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FISCAL IMPACT REPORT

SPONSOR Begaye ORIGINAL DATE 01/27/10
LAST UPDATED _____ HB 117
SHORT TITLE Drunk Person Transport Gross Receipts SB _____
ANALYST Gutierrez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY10	FY11	FY12		
	\$5.0	\$5.0	Recurring	Counties
	\$24.0	\$25.0	Recurring	Municipalities
	\$33.0	\$35.0	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

NOTE: This impact may be significantly higher if individuals claim to be intoxicated in order to avoid having to pay the gross receipts tax.

SOURCES OF INFORMATION

LFC Files

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 117 allows for a deduction from the gross receipts tax from receipts of providing the service of transporting an intoxicated person to their residence. This transport is limited to a distance of no more than 20 miles and must be within New Mexico. The transporter must be a holder of a commercial license to transport passengers for hire.

The effective date of this bill's provisions is July 1, 2010.

FISCAL IMPLICATIONS

TRD:

This estimate has a high degree of uncertainty with no direct data available; therefore, it was approached with two methods: 1) Total United States taxi service receipts from the 2007 Economic Census were apportioned to New Mexico using

adjustments for population and median household income then a fraction of these receipts were assumed to come from transporting intoxicated persons home. 2) In FY07 Bernalillo County's "Safe Ride Home Program" transported 5,247 intoxicated persons home. This number was extrapolated to a statewide total and an average price per taxi ride home was assumed. The two methods were then averaged. Both methods assume all receipts come from services provided within municipalities and the average tax rate inside municipalities in FY09 of 7.07% was used.

SIGNIFICANT ISSUES

LFC notes that while individual credits, 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.

ADMINISTRATIVE IMPLICATIONS

TRD:

Minimal impact. Instructions and publications would be updated as part of the semi-annual renewal of the CRS tax program information. Developing new audit procedures and determining what documentation would be needed to substantiate the deduction would be difficult.

TECHNICAL ISSUES

This bill should include a definition of "intoxicated person".

This bill does not determine how the taxpayer is to know if their passenger is intoxicated and thus able to substantiate the deduction. It is unclear as to what records, if any, will be needed by the transporter in order to prove the deduction is legitimate.

BLG/svb

The Legislative Finance Committee has adopted the following principles to guide responsible and effective tax policy decisions:

- 1. Adequacy:*** revenue should be adequate to fund government services.
- 2. Efficiency:*** tax base should be as broad as possible to minimize rates and the structure should minimize economic distortion and avoid excessive reliance on any single tax.
- 3. Equity:*** taxes should be fairly applied across similarly situated taxpayers and across taxpayers with different income levels.
- 4. Simplicity:*** taxes should be as simple as possible to encourage compliance and minimize administrative and audit costs.
- 5. Accountability/Transparency:*** Deductions, credits and exemptions should be easy to monitor and evaluate and be subject to periodic review.

More information about the LFC tax policy principles will soon be available on the LFC website at www.nmlegis.gov/lcs/lfc