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FISCAL IMPACT REPORT

ORIGINAL DATE 3/9/07
 SPONSOR Rainaldi LAST UPDATED 3/15/07 HB _____
 SHORT TITLE Unemployment Compensation Contribution Rates SB 1176/aSPAC
 ANALYST Lucero

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non- Rec	Fund Affected
Total		*NFI	*NFI	*NFI	Recurring	Unemployment Tax Fund

(Parenthesis () Indicate Expenditure Decreases)

*** There is no fiscal impact to NMDOL; however, there may be an impact to employers as noted below.**

Conflicts with HB247
 Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From
 New Mexico Department of Labor (NMDOL)
 New Mexico Corrections Department (NMCD)

SUMMARY

Synopsis of SPAC Amendment

Senate Public Affairs Committee amendment to Senate Bill 1176 corrects the issue of applying the tax rate to the annual payroll as opposed to taxable payroll, and resolves the issues noted in Fiscal Implications below.

Synopsis of Original Bill

Senate Bill 1176 places a cap on the amount that an employer might have to pay for unemployment benefits. The unemployment compensation tax rate cannot exceed 5.4 percent. The bill becomes effective on January 1, 2008 or on the January 1 following a certification that the unemployment compensation fund is less than 2.5 percent of total payrolls.

FISCAL IMPLICATIONS

The bill, as currently drafted, may actually increase unemployment taxes. The proposed new language limits the rate of contribution to 5.4% of total annual payrolls, rather than 5.4% of total taxable payrolls. As total annual payrolls are higher than taxable payrolls, this bill may serve to inadvertently increase taxes.

SIGNIFICANT ISSUES

It is unclear if the intent of the proposed new language which specifies total annual payrolls (page 14, line 25 and page 15, line 1) instead of total taxable payrolls. The effect of using annual payroll instead of taxable payrolls will have the effect of increasing unemployment taxes paid by all employers.

The need for this bill is unclear, current contribution rate schedules have a maximum tax rate of 5.4 percent.

ALTERNATIVES

This bill should be amended to clarify that the maximum rate of contribution is 5.4% of total taxable payroll.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status Quo

DL/mt