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FISCAL IMPACT REPORT

SPONSOR SFC **ORIGINAL DATE** 1/23/06
LAST UPDATED 2/6/06 **HB** _____
SHORT TITLE Jet Fuel Gross Receipts Deductions **SB** 9/SFCS/aSfI#1
ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
		(330.0)	Recurring	State Aviation Fund
		(200.0)	Recurring	Local Governments

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Transportation (DOT)

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of SfI#1 Amendment

Senate Floor Amendment 1 deletes Section 1 of the Senate Finance Committee substitute for Senate Bill 9, which contained a drafting error.

Synopsis of Bill

The Senate Finance Committee substitute for Senate Bill 9 amends Sections 7-1-6.7, 7-9-83, and 7-9-84 NMSA 1978 to extend the current 55 percent gross receipts and compensating tax deductions for receipts from the sale of jet fuel permanent through the end of FY12, after which the deduction will fall to 40 percent. Under current law, this 55 percent deduction is scheduled to fall to 40 percent at the beginning of FY08.

The provisions the bill will become effective July 1, 2006.

FISCAL IMPLICATIONS

TRD and DOT estimate total receipts from jet fuel sales will be about \$46 million in FY08. With this base, maintaining the 55 percent deduction would reduce taxable gross receipts by \$6.9 million (15 percent deduction X \$46 million). 4.79 percent of this amount, or \$330 thousand would have gone to the state aviation fund, and 2.9 percent, or \$200 thousand would have gone to local governments.

SIGNIFICANT ISSUES

For several years, DOT has advocated increasing funding to the state aviation fund because 5 percent state and local matching from the state aviation fund can be used to generate a 95 percent match from the federal aviation administration (FAA).

The rate of distribution to the state aviation fund was increased from 3.59 percent to the current level of 4.79 percent of taxable gross receipts from the sale of jet fuel to hold it harmless when the gross receipts tax deduction for jet fuel was increased from 40 to 55 percent in FY04. Although at that time the deduction was only supposed to stay at the 55 percent level until the end of FY07, there was no provision to reduce the rate of distribution to the state aviation fund back to 3.59 percent when the deduction fell back to 40 percent. It can be argued that the 55 percent deduction rate is more consistent with the 4.79 percent state aviation fund distribution contained in current law.

ADMINISTRATIVE IMPLICATIONS

The bill will have minimal implications for TRD.

SS/nt:yr