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FISCAL IMPACT REPORT

SPONSOR Rawson DATE TYPED 3/2/05 HB _____

SHORT TITLE ADVERTISING SALES GROSS RECEIPTS SB 733

ANALYST Padilla-Jackson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	(\$1,500.0)	Similar	Recurring	General Fund
	(\$1,000.0)	Similar	Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 733 would expand existing statutes to allow a gross receipts tax deduction for receipts from selling advertising space in a publication, including a newspaper, magazine or other periodical. A gross receipts tax deduction would be allowed against receipts for the sale of radio or television broadcast time for advertising. Lastly, the bill would allow a tax deduction for commissions of advertising agents for obtaining advertising space in a publication, including a newspaper, magazine or other periodical or obtaining radio or television broadcast time for advertising. Current law allows the deduction if advertising in on behalf of national or regional sellers

The effective date of the provisions of this bill is July 1, 2005.

FISCAL IMPLICATIONS

The total fiscal impact of this bill, according to a TRD estimate, is -\$2.5 million in FY06, of which -\$1.5 million would impact the General Fund, and -\$1 million which would impact local

governments. TRD's estimate assumes that a majority of the \$2.6 million currently being collected from the broadcasting industry is attributable to advertising revenue. The estimate also reflects most of the tax currently being reported by the newspaper and periodical industries and most of the tax being reported by the advertising industry. This analysis was based on data from the TRD's "Analysis of Gross Receipts by Industry Classification."

ADMINISTRATIVE IMPLICATIONS

The administrative impact is anticipated to be fairly modest to TRD.

OTHER SUBSTANTIVE ISSUES

TRD notes that there is no tax policy rationale for the proposed deductions. The principle underlying the gross receipts tax is that all businesses engaged in business in the state should pay a privilege tax. They believe that this proposal would erode the gross receipts tax base and place strong upward pressure on tax rates.

OPJ/yr