross receipts taxes. This would introduce a significant new layer of administrative complexity. Additionally, these provisions will most definitely cause confusion for taxpayers located in counties in which districts are located.

Existing municipal and county local option gross receipts statutes allow the department to collect a 3% administrative fee, which goes to the general fund. This proposal does not authorize the department to collect any sort of administrative fee for collecting and distributing revenue under this complicated new program.

**SN/dm**