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FISCAL IMPACT REPORT

ORIGINAL DATE 2/8/07

SPONSOR Jennings LAST UPDATED _____ HB _____

SHORT TITLE Tax Credit For Livestock Killed By Wildlife SB 616

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	(3,000.0)	(3,000.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Agency Affected
Total	400.0-800.0	200.0-400.0	200.0-400.0	800.0-1600.0	Recurring	Game and Fish

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
US Department of Agriculture

Responses Received From
Taxation and Revenue Department
Department of Game and Fish

SUMMARY

Synopsis of Bill

Senate Bill 616 amends the Income Tax Credit to provide a credit for owners of livestock who suffer losses due to wildlife predators. The credit is for the assessed value of the livestock as determined by the county assessor or the Taxation and Revenue Department (TRD). The department of game and fish shall determine whether livestock was killed by a wildlife predator within 24 hours of the owner reporting the loss. If Game and Fish does not respond within 24 hours, the owner's claim will be honored.

Livestock is defined to include horses, asses, mules, cattle, sheep, goats, swine, bison, poultry, ostriches, emus, rheas, camelids, farmed cervidae and other domestic or domesticated animals that are used or raised on farm or ranch land in New Mexico. Exotic animals raised in captivity are also included but cats and dogs are explicitly excluded.

There is no effective date so it is assumed that the effective date is June 15, 2007.

FISCAL IMPLICATIONS

The US Department of Agriculture keeps statistics on livestock killed by predators. The USDA data on livestock with estimated values is shown in Table 2. “Other animals useful to man” is a rough estimate and not based on USDA statistics. The credit results in a reduction of personal income taxes of \$2.7 million per year. Assuming that approximately half of this amount is not captured, due to inadequate reporting on swine, bison, ratites and other included animals, the fiscal impact is \$4 million per year. Assuming that only 75 percent of the credit will actually be claimed, the net fiscal impact is a \$3 million reduction in general fund revenues.

Table 2: USDA Reported Predatory Kills

Livestock	Number Killed	Market Value	Credit Amount
Cattle	700	500	350,000
Calves	5,000	400	2,000,000
Sheep	1,500	65	97,500
Lambs	6,300	35	220,500
	13,500		2,668,000
Other	5,400.0	250	1,350,000
		Total	4,018,000

Source: USDA (<http://usda.mannlib.cornell.edu/reports/nassr/livestock>)

The federal government may treat the credit as income which would increase PIT collections since NM adjusted gross income is tied to the federal AGI.

SIGNIFICANT ISSUES

Game and Fish:

The bill does not define a “wildlife predator”. This could be any wild by nature animal that can cause harm or death to another animal. This includes non-protected animals, such as coyotes and skunks that the Department currently does not manage or respond to these types of wildlife complaints.

On page 2, paragraph B, the department of game and fish shall determine whether the livestock was killed by a wildlife predator within 24 hours. This makes the Department’s response mandatory for investigating any livestock kill or death. The Department will have to respond on a 24/7 basis and it is predicted that the Department will be responding daily and

will not be able to respond to all the complaints without bringing on additional FTE. The (4-8) FTE fiscal impact is a minimal estimate. In addition, complaints not investigated and determined that a wildlife predator caused the death of the livestock allows the owner the ability to claim a tax relief without verification; therefore taxable income is reduced.

Currently, the bill does not require the landowner to notify the Department within specified timeframe, manner, or making a good faith effort to determine that the cause of death was by a predator and not some other cause of death. An owner could wait one day, week, or month prior to contacting the Department about the loss. This could make determining the cause of death difficult or impossible. Also, there is no requirement for the landowner to preserve or maintain evidence of the kill so that the Department can make a thorough investigation and determine which species caused the death.

ADMINISTRATIVE IMPLICATIONS

Game and Fish:

An additional 4-8 FTEs will be needed to support the activities outlined in this bill. Increased time, gas and oil, overtime, equipment, and training will be significant in order to properly identify and determine the exact species that caused death to the livestock. It is estimated that it will cost the Department \$400.0-\$800.0 to hire and equip individuals to properly respond to the mandates to this bill.

The initial cost of hiring employees to address this bill is more in the first year than in subsequent years. The reason is the employees will be equipped, trained, and in the field complying with the mandates of this bill. Since these investigations would likely occur in remote areas, employees would need a 4-wheel drive vehicle, radio, telephone, and computer equipment as well as other field supplies that would increase the cost for the initial year. It is estimated that after the first year, operating cost will be approximately half, as much of the major equipment and training supplies to outfit each FTE has occurred. Some additional expense will occur as equipment and supplies are replaced. However, it is unknown how much this will cost.

OTHER SUBSTANTIVE ISSUES

Game and Fish:

There is a logical, scientific procedure for evaluating predator kills to determine the species responsible, but there is no simple series of steps which lead to consistent and accurate determination (Procedures for Evaluating Predation on Livestock and Wildlife; D.A. Wade, Bowns, J.E. 1985). These investigations are complex and should be carried out as soon as possible as evidence can disappear or be eradicated. By not requiring owners to report within a specified time, will make the cause of determination less likely. This bill does not address the owner's entitlement to a tax credit if the Department can not determine what happened or killed the livestock.

