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## FISCAL IMPACT REPORT

SPONSOR O'Neill / De La Cruz LAST UPDATED \_\_\_\_\_  
ORIGINAL DATE 2/11/23  
SHORT TITLE Tax Exempt Organization Tax Audit BILL NUMBER Senate Bill 240  
ANALYST I. Torres

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Indeterminate				Recurring	General Fund

Relates to Senate Bill 55 of the 2022 Regular Session

### Sources of Information

LFC Files

### Responses Received From

New Mexico Attorney General (NMAG)

Department of Finance and Administration (DFA)

Higher Education Department (HED)

## SUMMARY

### Synopsis of Senate Bill 240

Senate Bill 240 (SB 240) changes the threshold from \$250 thousand of gross annual income a year to \$750 thousand of total expenses a year for tax-exempt organizations that are required to provide proof of an adequate accounting system and an annual audit prior to soliciting or receiving donations. Organizations under the threshold provide financial statements in the form of balance sheets.

SB55 also amends the Charitable Solicitations Act (CSA) by raising the threshold, from \$500 thousand in total revenue to \$750 thousand in total expenses, for organizations that currently are required to provide an annual audit. Despite the thresholds, SB240 allows the Attorney General to require any charitable organization to submit an audit if the Attorney General has reason to believe it is in the public interest.

SB240 also cleans up some language within the CSA to make the grammar consistent with the proposed amendments.

The effective date of this bill is January 1, 2024.

## **FISCAL IMPLICATIONS**

The change may result in fewer audit waiver requests from the NMAG and save staff time and associated labor costs.

## **SIGNIFICANT ISSUES**

Raising the revenue thresholds may result in fewer charities performing and reporting audits. Audits and audit reviews provide increased transparency for donors and regulators.

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