Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

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

ORIGINAL DATE 2/21/07
SPONSOR Papen **LAST UPDATED** **HB**

SHORT TITLE Advertising Sales Gross Receipts **SB** 788

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	($3,660.0)		Recurring	General Fund
	($2,440.0)		Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 788 expands current gross receipts tax deductions for advertising and advertising commissions.

Under current law, receipts of selling newspapers may be deducted, except for receipts from selling advertising. The bill would make all newspaper receipts, including advertising receipts, deductible.

Under current law, receipts of radio and radio advertising may be deducted from gross receipts if the advertisement is for a national or regional seller not having its principal place of business in New Mexico. Currently, commissions of advertising agencies may not be deducted. The bill would allow deductions for print, radio and television advertising receipts as well as advertising agent commissions for print, radio and television.

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

FISCAL IMPLICATIONS

Based on information from the, "Report 80: Analysis of Gross Receipts by Industry Classification," TRD assumes gross receipts tax payments will be reduced by $1 million for advertisers, $800 thousand for newspapers and other print media, $3.1 million for radio and television broadcasters, and $1.2 million for the cable television industry. These reductions total $6.1 million. About 60 percent of that revenue loss will accrue to the general fund and the remaining 40 percent will accrue to 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.

ADMINISTRATIVE IMPLICATIONS

The bill will have a small administrative impact on TRD.

TECHNICAL ISSUES

TRD suggests amending the bill to delete the words, "except from selling advertising space," from Section 7-9-63 NMSA 1978.

SS/mt