F I S C A L   I M P A C T   R E P O R T

		ORIGINAL DATE	1/25/07		
SPONSOR	Jennings	**LAST UPDATED**	2/09/07	**HB**	
SHORT TITLE	Veterinary Medical Supplies Gross Receipts			**SB**	249
				ANALYST	Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	**FY08**	**FY09**		
	($582.9)		Recurring	General Fund
	($388.6)		Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates HB 1038

SOURCES OF INFORMATION
LFC Files

Responses Received From
Board of Veterinary Medicine
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 249 creates a gross receipts tax deduction for receipts from the sale of veterinary medical services, medicine or medical supplies used in the medical treatment of livestock used or raised on New Mexico farms and ranches. Claiming the deduction will require the person purchasing the veterinary services to state in writing that they regularly engage in ranching or farming in New Mexico.

The bill defines livestock eligible for this deduction to include horses, asses, mules, cattle, sheep, goats, swine, bison, poultry, ostriches, emus, rheas, camelids (camels and llamas) and farmed cervidae (deer), but not to include cats or dogs.

Because no effective date is provided in the bill, its provisions will become effective 90 days after the 2007 legislative session adjourns on June 25, 2007.

FISCAL IMPLICATIONS

Based on LFC analysis of TRD's "Report 80: Analysis of Gross Receipts by Industry," veterinary services receipts are expected to be about $29.4 million per year. Since that total includes veterinary services for livestock as well as domestic pets, it is assumed that only half of these receipts ($14.7 million) will be eligible for the new deduction. Taxed at the statewide average tax rate of 6.6 percent, the new deduction will decrease revenue collections by about $971.5 thousand. About 60 percent of this reduction will impact the general fund, and the remaining 40 percent will impact local governments.

SIGNIFICANT ISSUES

LFC notes that while individual deductions from the gross receipts tax may have small fiscal impacts, their cumulative effect significantly narrows the gross receipts tax base. Narrowing the gross receipts tax base increases revenue volatility and requires a higher tax rate to generate the same amount of revenue.

The bill will reduce local government gross receipts tax collections. Many of New Mexico's local governments are highly dependent on gross receipts tax revenue.

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