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FISCAL IMPACT REPORT

SPONSOR Taylor, JP DATE TYPED 2-17-04 HJM 41/aHEC/aHTRC/aHFI#1
 SHORT TITLE School Construction Project Gross Receipts SB _____
 ANALYST Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
	NFI			

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
 Public Education Department (PED)
 Commission on Higher Education (CHE)
 Public School Facility Authority (PSFA)

SUMMARY

Synopsis of HFI #1

The House Floor Amendment strikes the House Taxation and Revenue Committee amendment.

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment again adds the Legislative Education Study Committee as required to study relevant statutes to determine if school districts should be relieved of paying gross receipts taxes on construction projects.

Synopsis of HEC Amendment

The House Education Committee amendment requires the Legislative Education Study Commit-

tee, along with TRD, to study relevant statutes to determine if state school districts be should exempt from gross receipts tax on all public school critical capital outlay and school bond construction projects.

Synopsis of Original Bill

House Joint Memorial 41 proposes the New Mexico legislature to relieve school districts from paying the gross receipts tax (GRT) on school construction projects.

Significant Issues

FISCAL IMPLICATIONS

TRD notes the following assumptions:

The U.S. Census bureau reports that \$200 million was spent on public school construction projects in 2001. For the construction industry, about 65% of total gross receipts are taxable. Therefore, if statute were amended to exempt school construction projects from the GRT, it would cost the state general fund and local governments approximately \$5 million and \$3 million, respectively.

CHE provide the following figures:

The PED reports that school districts spent \$346,770,000 on capital projects in the 2001 – 2002 school year. While it is difficult to anticipate how current statutes might be amended, it is clear that the savings to districts and the impact on state and local revenues would be substantial. All elements of the 2001 – 2002 expenditures may not be subject to gross receipts taxes, but 5.0% of that total exceeds \$17.3 million.

SN/dm:yr