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## FISCAL IMPACT REPORT

SPONSOR Gonzales          DATE TYPED 03/08/05          **HB** 874/a HGUAC/a  
HTRC

SHORT TITLE Water & Sanitation District Gross Receipts          **SB** \_\_\_\_\_

ANALYST Padilla-Jackson

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	Indeterminate	Positive	Recurring	Water and Sanitation Districts

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

Synopsis of HTRC Amendment

House Bill 874 has been amended by the Taxation and Revenue Department. The amended House Bill 874 inserts the following language:

“The exemptions and deductions applied to the gross receipts for the purpose of determining the gross receipts tax due pursuant to the Gross Receipts and Compensating Tax Act apply to the gross receipts for the purpose of determining the water and sanitation gross receipts tax due to pursuant to the Water and Sanitation District Act.”

Synopsis of HGUAC Amendment

House Bill 874 has been amended by House Government and Urban Affairs Committee. The amended House Bill 874 would require voter approval for the board to impose the water and sanitation district gross receipts tax. The tax would require a majority of the vote in a board's district.

The amendments also make minor technical corrections to the bill, including requiring the board to certify to TRD the water and sanitation district gross receipts tax rate on or before July 1 of each year, instead of October 1 of year.

Synopsis of Original Bill

House Bill 874 creates a new water and sanitation district gross receipts tax of up to 0.25 percent of receipts within the district. The tax would be imposed by a local water and sanitation board. The bill defines “gross receipts” to mean the money (or value) received from selling property in a district, leasing property employed in a district, from selling services performed outside a district, the product of which is initially used in a district, or from providing certain mobile telecommunications services to customers whose place of primary is in a district.

The proceeds of the new tax would be used to purchase, acquire, establish and construct

1. waterworks to supply water for domestic, commercial, and industrial purposes;
2. sanitary sewers or a system of sewage, garbage, or refuse disposal;
3. streets and street improvements; and to
4. establish and construct park and recreational improvements; and
5. pay revenue bonds issued

The Taxation and Revenue Department would be responsible for collecting and distributing the tax for and to each district.

The effective date for the provisions of this bill is July 1, 2006.

**FISCAL IMPLICATIONS**

There are no new fiscal impacts associated with the original House Bill 874 or the bill as amended by either HGUAC or HTRC. According to TRD, the fiscal impacts of the bill would depend on which districts choose to impose the new tax. As an approximate measure, TRD calculated the impact of an additional 0.25 percent imposed on the gross receipts base statewide, which would generate approximately \$100 million in FY06.

**ADMINISTRATIVE IMPLICATIONS**

TRD notes that the tax rate imposed under the bill could be changed each year by each district, which will require monitoring by the department and modifications to instructions, forms and programs. The new distributions under the Act would require a separate distribution process.

**TECHNICAL ISSUES**

TRD also notes that although the bill incorporates some of the definitions of the Gross Receipts and Compensating Tax Act, a number of important definitions are not incorporated.

**OPJ/yr:lg**