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## FISCAL IMPACT REPORT

SPONSOR SFC DATE TYPED 2-16-2004 HB \_\_\_\_\_

SHORT TITLE Gross Receipts on Certain Non-Athletic Events SB 188/SFCS

ANALYST Taylor

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
		(37.0)	Recurring	Public Project Revolving Fund
		(7.0)	Recurring	Youth Conservation Corps
		(5.0)	Recurring	State Park & Rec Capital Improvement
		(1.0)	Recurring	Office of Cultural Affairs

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department

### SUMMARY

The Senate Finance Committee substitute for Senate Bill 188 provides a gross receipts tax deduction for non-athletic event receipts held at a post-secondary educational institution venue that is within fifty miles of the state border and accommodates at least 2500 persons.

Effective date: July 1, 2004

### FISCAL IMPLICATIONS

The TRD report estimates the bill will reduce governmental gross receipts revenues by about \$50 thousand. The loss is to the governmental gross receipts because TRD assumes that universities will restructure their transactions over time in order to take advantage of the gross receipts tax deduction. In other words, they assume that the university will contract with entities not subject to the governmental gross receipts tax and thus avoid paying the governmental gross receipts tax. They report that post graduate institutions generated \$30 million in athletic and non-athletic

events, which yielded about \$1.5 million in governmental gross receipts revenues (5 percent of revenue). They assume that \$1 million of this was due to non-athletic events to arrive at a total loss in governmental gross receipts of \$50 thousand, which is distributed among the various funds shown in the table above. They show no impact in FY05, presumably because they expect behavior to adapt slowly.

The TRD analysis reports that while most of the events affected by the bill are likely to be held at New Mexico State University, events at Eastern New Mexico University, Western New Mexico University, San Juan College and New Mexico Junior College could qualify as well. The assumption that the exclusion could apply to these schools explains the assumption regarding the size of the tax base being excluded.

#### **ADMINISTRATIVE IMPLICATIONS**

TRD reports that these changes can be implemented with existing resources.

**BT/yr:dm**