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FISCAL IMPACT REPORT

ORIGINAL DATE 02/16/21

SPONSOR Gonzales LAST UPDATED _____ HB _____

SHORT TITLE Water and Sanitation Gross Receipts SB 328

ANALYST Iglesias

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY21	FY22	FY23	FY24	FY25		
-	See fiscal implications				Recurring	Water and Sanitation Districts

Parenthesis () indicate revenue decreases

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

Senate Bill 328 removes the six-year limitation on a water and sanitation gross receipts tax (GRT) increment imposed by a water and sanitation district. The effective date of this bill is July 1, 2021.

FISCAL IMPLICATIONS

Under current law, local governments that establish a water and sanitation district may impose a water and sanitation GRT increment of .25 percent on persons engaging in business within the area of the county located within the district. The revenue must be dedicated only for the operation of the district and the increment is currently limited to six years from the effective date of the tax. This bill removes that limitation such that the GRT increment would be effective into perpetuity.

It should be noted that, generally, these districts have previously reinstated the GRT increments to allow for continued funding. Presumably, this bill would primarily ease administration to prevent the need to reinstate the increments every six years.

Based on review of RP-500 data from the Taxation and Revenue Department, there are three counties with water and sanitation districts: San Juan County, Taos County, and Dona Ana County. In FY20, San Juan county \$73.3 thousand in revenue from the water and sanitation GRT increment. Taos County, which has two water and sanitation districts, received \$83.5 thousand in revenue from their increments. Both counties enacted their increments in January 2014 – therefore, the increments expired at the end of 2020. However, it appears Taos County has reinstated their increments. Dona Ana County established two water and sanitation districts in July 2020, receiving an average of about \$2,600 per month from those increments.

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

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