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FISCAL IMPACT REPORT

LAST UPDATED _____

SPONSOR Pope **ORIGINAL DATE** 1/19/2024

SHORT TITLE School Gross Receipts Weekend Dates **BILL NUMBER** Senate Bill 54

ANALYST Gray

REVENUE* (dollars in thousands)

Type	FY24	FY25	FY26	FY27	FY28	Recurring or Nonrecurring	Fund Affected
GRT		(\$420)	(\$430)	(\$440)	(\$450)	Recurring	General Fund
GRT		(\$280)	(\$280)	(\$290)	(\$300)	Recurring	Local Governments

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD – IT	\$5.6			\$5.6	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Choose an item.

Senate Bill 54 changes the timing of the back-to-school sale gross receipts tax deduction from the first weekend of August to the last weekend in July and increases the limit on the prices of items that qualify for the deduction by 50 percent. The increase in the allowable sale price by 50 percent is likely to account for inflation, as discussed in fiscal implications.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

The bill will first be effective when families purchase school supplies in July 2024.

FISCAL IMPLICATIONS

The Taxation and Revenue Department (TRD) used separately reported deductions by taxpayers in fiscal year 2023 to estimate the revenue loss. The fiscal impact used the gross receipts tax (GRT) revenue growth from the December 2023 Consensus Revenue Estimating Group (CREG) forecast and is based on the effective statewide gross receipts tax rate.

The change in the allowable cost matches the allowable costs with inflation. The back-to-school holiday weekend was created in 2005. Since, average prices have increased by 54 percent.¹ By increasing the maximum allowable sales price by 50 percent, the bill effectively brings the costs level to when the tax holiday was originally established in 2005.

SIGNIFICANT ISSUES

TRD notes New Mexico is one of 18 states that will have a form of a tax-free holiday in 2024, a decrease from 2010 when 19 states held tax-free holidays. The agency writes:

Tax-free holidays do not generally grow the local economy but rather shift consumption within the economy from one time to another time. The intent is to reduce the cost of school necessities, but taxpayers who do not have school-age children may also benefit from the tax-free weekend.

GB/rl/hg/al

¹ The U.S. consumer price index for All Urban Consumers has increased by approximately 54 percent since 2005.