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FISCAL IMPACT REPORT

SPONSOR Sharer ORIGINAL DATE 1/30/16
LAST UPDATED _____ HB _____

SHORT TITLE Gross Receipts Tax Professional Studies SB 139

ANALYST Leger

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY16	FY17		
	\$500.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in House Bill 1 (Feed Bill)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

Senate Bill 139 appropriates \$500 thousand from the general fund to the Legislative Council Service for professional studies of the gross receipts tax structure in New Mexico.

FISCAL IMPLICATIONS

The appropriation of \$500 thousand contained in this bill is a nonrecurring expense to the general fund. Expenditure is authorized in FY16 and FY 17. Any unexpended or unencumbered balance remaining at the end of FY17 shall revert to the general fund.

SIGNIFICANT ISSUES

Senate Bill 139 calls for Legislative Council Services to contract with a professional economic research firm and with the Bureau of Business and Economic Research at the University of New Mexico and the Arrowhead Center at New Mexico State University to estimate the gross receipts tax base and evaluate options for replacing or reforming the gross receipts tax.

PERFORMANCE IMPLICATIONS

According to publications by the Taxation and Revenue Department, gross receipts tax is a tax on persons engaged in business in New Mexico for the privilege of doing business in New Mexico. The tax is imposed on the gross receipts of persons who: 1. Sell property in New Mexico; 2. Perform services in New Mexico; 3. Lease or license property employed in New Mexico; 4. Grant a right to use a franchise employed in New Mexico; or 5. Sell research and development services performed outside New Mexico when the product of the service is initially used in New Mexico.

The gross receipts tax rate varies throughout the state from 5.125 percent to 8.9375 percent. The total rate is a combination of the rates imposed by: 1. the state, 2. the counties and 3. the municipalities. There are a number of exemptions and deductions to gross receipts tax which result in amounts not subject to tax or reporting.

As a result of legislation enacted in the 2013 Legislative Session (Laws 2013, Chapter 160), a study related to corporate income tax was completed. Other studies completed in recent years relate to film production tax incentives and New Mexico business tax competitiveness. Should this bill be enacted, continued research into New Mexico's tax base would be studied.

JLL/jo