

LFC Requester: _____

**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:

AgencyAnalysis.nmlegis.gov

{Analysis must be uploaded as a PDF}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Original Amendment _____
Correction _____ Substitute _____

Date January 30, 2024

Bill No: SB 174

Sponsor: Jaramillo Agency Name and Code ML
Short CALF CANYON FIRE Number: _____
Title: LEGAL SVCS. GROSS Person Writing Alison Nichols
Phone: 505-470-3931 Email anichols@nmml.org

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

FISCAL IMPLICATIONS

The proposal to provide a new deduction for legal services performed to recover compensation from the Federal Hermit’s Peak/Calf Canyon Fire Assistance Act will have a negative fiscal impact on municipal GRT revenues. The revenue loss will probably will likely be concentrated in a small number of municipalities with professional legal service providers working on the settlements.

Determining the cost of the revenue loss is highly uncertain, depending on many variables, such as the number of fire victims who choose to be represented by private law firms, the amount of damage, the services provided, and the location of the private law firms. The costs could occur over a number of years.

Revenue loss to municipalities would negatively impact revenue stability, affecting cities’ ability to provide essential public services. public safety, and employee wage increases, among other needs. Revenue loss could be especially detrimental to municipalities in fire affected areas, which may need to provide additional services to residents impacted by the fires.

SIGNIFICANT ISSUES

This bill continues to erode the local gross receipts tax base of municipalities, which is contrary to the policy principles adopted by the New Mexico Municipal League.

The new deduction creates a concerning precedent that provides tax relief for a specific industry and for specific services. It seems probable that the rationale for this tax relief will be used to seek similar deductions in the future.

The level of specificity in this deduction violates the underlying structure of the gross receipts tax, which is to maintain a broad tax base and to apply the tax equitably to all transactions. Further, it is unclear whether law firms would pass along GRT cost savings to claimants.