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FISCAL IMPACT REPORT

SPONSOR Scott ORIGINAL DATE 2/15/15
LAST UPDATED _____ HB 344
SHORT TITLE Change Certain Tax Filing Due Dates SB _____
ANALYST van Moorsel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$28.0	\$0.0	\$0.0	\$28.0	Nonrecurring	TRD Operating Fund

Parenthesis () indicate expenditure decreases

SOURCES OF INFORMATION

LFC Files

Responses Received From

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

SUMMARY

Synopsis of Bill

House Bill 344 amends the Corporate Income and Franchise Tax Act to revise the due date for corporate income tax (CIT) and franchise tax filing and payment for electronic submissions. The bill allows extra time to file if filing electronically.

The bill permits corporations that are approved by TRD to use electronic media for filing and paying taxes to file the return pay tax levied on or before the thirtieth day of the third month following the end of the taxable year for which the corporation is filing a return.

Current law requires corporations to file a return on or before the fifteenth day of the third month following the end of each taxable year.

The bill also requires a pass-through entity (PTE) to file an annual information return with TRD at the end of the month in which the entity's federal return is due if the entity's taxable year is a calendar year and if the entity uses electronic media to file the annual information return.

The provisions of the bill apply to taxable years beginning on or after January 1, 2015.

FISCAL IMPLICATIONS

TRD anticipates the bill will have no fiscal impact.

SIGNIFICANT ISSUES

TRD reports that currently, New Mexico CIT returns are due on the same day as the company's federal income tax return. The additional time to file allows corporate taxpayers time to assure compliance with New Mexico laws and some reprieve during the busy tax season. TRD encourages taxpayers to file electronically. TRD adds this bill likewise brings CIT extension for electronic filers into line with the extension granted on the personal income tax side for electronic filers.

EDD adds electronic filings will increase both tax payer and agency efficiency and reduce complications and potential late delivery of paper filings. According to EDD, the Internal Revenue Service estimates that more than 20 percent of paper filings contain errors, compared with just 1 percent of electronic filings.

ADMINISTRATIVE IMPLICATIONS

TRD reports the bill will have a moderate administrative impact (400 hours and estimated cost of \$28 thousand) as the bill requires rule changes and changes in Gentax and Taxpayer Access Point documents. Also, additional processes need to be developed to validate the electronic filing due dates.

TRD states forms can be updated with the annual renewal of the income tax forms for the corporate income tax, pass-through entity, and S-Corp tax programs. The bill will require minor changes to audit procedures to determine and adjust for due date of returns based on electronic or paper filing.

Does the bill meet the Legislative Finance Committee tax policy principles?

- 1. Adequacy:** Revenue should be adequate to fund needed government services.
- 2. Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- 3. Equity:** Different taxpayers should be treated fairly.
- 4. Simplicity:** Collection should be simple and easily understood.
- 5. Accountability:** Preferences should be easy to monitor and evaluate