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## FISCAL IMPACT REPORT

**ORIGINAL DATE**  
**LAST UPDATED** 08/15/08 **HB** \_\_\_\_\_

**SPONSOR** Jennings \_\_\_\_\_

**SHORT TITLE** Refundable PIT Credit **SB** 1 \_\_\_\_\_

**ANALYST** Francis \_\_\_\_\_

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
1,000.0		Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Executive proposal

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
(55,800.0)			Nonrecurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files  
 Taxation and Revenue Department (TRD)

Responses Received From  
 Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 1 provides a credit against personal income tax liability for the 2007 tax year. The credit is refundable and so the amount over the tax liability will be refunded.

**Rebate**

	Married Filing Jointly	Single	
		Head of Household Married Filing Separately	Dependent Credit
0-30,000	100	50	50
30,000-50,000	80	40	40
50,000-70,000	50	25	25
70,000 +	0	0	0

**FISCAL IMPLICATIONS**

SB 1 is expected to reduce nonrecurring general fund revenue by \$55.7 million. There is an additional appropriation to TRD for \$1.0 million from the general fund to process and administer the credit. Approximately 18 percent of all tax filers—those with adjusted gross income above \$70 thousand per year—will not receive a credit.

**Distribution of the Cost of Living Personal Income Tax Credit**

AGI	Number of Returns (000)	Total Benefits		Average Benefit (\$)
		Amount (\$ millions)	Percent of Total	
Under \$10,000	156.4	\$12.2	21.8%	\$78
\$10,000 - \$20,000	143.4	\$14.0	25.1%	\$98
\$20,000 - \$30,000	112.2	\$12.0	21.6%	\$107
\$30,000 - \$40,000	84.0	\$7.1	12.7%	\$85
\$40,000 - \$50,000	60.6	\$5.4	9.6%	\$89
\$50,000 - \$60,000	47.0	\$2.8	5.0%	\$59
\$60,000 - \$70,000	37.5	\$2.3	4.2%	\$62
<b>Subtotal</b>	<b>641.1</b>	<b>\$55.8</b>	<b>100.0%</b>	<b>\$87</b>
\$70,000 and over	145.3	\$0.0	0.0%	\$0
<b>Total</b>	<b>786.5</b>	<b>\$55.8</b>	<b>100.0%</b>	<b>\$71</b>

Taxation and Revenue Department

August 16, 2008

Office of Tax Analysis, Research and Statistics

**SIGNIFICANT ISSUES**

This rebate is similar in form to the tax rebate approved in 2005 at the 2005 special session. Only the value of the credit has changed. That credit was designed to help New Mexicans cope with high gasoline and heating prices with the surge in energy prices following the Katrina and Rita hurricanes in the Gulf of Mexico. Now, there are many indications that the economy is slowing down and the national economy is either in recession or very near to it. Combined with the crash in the housing markets, high gasoline prices, and declines in manufacturing employment, the

economic conditions are such that consumers may ratchet back their expenditures and have difficulty paying bills.

The credit will be funded by general fund reserves. The latest consensus revenue estimate shows that reserves are sufficient for the credit but that there will be much less available for nonrecurring uses in the 2009 session.

### **PERFORMANCE IMPLICATIONS**

In 2005, TRD was able to process the rebates in a timely fashion and most tax filers had rebate checks prior to the December Holidays.

### **ADMINISTRATIVE IMPLICATIONS**

SB1 appropriates \$1 million to administer and process the credits. TRD does not report any expected problems with issuing the refund and has indicated that they have the authority to process the credits without any additional action by the taxpayers.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

This credit is similar to a rebate proposed by the executive but that proposal has a fiscal impact of \$120 million.

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