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## FISCAL IMPACT REPORT

SPONSOR: HOBBS DATE TYPED: 1/27/03 HB 21  
 SHORT  
 TITLE: Amend Lab Partnership/ Small Business Act SB \_\_\_\_\_  
 \_\_\_\_\_ ANALYST: Neel

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(2,400.0)	(2,400.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates SB 12 Amend Lab Partnership/ Small Business Act

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### SOURCES OF INFORMATION

LFC files

Responses Received From:

Taxation and Revenue Department (TRD)

No Response

Department of Economic Development

### SUMMARY

Synopsis of Bill

House Bill 21 amends the Laboratory Partnership with Small Business Act (LPSBA), to increase the tax credits the national laboratory can qualify for to \$15.0 in rural areas and \$10.0 in non-rural areas. Previously the tax credits were capped at \$10.0 and \$5.0 for rural and non-rural areas, respectively. Additionally, the maximum allowed under LPSBA is increased to \$4.2 million from the current \$1.8 million. HB 21 amends the definition of qualified expenditures to include

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fringe benefits and employer payroll taxes in the allowable calculation for administrative costs. Previously administrative costs were limited to 49 percent of employee salaries and wages.

Lastly, HB 21 adds an oversight and reporting section to the LPSBA, where national laboratories are required to report quarterly to TRD on businesses where assistance is provided. Annual reports are required to TRD, Department of Economic Development and the appropriate legislative committee.

### **FISCAL IMPLICATIONS**

TRD estimates \$2.4 million impact to the General Fund for FY04. In 2000 the estimated fiscal impact of LPSBA was \$1.8 million. TRD does not note its fiscal impact assumptions.

### **OTHER SUBSTANTIVE ISSUES**

The LPSBA grants a tax credit to qualified national laboratories to encourage them to provide technology and expertise to small businesses. The act is administered by TRD and allows the labs to claim a tax credit against their state gross receipts taxes not to exceed \$5.0 of qualified expenditures for each small business assisted in a calendar year or \$10.0 if the small business is located in a rural area.

Other New Mexico Small Business Assistance programs include:

- NM Manufacturing Extension Partnership
- Technology Ventures Corporation
- Small Business Development Centers
- Space Alliance Technology Outreach Program
- NM 9000
- TVI's Workforce Training Center
- Incubators

### **ADMINISTRATIVE IMPLICATIONS**

TRD notes that it has no special expertise in the area of small business development assistance, or the personnel to validate the quarterly or annual reports.

### **POSSIBLE QUESTIONS**

1. When the original legislation's fiscal impact (\$1.8 for FY02) is added to HB 21's projected fiscal impact, the total equals the allowable tax credit of \$4.2 million. If the goal of this legislation is to enable small business, maybe the tax credit cap should be increased?
2. What was the total state gross receipts paid by Sandia in calendar year 2001?

SN/prr