

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: Lopez DATE TYPED: 3/06/03 HB _____

SHORT TITLE: Regional Transit District Gross Receipts Tax SB 420/aSCORC

ANALYST: Reynolds-Forte

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
		Indeterminate	Recurring	Regional Transit Districts
		(See Fiscal Implications)		

(Parenthesis () Indicate Revenue Decreases)

Companion to SB34 and HB102
Relates to HB584

SOURCES OF INFORMATION

Responses Received From
New Mexico Taxation and Revenue Department
New Mexico State Highway and Transportation Department

SUMMARY

Synopsis of SCORC Amendment

The Senate Corporations and Transportation Committee Amendment to SB420 effectively enacts a new section to the Gross Receipts and Compensating Tax Act (GR&CTA), and charges the Taxation and Revenue Department with administration of the regional transit gross receipts tax, rather than the State Transportation Commission.

ADMINISTRATIVE IMPACT

The amendment would place a significant administrative burden on the Taxation and Revenue Department. The local option gross receipts tax is not currently designed to function as a revenue source for special districts. The gross receipts tax system has been designed to function as a revenue source for state, county, and municipal governments; no gross receipts taxes are currently imposed by any other jurisdiction or entity. Therefore, provisions of this bill would

require massive computer systems and form modifications.

Section 3 of the proposal (Specific Exemptions) creates special exemptions from the regional transit gross receipts tax. Thus, the regional transit gross receipts tax base would be different than for all other state and local option gross receipts taxes. This complicates administration considerably.

In addition to the issues discussed above, there are still some technical problems with the proposal that should be addressed.

TECHNICAL ISSUES:

1. Page 1, line 24 and 25: the “county clerk” does not impose or administer the tax, the department is charged with this duty.
2. Section 2, Subsection A still requires a regional transit district to deliver an ordinance imposing tax to the State Transportation Commission. The ordinance should be delivered to the department. The effective date should follow at least 3 months after voter approval, not after adopting the ordinance.
3. Section 2, Subsection C requires the State Transportation Commission to furnish a model resolution for imposing the new tax. The model resolution should be furnished by the department.
4. Section 2, Subsection D requires a certified copy of a resolution imposing or repealing the tax be delivered to the commission. This should be delivered to the department. The department needs to be notified at least 3 months prior to the effective date.
5. The effective date of this bill is contingent upon passage of another bill. It is not clear what happens if neither SB-34 nor HB-102 passes.

Synopsis of Original Bill

SB420 bill creates a “Regional Transit District Gross Receipts Tax” for management, construction or operation of a public transit system. The tax is imposed on taxpayers in a “district area” which could be comprised of several county and local governments. Imposition of the tax is subject to voter approval, and can be imposed in increments of one-sixteenth percent (.0625%) up to a maximum rate of one-half percent (.5%). This proposal charges the State Transportation Commission with administering the new local option tax.

The effective date of SB420 is July 1, 2005, contingent upon SB-34 or HB-102 of the current legislative session being passed and signed into law. SB34 and HB102 create the Regional Transit Districts.

Significant Issues

Gross receipts taxes are currently imposed by the state and by municipal and county governments; no gross receipts taxes are currently imposed by any other jurisdiction or entity. The local option gross receipts tax is not currently designed to function as a revenue source for special districts

FISCAL IMPLICATIONS

SB420 has a July 2005 effective date contingent upon the passage of SB34 or HB102. At that time the fiscal impact will be contingent upon which communities choose to implement the regional gross receipts tax. The tax is imposed in increments of one-sixteenth percent up to a maximum rate of one-half of one percent. The Taxation and Revenue Department has provided a table (see attachment A), which illustrates the revenue by county the imposition of various increments could raise.

ADMINISTRATIVE IMPLICATIONS

Both the Taxation and Revenue Department and the State Highway and Transportation Department have major concerns regarding administration of this tax as administered in SB420. The State Highway and Transportation Department believes that the bill should be presented to the Taxation and Revenue Department for administrative consideration and direction as to the administrative form the bill should take.

The Taxation and Revenue Department notes that as the bill is currently written, no administrative responsibility is placed on them. Under SB420, the new local option tax is to be administered by the State Transportation Commission (STC). The STC, however, would experience a *massive* administrative burden, as it is not currently set up to collect and process taxes.

The compliance burden for taxpayers in a district electing to impose tax would be substantial as well. Taxpayers would have to report and pay regular state and local gross receipts taxes to Taxation and Revenue Department (TRD), then report the new local option tax to the commission.

As a matter of good tax policy and in order to minimize the otherwise tremendous state administrative and taxpayer compliance complications, this bill should be totally restructured to charge TRD with administration of the tax, and to address the numerous important technical issues that would severely complicate administration.

