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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/31/08

SPONSOR Sandoval LAST UPDATED \_\_\_\_\_ HB 448

SHORT TITLE Air Base Center Construction Gross Receipts SB \_\_\_\_\_

ANALYST Schardin

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	(\$46.0)	(50.0)	Recurring	General Fund
	(\$38.0)	(41.0)	Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Economic Development Department (EDD)  
Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

House Bill 448 creates a gross receipts tax deduction for receipts from services to construct, supply or operate a cyberspace command center at an air force base in New Mexico. The bill also creates a compensating tax deduction for the value of services and tangible property purchased to construct, supply or operate a cyberspace command center at an air force base in New Mexico.

The bill defines a “cyberspace command center” as an installation that defends the United States against attacks conducted over the internet or other communications systems that may disable or interrupt computer, communications or satellite systems or other vital strategic infrastructure that contaminate, destroy or access the information stored or processed through those systems.

The deductions created will apply to reporting periods on or after July 1, 2008.

**FISCAL IMPLICATIONS**

The amount and timing of this fiscal impact depends on if and when a cyberspace command center locates in New Mexico. TRD estimates that only \$1 million in ongoing services that were taxable in FY07 would become eligible for the proposed deductions. The fiscal impact estimate assumes these receipts grow by 10 percent per year.

LFC cautions that the fiscal impact of the bill will be much larger if the cyberspace command center is located in New Mexico.

**SIGNIFICANT ISSUES**

According to EDD, the U.S. Air Force has proposed establishing a permanent cyberspace command center by October 1, 2008 and is actively evaluating potential locations. Cyberspace command has been provisionally located at Barksdale air force base in Louisiana. Over 500 military personnel and civilian employees are expected to be employed by the command center.

EDD also reports that Governor Richardson established a task force to make New Mexico's case to be the permanent location of the cyberspace command center. The task force believes Kirtland air force base would be an optimum location for the center due to existing technical capabilities and proximity to New Mexico's national laboratories. By reducing the cost of construction, supplying and operating the command center in New Mexico, this bill would provide an additional incentive for the cyberspace command center to locate at Kirtland air force base.

LFC notes that while individual credits, deductions and exemptions 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.

**ADMINISTRATIVE IMPLICATIONS**

The administrative impact on TRD will be minimal.

SS/bb