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FISCAL IMPACT REPORT



SPONSOR: Russell DATE TYPED: 02-01-02 HB 224

SHORT TITLE: Gross Receipts Distributions to Municipalities SB _____

ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	Undetermined	Undetermined	Recurring	General Fund
	Undetermined	Undetermined	Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC files

No Response

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 224 amends statute to modify the distribution for municipalities from Gross Receipts Tax (GRT) from 1.225 percent to 1 percent pursuant to Section 7-9-4 NMSA 1978. HB 224 also enacts a new section of statute to allow a new distribution under the to municipalities as the greater of:

- The amount that would distributed to a municipality pursuant to Section 7-1-6.4 NMSA 1978 at .225 percent rate of GRT; or
- 1/12 of .275 percent of the adjusted gross income reported pursuant to the Income Tax Act by residents of the municipality based on tax returns two years prior to the calendar year for the distribution.

HB 224 requires the Secretary of TRD, Secretary of the Department of Finance and Administration and the Executive Director of the New Mexico Municipal League to report annually to the Revenue Stabilization and Tax Policy Committee. It further requires the Secretary of TRD to develop a method for determining the sites of residences of taxpayers.

Significant Issues

HB 224 shifts the source of revenue to municipalities by reducing the GRT distribution from 1.225 percent to 1.0 percent and by enacting a new section of statute whereby municipalities receive a portion of Income Tax revenues.

For FY 03, GRT is projected to increase 1.5 percent over FY 02, while Personal Income Taxes are projected to decline by almost 1 percent.

FISCAL IMPLICATIONS

Undetermined

OTHER SUBSTANTIVE ISSUES

In current law all GRT are deposited in the tax administration suspense fund in the state treasury; after payment of necessary refunds and interest, the balance is distributed monthly as follows:

- 1.225 percent of the taxable gross receipts reported for the month of deposit for each municipality is distributed to that municipality – Section 7-1-6.4 NMSA 1978;
- 3.59 percent of gross receipts attributable to the sale of jet fuel is distributed to the state aviation fund for general purposes, and from July 1, 2002 through June 30, 2007, an additional .046 percent of the gross receipts attributable to the sale of jet fuel is distributed to the state aviation fund for carrying out the provisions of the air service assistance program – Section 7-1-6.7 and 64-1-15 NMSA 1978.
- Effective July 1, 2001, \$500,000 from the net receipts attributable to the GRT is made to the state office building bonding fund – Section 7-1-6.42 NMSA 1978;
- Local option gross receipts taxes are distributed to the appropriate county or municipality – Section 7-1-6.12 and 7-1-6.13 NMSA 1978; and
- County health care gross receipts taxes are distributed to the county-supported Medicaid fund – Section 7-20E-18 NMSA 1978.

SN/njw