

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:	Sanchez	DATE TYPED:	02/09/00	HB	261/aHTRC
SHORT TITLE:	Clarify Call Center Taxation			SB	
				ANALYST:	Eaton

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01			
	Positive*		Recurring	General Fund
	Positive*		Recurring	Local Govt.

**The extent of increase in revenue is unknown at this time.*

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HTRC Amendment

This bill makes a technical correction to the definition of what "activity" does not mean, by adding words (page 11, last paragraph) to a sentence to clarify the orders are forwarded to a location outside of New Mexico for filling.

Synopsis of Bill

This bill is intended to create a "safe harbor" for businesses which currently are immune from gross receipts tax and the duty to collect compensating tax because they lack a physical presence in the state (e.g., mail-order and Internet businesses) if those businesses choose to use a "call center" in the state to receive and process orders. If a business already has a physical presence in the state, such as an office or salespersons visiting the state on a systematic basis, that business will still owe gross receipts and/or compensating tax on its sales into the state. Some call centers act as service representatives; that is, they advise customers on how to use a product, or take care of billing problems. This bill does not provide an immunity to taxpayers who hire call centers to provide this kind of service.

FISCAL IMPLICATIONS

TRD does not know to what extent this bill would increase revenues. If the proposed measure is not enacted, TRD could interpret current statute as saying that the out-of-state clients of call centers addressed by the proposal would have nexus in New Mexico. Their activities would therefore become taxable under the gross receipts tax statutes and possibly under the corporate income tax statutes.

TRD reports that if the proposed measure is not enacted, the probable impact will be to limit growth in New Mexico of the third-party call centers.

ADMINISTRATIVE IMPLICATIONS

Minimal.

JBE/gm