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FISCAL IMPACT REPORT

ORIGINAL DATE 01/26/11

SPONSOR Trujillo, J. LAST UPDATED _____ HB 72

SHORT TITLE Child Daycare Gross Receipts Deduction SB _____

ANALYST Golebiewski

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	(\$2,679.0)	(\$2,759.0)	Recurring	Local Governments
	(\$3,108.0)	(\$3,202.0)	Recurring	General Fund
	(\$5,787.0)	(\$5,961.0)	Recurring	Total

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Child Youth and Family Department (CYFD)
Tax and Revenue Department (TRD)

SUMMARY

House Bill 72 would allow a new deduction from the gross receipts tax for receipts from the state for fees paid to a child daycare provider for services to families qualified to receive child daycare assistance from the state.

FISCAL IMPLICATIONS

CYFD estimates that there will be \$79.7 million in fees paid by the state for qualifying child daycare services in FY12. The estimate above assumes an average gross receipts tax rate of 7.1% and an annual growth rate of 3%. The total impact of HB 72 on state revenue would be \$5.8 million in FY12, \$6 million in FY13, \$6.1 million in FY14, and \$6.3 million in FY15.

SIGNIFICANT ISSUES

According to CYFD, "Currently, CYFD Child Care Assistance policy, 8.15.2 NMAC, allows child care providers to pass on the gross receipts tax to low income families who are receiving

Child Care Assistance from CYFD. Therefore, this bill would have a positive impact on those families by reducing their out of pocket cost for child care services, but would have negative impact on the overall revenue generated for all state funded programs.”

HB 72 also has the tax policy implication of creating differential tax treatment of similar activity based on the characteristics of the purchaser. By definition, this violates the tax policy principle of equity. Additionally, monitoring compliance will be difficult.

ADMINISTRATIVE IMPLICATIONS

If HB 72 is passed, there may be minimal costs to the state to inform the affected parties of the change in the tax law, including the printing of new materials and/or the modification of existing publications.

OTHER SUBSTANTIVE ISSUES

This may create precedence for all services subsidized by the government, which will have a much larger impact on state revenue.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Families who qualify to receive assistance for daycare services will be charged GRT on daycare service fees.

JAG/bym