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FISCAL IMPACT REPORT

ORIGINAL DATE 2-6-2006

SPONSOR Altamirano LAST UPDATED _____ HB _____

SHORT TITLE Penalty for Obstruction of Tax Investigations SB 707

ANALYST Dearing

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	(\$0.1)*			
	*Please See Narrative			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance & Administration (DFA)
 New Mexico Corrections Department (NMCD)
 Attorney General's Office (AGO)

SUMMARY

Synopsis of Bill

Enactment of Senate Bill 707 makes it a 4th degree felony to knowingly provide false information, or knowingly withhold information from any person authorized to investigate tax fraud. The bill also makes it a 4th degree felony to knowingly alter, destroy, mutilate or conceal any record or document when the activity is intended to mislead a tax fraud investigation, and the bill also makes it a 4th degree felony to knowingly prevent, obstruct, mislead or delay the communication of information or records relating to a tax fraud investigation.

FISCAL IMPLICATIONS

*Fiscal impacts would be variable and based on the actual number of tax fraud cases prosecuted, with further increase where cases are prosecuted successfully, and subsequent punitive costs are incurred. The intention of this bill is most likely to provide dissuasion from providing false information, or withholding that information. Therefore, it is foreseeable that as a disincentive to

fraud, used to gain leverage in investigations, this bill could have neutral impact.

Further, it is conceivable that this bill could increase net tax fines and penalties, as people could prove more truthful, exposing their tax improprieties incurring subsequent fines, when there exists potential punishment of this type.

Overall, there could be a minimal increase in prison and parole/probation caseloads as a result of the new crime. Revenue from probation/parole fees may also minimally increase.

The contract/private prison annual costs of incarcerating an inmate is \$23,160 per year for males. The cost per client to house a female inmate at a privately operated facility is \$24,961 per year. Because state owned prisons are essentially at capacity, any net increase in inmate population will be housed at a contract/private facility.

The cost per client in Probation and Parole for a standard supervision program is \$1,527 per year. The cost per client in Intensive Supervision programs is \$4,256 per year. The cost per client in department-operated Community Corrections programs is \$4,495 per year. The cost per client in privately-operated Community Corrections programs is \$10,022 per year. The cost per year for male and female residential Community Corrections programs is \$22,019.

SIGNIFICANT ISSUES

The bill essentially makes it a crime to lie to an investigator in a tax fraud investigation or to otherwise obstruct a tax fraud investigation. Currently there is no state criminal statute in New Mexico to cover this activity. The only other context where lying is punishable with criminal penalties is in the crime of perjury.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplicates House Bill 827

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Enactment of this bill should make it easier to investigate tax fraud. Once potential offender has been caught in a lie about a tax investigation, a charge of obstructing an investigation can be used as leverage to obtain additional information.

Failure to enact would leave the New Mexico Statutes Annotated intact, as currently written.

PD/mt