NOTE: As provided in LFC policy, this report is intended only 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 for other purposes.

The most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

# FISCAL IMPACT REPORT

SPONSOR:	Ruiz	DATE TYPED:	03/3/03	HB	947
SHORT TITLE	Taxable Credit Union	S		SB	
			ANALY	ST:	Gilbert

## **REVENUE**

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected	
FY03	FY04				
	\$146.8	\$146.8	Recurring	General Fund	

(Parenthesis ( ) Indicate Revenue Decreases)

## SOURCES OF INFORMATION

LFC Files

**Response Received From** 

Regulation and Licensing Department (RLD)

### SUMMARY

#### Synopsis of Bill

House Bill 947 amends the Corporate Income and Franchise Tax Act to mandate taxation for certain state chartered credit unions by amending the definition of "corporation" to include taxable credit unions. State chartered credit unions with assets of \$100.0 million or more and who have a field of membership including all residents of two or more counties become subject to the taxation provisions of the Act.

#### Significant Issues

Currently, there is only one New Mexico state chartered credit union that would meet the requirements of this bill.

State chartered credit unions, chartered under federal law, are currently exempt from taxation.

# FISCAL IMPLICATIONS

According to the Regulation and Licensing Department (RLD), this bill would generate approximately \$146.8 in new general fund revenue, based upon 2002 net income totals for the one state chartered credit union in New Mexico that would qualify for corporate income tax.

# **RELATIONSHIP/CONFLICT**

This bill relates to the Credit Union Regulatory Act, Chapter 58, Article 11 NMSA 1978 and conflicts with the Credit Union Regulatory Act Section 58-11-61.

## **TECHNICAL ISSUES**

The Regulation and Licensing Department (RLD) recommends the following technical changes to this bill:

- Page 7, lines 10-12, the word "related" is not well defined. One of the qualifying factors is two or more credit unions having names that include one or more similar words. The use of similar words in the credit union name may not be a good indicator that credit unions are related to one another. For example, the word "employees" is found in the name of credit unions throughout the state. The word "employees" may refer to school employees, state employees, railway employees, etc. Currently seven state chartered credit unions have the word "employees" in their name. None of these credit unions have any relationship with each other and they are located in Artesia, Belen, Carlsbad, Chavez County- Roswell, Colfax County-Raton, Deming and Santa Fe.
- □ Page 7, line 13, the words "main office" is not defined.
- □ Page 7, line 20, the word "report" is not defined.

Page 7 line 20, the word "report" is not defined and the bill does not indicate when the "report" should be filed with the RLD Financial Institutions Director. State chartered credit unions currently file semi-annual reports to the Director pursuant to 58-11-7 NMSA 1978. All credit unions, both federal and state chartered, file a quarterly Financial and Statistical Report with the National Credit Union Administration (NCUA) pursuant to NCUA Rules and Regulations Part 741.6. A copy of this quarterly Financial and Statistical Report is also provided to the Financial Institutions Division.

## **OTHER SUBSTANTIVE ISSUES**

The taxable credit union requirement in this bill only applies to New Mexico state chartered credit unions. The single New Mexico credit union that meets the definition of a taxable credit union could convert to a Federal charter in order to avoid taxation. Thus, HB 947may result in New Mexico having only state chartered credit unions with less than \$100.0 million in total assets.

RLG/yr/njw