COMPANIONSHIP, RELATIONSHIP

SB420 is a companion bill to either SB34 or HB102; SB420 only becomes effective on July 1, 2005 if SB34 or HB102 become effective.

SB420 relates to HB583, which imposes a local option vehicle registration fee for transit purposes.

TECHNICAL ISSUES

Both Taxation and Revenue Department and State Highway and Transportation Department have numerous technical issues with SB420; these are listed below:

6. Page 1, line 24 and 25: the "county clerk" does not impose or administer the tax
7. Section 2, Subsection A: The effective date should follow at least 3 months after voter approval, not after adopting the ordinance.

8. Section 2, Subsection D: The administering agency needs to be notified at least 3 months prior to the effective date.
9. Section 3 (Specific Exemptions): This section creates specific exemptions from the regional transit gross receipts tax. Thus, the regional transit gross receipts tax base would be different than for all other state and local option gross receipts taxes.
10. Section 4, Subsections A, B, and C: The State Transportation Commission does not collect the state gross receipts tax, and therefore cannot deduct the administrative fee nor can it distribute money to the district. The Taxation and Revenue Department administers gross receipts taxes; the State Transportation Commission has no administrative mechanism to administer such a tax
11. Section 5, Subsections A and B: The State Transportation Commission does not collect the state gross receipts tax, and therefore cannot be responsible for interpreting the provisions of the tax, nor for administering and enforcing the regional transit gross receipts tax.
12. The effective date of this bill is contingent upon passage of another bill. It is not clear what happens if neither SB-34 nor HB-102 passes.

POSSIBLE QUESTIONS

SB 420 has a delayed effective date of July 2005. The bill seems to have several technical flaws, should it be subjected to the scrutiny of the proposed Blue Ribbon Tax Reform Commission?

PRF/njw

Attachement A
FROM: Taxation and Revenue Department

Potential Revenue from Countywide Imposition (Illustration at Fiscal Year 2002 Levels)					
County	Fiscal Year 2002 Taxable Gross Receipts	Tax Increment			
		0.0625%	0.1250%	0.2500%	0.5000%
Bernalillo	13,243,034,356	8,276,896	16,553,793	33,107,586	66,215,172
Catron	19,691,501	12,307	24,614	49,229	98,458
Chaves	825,428,282	515,893	1,031,785	2,063,571	4,127,141
Cibola	221,578,697	138,487	276,973	553,947	1,107,893
Colfax	250,819,897	156,762	313,525	627,050	1,254,099
Curry	588,659,607	367,912	735,825	1,471,649	2,943,298
DeBaca	20,991,500	13,120	26,239	52,479	104,958
Dona Ana	2,102,413,484	1,314,008	2,628,017	5,256,034	10,512,067
Eddy	1,217,598,284	760,999	1,521,998	3,043,996	6,087,991
Grant	385,885,480	241,178	482,357	964,714	1,929,427
Guadalupe	78,761,427	49,226	98,452	196,904	393,807
Harding	7,397,897	4,624	9,247	18,495	36,989
Hidalgo	62,039,844	38,775	77,550	155,100	310,199
Lea	1,368,738,250	855,461	1,710,923	3,421,846	6,843,691
Lincoln	378,089,126	236,306	472,611	945,223	1,890,446
Los Alamos	628,346,203	392,716	785,433	1,570,866	3,141,731
Luna	281,067,506	175,667	351,334	702,669	1,405,338
McKinley	818,831,088	511,769	1,023,539	2,047,078	4,094,155
Mora	25,048,075	15,655	31,310	62,620	125,240
Otero	640,446,670	400,279	800,558	1,601,117	3,202,233
Quay	120,962,160	75,601	151,203	302,405	604,811
Rio Arriba	428,457,206	267,786	535,572	1,071,143	2,142,286
Roosevelt	182,679,844	114,175	228,350	456,700	913,399
Sandoval	1,156,214,584	722,634	1,445,268	2,890,536	5,781,073
San Juan	2,704,180,486	1,690,113	3,380,226	6,760,451	13,520,902
San Miguel	295,588,941	184,743	369,486	738,972	1,477,945
Santa Fe	3,141,025,569	1,963,141	3,926,282	7,852,564	15,705,128
Sierra	112,053,084	70,033	140,066	280,133	560,265
Socorro	132,397,092	82,748	165,496	330,993	661,985
Taos	491,731,397	307,332	614,664	1,229,328	2,458,657
Torrance	131,803,684	82,377	164,755	329,509	659,018
Union	64,499,001	40,312	80,624	161,248	322,495
Valencia	501,253,547	313,283	626,567	1,253,134	2,506,268
All Counties	32,627,713,769	20,392,321	40,784,642	81,569,284	163,138,569