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FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/10

SPONSOR Sandoval LAST UPDATED _____ HB 262

SHORT TITLE Tax & Rev Dept. Administrative Fee Increase SB _____

ANALYST Gutierrez

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY10	FY11		
	\$1,607.0	Recurring	TRD

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY10	FY11	FY12		
\$324.0	\$1,624.0	\$1,714.0	Recurring	General Fund
(\$164.0)	(\$824.0)	(\$869.0)	Recurring	Counties
(\$157.0)	(\$788.0)	(\$832.0)	Recurring	Municipalities
(\$2.0)	(\$12.0)	(\$13.0)	Recurring	Pueblos & Nations

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 262 increases the administrative fee charged by the Taxation and Revenue Department to the municipalities and counties for transferring revenue from the local option taxes from 3 percent to 3.25 percent. This administrative fee was increased in Laws 2009,

Chapter 124 but only for FY10. This bill would make the increase permanent.

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

FISCAL IMPLICATIONS

TRD:

This estimate illustrates the initial distributional changes due to the 0.25% increase but not the subsequent increase in overall revenue through increased compliance.

The changes in this bill begin when the temporary administrative fee increase made by the 2009 General Appropriations Act ends. There are two months of FY10 revenue impact because this bill affects distributions in July and August, which accrue to activity in May and June. However, the appropriation is made at the same time as these distributions (i.e., in FY11). In other words, the revenue impact for each fiscal year and the appropriation for a fiscal year are both made up of 12 month periods but they are shifted from one another by two months because of the two month accrual lag for the gross receipts tax.

This bill appropriates the portion of the administrative fee due to the 0.25% increase to the Taxation and Revenue Department for "audit and collection activities."

ADMINISTRATIVE IMPLICATIONS

This bill will have a minimal impact on TRD.

BLG/mew

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