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FISCAL IMPACT REPORT

SPONSOR: Ingle DATE TYPED: 2/19/03 HB _____

SHORT TITLE: Mutual Fund Sales Commissions Gross Receipts SB 639

ANALYST: Smith

REVENUE

Estimate d Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(660.0)	(720.0)	Recurring	General Fund
	(440.0)	(480.0)	Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Responses Received From
TRD

SUMMARY

Synopsis of Bill

Senate Bill amends Section 7-9-76 NMSA 1978 to provide a gross receipts tax deduction to independent contractors for receipts from commissions paid by mutual fund companies on the sale of shares of mutual funds.

FISCAL IMPLICATIONS

TRD notes that the fiscal impact estimate was derived from the 1997 Economic Census of Finance and Insurance and the department's "Analysis of Gross Receipts by Standard Industrial Classification" (Report 80). The estimate assumes independent contractors' commissions from mutual fund companies total approximately \$20 million annually.

OTHER SUBSTANTIVE ISSUES

- Commissions for selling, or promoting the sale of any stock, bond or security are explicitly included in the definition of gross receipts under Section 7-9-3 NMSA 1978.

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- This proposal does not contain a definition of “mutual fund companies”. Black’s Law Dictionary defines a mutual fund company as “*an investment company that invests its shareholders’ money in a (usually) diversified selection of securities.*” This proposal may capture a broader spectrum of activity than intended.

SS/yr