TRD:

(1) By reducing potential losses due to predator damage, the proposed measure may reduce incentives of livestock owners to prevent predator damage. (2) In reaction to enactment of the proposed legislation, owners of other types of business may seek similar types of credits. An example might be tax credits for agricultural produce damaged by inclement weather.

Illustration 1: Calves and Cattle Lost From Predators, USDS Publication

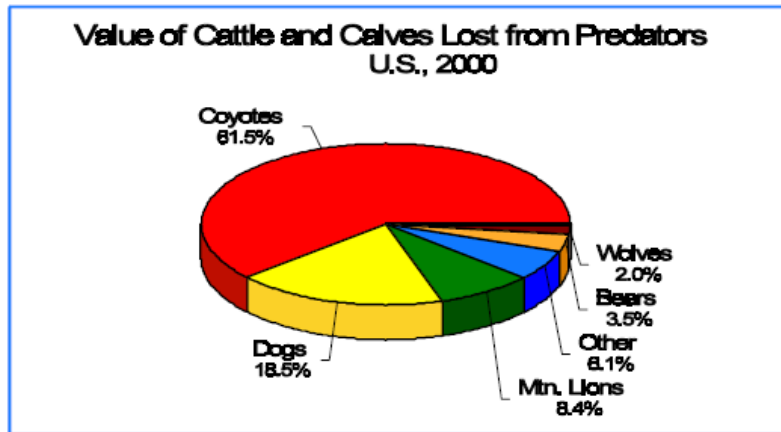


Illustration 2: New Mexico Livestock Values for Property Tax Purposes

TAX YEAR 2007				
MINIMUM VALUE OF LIVESTOCK FOR PROPERTY TAXATION PURPOSES				
PURSUANT TO SECTION 7-36-21 NMSA 1978				
	COMMERCIAL		REGISTERED	
	MARKET VALUE	TAXABLE VALUE	MARKET VALUE	TAXABLE VALUE
" C " CATTLE				
COWS	\$487 and UP	\$162 and UP	\$571 and UP	\$190 and UP
HEIFERS (replacement)	\$518 and UP	\$173 and UP	\$715 and UP	\$238 and UP
STEERS (1Yr. & over)	\$580 and UP	\$193 and UP		
HEIFER CALVES	\$428 and UP	\$143 and UP	\$590 and UP	\$197 and UP
STEER CALVES	\$532 and UP	\$177 and UP		
BULLS	\$765 and UP	\$255 and UP	\$1054 and UP	\$351 and UP
" D " DAIRY CATTLE				
COWS	\$942 and UP	\$314 and UP	\$1178 and UP	\$393 and UP
HEIFERS	\$821 and UP	\$274 and UP	\$1026 and UP	\$342 and UP
CALVES	\$405 and UP	\$135 and UP	\$506 and UP	\$169 and UP
BULLS	\$867 and UP	\$289 and UP	\$1084 and UP	\$361 and UP
CALF-OPERATION ONLY	\$240 and UP	\$80 and UP	\$300 and UP	\$100 and UP
" S " SHEEP				
RAMS	\$54 and UP	\$18 and UP	\$162 and UP	\$54 and UP
EWES OVER 2 YRS.	\$33 and UP	\$11 and UP	\$99 and UP	\$33 and UP
EWES 1 TO 2 YRS.	\$30 and UP	\$10 and UP		
LAMBS UNDER 1 YR.	\$51 and UP	\$17 and UP	\$153 and UP	\$51 and UP
WETHERS	\$30 and UP	\$10 and UP		
" G " GOATS				
ANGORA BUCKS	\$66 and UP	\$22 and UP	\$198 and UP	\$66 and UP
ANGORA OTHERS	\$27 and UP	\$9 and UP	\$81 and UP	\$27 and UP
COMMON BUCKS	\$97 and UP	\$32 and UP		
COMMON OTHERS	\$27 and UP	\$9 and UP		
MILK GOATS	\$35 and UP	\$12 and UP	\$105 and UP	\$35 and UP
GOATS OTHER	\$27 and UP	\$9 and UP	\$81 and UP	\$27 and UP
" H " HORSES				
HORSES	\$765 and UP	\$255 and UP	\$1707 and UP	\$569 & UP
" P " SWINE				
BOARS	\$104 and UP	\$35 and UP	\$208 and UP	\$69 and UP
BREEDING SOWS	\$80 and UP	\$27 and UP	\$160 and UP	\$53 and UP
HOGS OVER 1 YR	\$67 and UP	\$22 and UP	\$134 and UP	\$45 and UP
HOGS UNDER 1 YR	\$38 and UP	\$13 and UP	\$76 and UP	\$25 and UP
" B " BISON				
COWS 3 YRS. & OVER	\$525 and UP	\$175 and UP		
HEIFERS 1-3 YRS	\$525 and UP	\$175 and UP		
HEIFER CALVES	\$375 and UP	\$125 and UP		
BULL CALVES	\$475 and UP	\$158 and UP		
BULLS	\$1000 and UP	\$333 and UP		
" R " RATITES				
BREEDING FEMALES	\$50 and UP	\$17 and UP		
BREEDING MALES	\$50 and UP	\$17 and UP		
SLAUGHTER	\$50 and UP	\$17 and UP		