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FISCAL IMPACT REPORT

SPONSOR: Harrison DATE TYPED: 10-30-03 HB 7

SHORT TITLE: Hospitality Training Tax Credit Act SB _____

ANALYST: Collard

REVENUE

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			(72,560.0)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Department of Commerce County Business Patterns Report - 2001

Responses Received From

Tourism Department

Responses Not Received From

Taxation and Revenue Department

SUMMARY

Synopsis of Bill

House Bill 7 allows employers to claim a hospitality training tax credit in an amount equal to the cost of the training. The tax credit, up to \$10,000 per year per taxpayer, may be claimed against gross receipts tax, personal income tax, or corporate income tax due to the state in the year the training was held. All training programs must be approved by the Tourism Department; however, the Taxation and Revenue Department shall administer the program.

FISCAL IMPLICATIONS

According to the County Business Patterns Report by the U.S. Department of Commerce, there were 7,256 retail businesses in New Mexico in 2001. Based on this preliminary data, and awaiting analysis by the Taxation and Revenue Department, if all retail businesses in the state utilize this tax credit, it will cost the state at least \$72,560,000 annually.

ADMINISTRATIVE IMPLICATIONS

The Tourism Department indicates it does not have the staff available to develop rules for hospitality training, or to review and approve hospitality training programs applying for the tax credit. The department notes it would need one additional FTE to accomplish these tasks.

TECHNICAL ISSUES

The exorbitant cost of this initiative can be significantly reduced by more carefully defining “hospitality business.” By including “or other retail customers” in the definition, it broadens the scope of the businesses affected considerably. Additionally, there are no criteria attached to the definition of “hospitality training.” By not defining what aspects of the training programs the Tourism Department should review and approve, it leaves much room for interpretation.

OTHER SUBSTANTIVE ISSUES

The Tourism Department indicates the tax credit would provide an incentive for employers to provide hospitality training to their employees, thereby ensuring better customer service and a more satisfied consumer and tourist public.

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