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FISCAL IMPACT REPORT

ORIGINAL DATE 2/9/07

SPONSOR Campos, J LAST UPDATED _____ HB 838

SHORT TITLE Space Program Gross Receipts SB _____

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
		(19.8)	Recurring	General Fund
		(13.2)	Recurring	Local Government

(Parenthesis () Indicate Revenue Decreases)

Duplicates SB 809
Related to SB 785 and HB 839

SOURCES OF INFORMATION

LFC Files

Response Received From
Economic Development Department (EDD)

No Response Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 838 will allow receipts from the provision of research, development, testing and evaluation services for the U.S. Air Force operationally responsive space program to be deducted from gross receipts. That program is authorized pursuant to 10 U.S.C. 2273a.

The effective date of these provisions will be July 1, 2007.

FISCAL IMPLICATIONS

According to EDD the operationally responsive space program currently consists of three part-time contractors who earn about \$500 thousand per year in salaries and benefits. Assuming the

program does not expand, taxed at the statewide rate of 6.6 percent, the bill would reduce gross receipts tax collections by about \$33 thousand. About 60 percent of this revenue loss will accrue to the general fund and the other 40 percent will accrue to the local government in which the operationally responsive space program is located.

The amount and timing of this fiscal impact depends on if and when the operationally responsive space program locates in New Mexico. EDD believes that FY09 is the earliest time operations could begin. EDD reports that the fiscal impacts of this deduction will grow larger over time but cannot predict how much.

SIGNIFICANT ISSUES

The operationally responsive space program, which is part of the U.S. Department of Defense, will provide space launch and space reconnaissance capability within days to meet national security requirements. The program will consist of on-call space launch capability and satellites that can be configured quickly.

According to EDD, Kirtland Air Force Base is currently being considered as a location for the operationally responsive space program. EDD contends that if Kirtland AFB is chosen as the location of this program, state gross receipts tax revenues could rise by several million dollars.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 838 duplicates Senate Bill 809.

House Bill 838 is related to Senate Bill 785 and House Bill 839. These bills create a gross receipts tax deduction for receipts from military construction services to implement special operations mission transition projects pursuant to contracts with the U.S. Department of Defense. These bills are intended to aid Cannon AFB.

SS/mt