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FISCAL IMPACT REPORT

SPONSOR: Russell DATE TYPED: 2-10-99 HB 349/aHJC
 SHORT TITLE: Amend Tax Administration Provisions SB _____
 ANALYST: Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY99	FY2000			
N.A.	\$ 500.0	\$ 500.0	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to _____

SOURCES OF INFORMATION

Taxation and Revenue Department

SUMMARY

Synopsis of HJC Amendment

The HJC amendments do two things. First, they reduce the threshold that an optional refund check-off provision must meet before being repealed. The new proposed threshold is \$5 thousand per year for three consecutive years. The original proposal was \$10 thousand per year for three consecutive years. Second, the amendments change the effective dates for sections 2, 3, 4, 6 and 7 from the 1998 and subsequent taxable years to the 1999 and subsequent taxable years.

The Taxation and Revenue Department analysis indicates that the amendments do not change the fiscal impact of the bill.

Synopsis of Bill

House Bill 349 would amend the following provisions in various tax acts:

1. Individual Income Tax Rates: the bill changes the date on which the income tax cuts adopted last year become effective from January 1, 1996 to January 1, 1998. The date change should have been made in the original legislation, but was overlooked. Changing the date will prevent any interpretation that taxpayers are owed a retroactive refund.

2. Estimated tax payment law is amended so as to exclude first year residents of the state from its requirements.
3. The property tax refund table for rebates of property tax rebates exceeding elderly taxpayers maximum liability is amended to fill in a gap in the table.
4. The dependent child day care income tax credit is amended to explicitly exclude persons who are recipients of public assistance from program under the New Mexico works Act or any successor programs.
5. Optional refund check-off provisions would be repealed if less than \$10 thousand is contributed for three consecutive years.
6. Corporate Income and Franchise Tax Act definitions are changed by striking the financial corporation definition and by striking from the definition of net income the exclusion of amounts that have been taxed as income under the Banking and Financial Corporations Tax Act. (According to TRD, this provision was repealed in 1981).
7. The definition of business income as used in the Uniform Division of Income for Tax Purposes Act is expanded to include "income from the disposition or liquidation of a business or segment of a business."
8. Provisions of the estate tax that exempt the transfer of property of a non-resident from the tax when such property is exempt from the tax in person's home state is changed so the exemption is more narrowly defined as "personal" property.

FISCAL IMPLICATIONS

TRD estimates that the Corporate Income Tax change (point 7) will add \$500 thousand in revenues starting in FY 2000. Eliminating the check off provisions would cost \$15 thousand, they say. The change to the PIT reductions date will possibly prevent the loss of \$10 million in refund claims. The fiscal implications for the other provisions are Insignificant.

ADMINISTRATIVE IMPLICATIONS

TRD reports a small administrative impact. They say that implementing the business income provisions would require about \$20 thousand.

BT/gm