

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.

FISCAL IMPACT REPORT

ORIGINAL DATE 02/03/10

SPONSOR Sapien LAST UPDATED _____ HB _____

SHORT TITLE County Gross Receipts for County Projects SB 162

ANALYST Gutierrez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY10	FY11	FY12		
	NFI			

(Parenthesis () Indicate Revenue Decreases)

Duplicates HB214.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
 New Mexico Association of Counties (NMAC)
 New Mexico Finance Authority (NMFA)
 Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

Senate Bill 162 would allow counties imposing the 1/16 percent increment of the county local option gross receipts tax to pledge revenue from that increment to payment of gross receipts tax revenue bonds. Under current law, counties are allowed to pledge revenue from the first and third 1/8 increments of the county local option gross receipts tax as well as any increment of the county infrastructure and county capital outlay gross receipts tax.

The effective date of this bill's provisions is July 1, 2010.

FISCAL IMPLICATIONS

This bill has no revenue impact. The bill would not allow county governments to impose more local option taxes, but would increase the amount of revenue available to repay gross receipts tax revenue bonds. The table below illustrates the additional revenue each county could have

potentially pledged to repay gross receipts tax revenue bonds through the 1/16 percent increment of the county local option gross receipts tax in FY09, had this bill been implemented. Twenty counties have already imposed the tax, but if all counties imposed the tax it would have generated about \$27.8 million in FY09. The table below also indicates the potential general fund revenue loss that would have occurred due to hold harmless provisions concerning the food and medical deductions enacted in 2004 if all counties had imposed the tax in FY09.

Illustration of Potential Revenue Pledged to GRT Bonds - Fiscal Year 2009

County	Potential Revenue Pledged to GRT Bonds: 1/16% County GRT Increment	Potential General Fund Loss Due to Hold Harmless Distribution: 1/16% County GRT Increment
Bernalillo	9,624,777	Hold Harmless Rate Frozen
Catron	19,064	(819)
Chaves	718,792	Hold Harmless Rate Frozen
Cibola	177,605	Already Imposed
Colfax	185,985	(9,381)
Curry	465,756	Already Imposed
De Baca	13,868	Already Imposed
Dona Ana	1,986,476	Hold Harmless Rate Frozen
Eddy	1,528,877	Hold Harmless Rate Frozen
Grant	290,608	(34,028)
Guadalupe	62,916	Already Imposed
Harding	42,062	Already Imposed
Hidalgo	63,475	Already Imposed
Lea	1,964,644	Hold Harmless Rate Frozen
Lincoln	286,531	(23,645)
Los Alamos	1,080,737	(30,958)
Luna	212,025	Already Imposed
McKinley	719,590	Hold Harmless Rate Frozen
Mora	19,070	Already Imposed
Otero	522,056	Hold Harmless Rate Frozen
Quay	115,916	Hold Harmless Rate Frozen
Rio Arriba	355,994	(30,843)
Roosevelt	145,253	Already Imposed
San Juan	2,594,288	Hold Harmless Rate Frozen
San Miguel	207,814	Already Imposed
Sandoval	977,437	Hold Harmless Rate Frozen
Santa Fe	2,228,673	Hold Harmless Rate Frozen
Sierra	95,195	Already Imposed
Socorro	126,668	(13,437)
Taos	360,675	Already Imposed
Torrance	125,909	Already Imposed
Union	89,071	Already Imposed
Valencia	410,152	Hold Harmless Rate Frozen
Total	\$27,817,955	(\$143,112)

Source: Reports 500 and Reports 80 from TRD

SIGNIFICANT ISSUES

The county local option gross receipts tax may be imposed by any county at a rate up to 7/16 percent (0.4375 percent). The tax may be imposed in up to three 1/8 percent increments and one 1/16 percent increment. The second 1/8 percent increment of the tax must be dedicated to health care of indigent patients.

In addition to the current state gross receipts tax rate of 5 percent, New Mexico's municipalities and counties are authorized to impose over 4 percent of local option gross receipts taxes (that figure excludes several additional local option taxes that have been authorized for selected local governments). Due to increasing imposition of local option taxes, the statewide gross receipts tax rate is increasing steadily. On average, a local option gross receipts tax of about 2.07 percent was imposed by local governments statewide in FY09. Combined with the state gross receipts tax of 5 percent, the weighted average statewide tax rate was therefore 7.07 percent.

DUPLICATION

This bill duplicates HB214.

BLG/mt

The Legislative Finance Committee has adopted the following principles to guide responsible and effective tax policy decisions:

- 1. Adequacy:*** revenue should be adequate to fund government services.
- 2. Efficiency:*** tax base should be as broad as possible to minimize rates and the structure should minimize economic distortion and avoid excessive reliance on any single tax.
- 3. Equity:*** taxes should be fairly applied across similarly situated taxpayers and across taxpayers with different income levels.
- 4. Simplicity:*** taxes should be as simple as possible to encourage compliance and minimize administrative and audit costs.
- 5. Accountability/Transparency:*** Deductions, credits and exemptions should be easy to monitor and evaluate and be subject to periodic review.

More information about the LFC tax policy principles will soon be available on the LFC website at www.nmlegis.gov/lcs/lfc