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FISCAL IMPACT REPORT

SPONSOR Smith DATE TYPED 2/12/2004 HB _____

SHORT TITLE Defense System Testing Tax Deduction SB 217

ANALYST Taylor

REVENUE

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

*See narrative
(Parenthesis () Indicate Revenue Decreases)

Duplicates House 133

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

SB 217 provides a compensating tax deduction equal to the value of equipment, replacement parts or other defense systems components or the value of entire defense systems that are made outside of New Mexico and brought into the state for testing or evaluation for U.S. department of defense programs at a major range and test facility base.

The act carries an emergency clause, and thus becomes effective when passed and signed by the governor.

FISCAL IMPLICATIONS

TRD indicates that it is uncertain that this bill will have a fiscal impact on general fund revenues. Their report indicated a possible non-recurring impact of \$160 thousand, but they also noted that both the magnitude and timing related to the potential revenue loss are uncertain. The estimated loss is based on the observation that the state occasionally receives compensating tax on pri-

vately owned test articles. They also note that there is a potentially positive impact that could result should the bill result in new investment and additional employment. Given that the potential, immediate fiscal impact is small, uncertain, non-recurring and is counterbalanced by possible economic development benefits, no fiscal impact is shown for this bill.

ADMINISTRATIVE IMPLICATIONS

TRD reports small administrative impacts that they can manage with existing resources.

OTHER SUBSTANTIVE ISSUES

TRD reported the following issue: “This proposal is intended to help attract defense system testing contracts—including major portions of the Future Combat System (FCS) program—to White Sands Missile Range (WSMR). According to industry representatives, WSMR is one of several test facilities nationwide with the capacity to handle FCS testing.”

BT/prr