F I S C A L I M P A C T R E P O R T

SPONSOR:	Cisneros	DATE TYPED:	02/15/00	HB	
SHORT TITLE:	Limit Refund Investment Credit Earned			SB	85/aSWMC
				ANALYST:	Eaton

REVENUE

Estimated Revenue		Subsequent	Recurring	Fund
FY00	**FY01***	**Years Impact**	**or Non-Rec****	**Affected**
	$ (500.0)		Non-Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

*The negative fiscal impact represents less than 2% of the roughly $28 million in total investment credit balances.

**Since rebate eligibility provisions are so restrictive, and timing of investment credit applications and approvals unpredictable, the negative fiscal impact is essentially nonrecurring. The impact in FY 2001 does not represent new investment credit claims, but only an acceleration in the payment of claims already granted.

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Sponsored for the Revenue Stabilization and Tax Policy Committee.

Synopsis of SWMC amendment

The amendment strikes Section C and adds a new Section C that places a time limit and a minimum tax liability to the eligibility provisions of the investment credit refund proposed by this bill. The eligible taxpayer to claim the investment credit must have in the calendar year the credit is claimed a credit amount of less than $500,000. The also adds a minimum tax liability of 10,000 requirement in the prior calendar year.

Synopsis of Bill

This bill amends the Investment Credit Act (Section 7-9A-8 NMSA 1978) to allow limited refunds of unclaimed investment credit to qualified taxpayers. To be eligible for a refund, a taxpayer must have a credit balance of less than $500,000. Additionally, the taxpayer's combined gross receipts, compensating, and withholding tax liability for the previous calendar year must total less than 35% of available credit on January 1 of the current calendar year. Taxpayers have until September 30 of the current calendar year to apply for a refund of up to $250,000.

The intent of the 35% of liability to credit balance restriction is to target smaller, relatively new manufacturing firms making significant capital investments. This proposal would save these taxpayers, who may tend to carry large investment credit balances relative to CRS tax liability, some opportunity costs of having "money" sit idle. For example, qualified taxpayers would have funds available for business operations and development, or to move into interest-bearing investments.

FISCAL IMPLICATIONS

The estimated impact of the bill as amended would reduce the general fund by $500.0 (non-recurring). The negative fiscal impact represents less than 2% of the approximately $28 million in total investment credit balances.

Since rebate eligibility provisions are so restrictive, and timing of investment credit applications and approvals unpredictable, the negative fiscal impact is essentially nonrecurring. The impact in FY 2001 does not represent new investment credit claims, but only an acceleration in the payment of claims already granted.

ADMINISTRATIVE IMPLICATIONS

Minimal impact on the Taxation and Revenue Department (TRD).

JE/njw