

NOTE: As provided in LFC policy, this report is intended for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version, excluding attachments, is available on the Intranet. Previously issued FIRs and attachments may be obtained from the LFC office in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR:	Crook	DATE TYPED:	02/08/00	HB	210
SHORT TITLE:	Income Tax Technical Changes			SB	
				ANALYST:	Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01			
	50.0 or less		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

LFC Files

SUMMARY

Synopsis of Bill

Effective beginning tax year 2000, the bill would make the following technical corrections for personal and corporate income tax purposes:

- •Section 1: Filers must use same filing status and personal exemptions for state as for federal purposes.
- •Section 2: Eliminates reference to repealed statute.
- •Section 3: Picks up two new, refundable credits enacted in 1999 and provides for any future credit or tax rebates.
- •Section 4: Revises calculation of eligible personal exemptions for rebate purposes to exclude those associated with inmates of public institutions.
- •Section 5: Net income for corporate income taxes excludes "gross up", the addition of withholding taxes paid on dividends where a foreign tax credit is claimed for both the amount of the repatriated dividend and the amount of tax withheld by a foreign country. Per regulation, New Mexico does not currently tax "gross up".
- •Section 6: Estimated floors to corporate income tax are to be based on the amount shown on the current year return, rather than the amount ultimately determined to be due. Clarifies that the safe-harbor provided for estimated tax payments based on paying a percentage of taxes due for the previous year is determined by the tax shown to be due on the return, not the amount of tax subsequently found to be due after an audit.
- •Section 7: Resolves conflict between UDITPA and Multistate Compact using UDITPA approach.

FISCAL IMPLICATIONS

TRD estimates fiscal impact to be small, approximately \$50.0 of recurring revenue gain for the General Fund. The fiscal impact is generated by the language in Section 4 regarding eligible personal exemptions for rebate purposes to exclude those associated with inmates of public institutions.

Currently, there are 299,745 dependent individuals claimed on 1998 LICTR returns. There are about 5,166 inmates in the state corrections system, and there are inmates of the Forensic unit and the State Hospital at Las Vegas, YDDI, Springer, New Mexico Girl's Ranch and other CYFD juvenile corrections units. TRD assumes there are 2,000 inmates of public institutions currently claimed on their parent's or children's LICTR returns. The average LICTR payment is about \$100 in tax year 1996, and the marginal amount was about \$25. The analysis is based on the marginal amount. Thus, the fiscal impact would be less than \$50.0. There may be an offset, as current statute implies that the spouse and dependents of an incarcerated taxpayer are not eligible for LICTR.

ADMINISTRATIVE IMPLICATIONS

Minimal.

AW/jsp