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FISCAL IMPACT REPORT

ORIGINAL DATE 2/19/07
 LAST UPDATED 2/26/07 HB _____

SPONSOR Rainaldi

SHORT TITLE Disabled Street Vendor Sales Gross Receipts SB 1138

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	(minimal)		Recurring	General Fund
	(minimal)		Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Division of Vocational Rehabilitation (DVR)

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 1138 creates a gross receipts tax exemption for the receipts from sale of goods by a disabled street vendor. For the purposes of this bill, a person qualifies as disabled if they are blind, permanently disabled with medical improvement not expected pursuant to 42 USCA 421 for the purposes of the federal Social Security Act, or permanently and totally disabled pursuant to the state Workers' Compensation Act.

A street vendor is defined as a person licensed by a local government to sell tangible personal property by newly setting up a sales site daily or selling from a movable cart, blanket, or other device.

The bill does not contain an effective date, so is assumed to become effective 90 days after the legislature's adjournment on June 15, 2007.

FISCAL IMPLICATIONS

LFC and TRD believe the fiscal impact will be small due to the limited number of disabled street vendors operating in New Mexico.

SIGNIFICANT ISSUES

DVR notes that since vendors are able to pass gross receipts tax on to their customers the bill does not provide tax relief to disabled vendors. However, it will relieve disabled street vendors of the responsibility to collect and pay the gross receipts tax.

LFC notes that while individual deductions and exemptions from the gross receipts tax may have small fiscal impacts, their cumulative effect significantly narrows the gross receipts tax base. Narrowing the gross receipts tax base increases revenue volatility and requires a higher tax rate to generate the same amount of revenue.

The bill will reduce local government gross receipts tax collections. Many of New Mexico's local governments are highly dependent on gross receipts tax revenue.

ADMINISTRATIVE IMPLICATIONS

This bill will have a minimal administrative impact on TRD.

TECHNICAL ISSUES

TRD notes the proposed exemption would be easier to administer if it had an effective date of July 1, 2007, since taxpayer instructions are revised on July 1 and January 1 of each year.

DVR believes the definition of “disabled” provided in the bill will exclude individuals earning “substantial gainful activity,” as defined by the Social Security Act, which is equivalent to \$900 per month for persons with disabilities and \$1,500 per month for those who are blind, from receiving the proposed gross receipts tax exemption. DVR recommends amending the bill so the definition of disability matches that cited in Section 504 of the federal Rehabilitation Act.

It is unclear why this bill proposes an exemption rather than a deduction from the gross receipts tax.

SS/nt