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FISCAL IMPACT REPORT

SPONSOR: Cro	ook	DATE TYPED:	3/09/03	HB	282/aHTRC
SHORT TITLE:	Amend Income Tax A	Act		SB	
		ANALYST:			Smith

<u>REVENUE</u>

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	NFI			

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendments are primarily technical in nature. The amendment also modifies the definition of "base income" to include Education Trust Act deductions made in a prior year that would, due to requirements under the Education Trust Fund Act, become taxable. This material is currently in Section 7-2-33B. The HTRC amendment would repeal Section 7-2-33B, however, to make it conform with drafting conventions currently employed in the Income Tax Act.

Synopsis of Original Bill

House Bill 282 makes changes a variety of changes to the Income Tax Act (Chapter 7, Article 2 NMSA 1978) as summarized below.

• Section 7-2-2 Definitions – The proposal changes the definition of "resident" to clarify that taxpayers are subject to provisions of the Income Tax Act for periods when they are residents for tax purposes --even if their residency subsequently changes. Language in current statute implies that when taxpayers cease being residents, they are not subject to

New Mexico income tax during the time they were residents.

- Section 7-2-12 Taxpayer Return; Payment of Tax--Inserts language in Section 7-2-12 stating that when the Department approves electronic media for use by taxpayers whose tax year is a calendar year, taxpayers using electronic media for filing and payment are required to submit returns and taxes on or before the 30th day of the fourth month following the end of the tax year.
- Section 7-2-12.2 Estimated Tax Due; Payment of Estimated Tax; Penalty The proposal amends the definition of "tax" to mean "tax" net of all applicable credits rather than just those credits identified in current statute. This change makes it easier to compute correct amounts of estimated tax due.
- 7-2-14.3 Tax Rebate of Part of Property Tax Due from Low-Income Taxpayers; Local Option; Refund Subsection H requires counties enacting an ordinance providing a property tax rebate to its low-income residents to specify the years for which the rebate applies. Subsection I changes the date the Department must certify to counties amounts of rebates claimed by their residents. Currently this date is July 1 of the year immediately following the one in which rebates are in effect. The proposed change moves the date to December 31. The change simply allows the Department a little more time to determine the amounts of rebate paid to county residents. Under current and proposed statute, counties must reimburse the Department for rebates allowed under the program.
- 7-2-18 Tax Rebate of Property Tax Due that Exceeds the Elderly Taxpayer's Maximum *Property Tax Liability; Refund* – The proposal adds the requirement to existing statute that resolutions by counties enacting the expanded rebate should specify the period for which the rebate may be claimed.
- 7-2-33 Education Trust Fund; Earnings Tax Exempt; Withdrawals Are Taxable Income; Authority to Withhold Tax The proposed change clarifies that taxpayers may not claim a second exemption of education trust fund earnings that may be exempt already from federal income tax.

Significant Issues

This Bill was endorsed by the Revenue Stabilization and Tax Policy Committee.

SS/sb:yr:prr