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FISCAL IMPACT REPORT

ORIGINAL DATE 2/14/11

SPONSOR Martinez, K. LAST UPDATED _____ HB 284

SHORT TITLE County Environmental Gross Receipts on Energy SB _____

ANALYST Golebiewski

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	*	*	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

*Please see Fiscal Implications Below.

House Bill 284 duplicates Senate Bill 431.

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico RETA

Taxation and Revenue Department (TRD)

New Mexico Environment Department (NMED)

Energy Minerals and Natural Resources Department (EMNRD)

SUMMARY

Synopsis of Bill

House Bill 284 expands the purpose for which county environmental gross receipts tax may be imposed; it would include renewable energy facilities and systems.

FISCAL IMPLICATIONS

House Bill 284 would not have any direct revenue impact; it would not allow county governments to impose the county environmental gross receipts tax at a higher rate or allow any new counties to impose the tax. However, with expanded uses, counties may be more likely to impose the tax.

TRD:

If certain counties increase this or any other local options gross receipts taxes the General Fund will be negatively impacted: The 11 New Mexico counties with a population greater than 48,000 have the rate of their food and medical hold harmless distributions frozen; however, the rate of the hold harmless distributions from the General Fund to the following smaller counties is not frozen:

Catron	Guadalupe	Mora	Socorro
Cibola	Harding	Quay	Taos
Colfax	Hidalgo	Rio Arriba	Torrance
Curry	Lincoln	Roosevelt	Union
De Baca	Los Alamos	San Miguel	
Grant	Luna	Sierra	

If any of the above counties increase their local option gross receipts taxes the General Fund will be required to make food and medical deduction hold harmless distributions at an increased rate.

SIGNIFICANT ISSUES

TRD:

The overall rate on New Mexico’s combined state and local gross receipts tax (GRT) has increased steadily over time. The state GRT rate was increased by 0.125% on July 1, 2010 and both county and municipal¹ governments have generally been increasing their local option GRT rates over time. The average combined state and local GRT rate is now over 7.2% inside municipalities and over 6.1% in remainder of county areas. Even before recent increases, New Mexico relied on revenue from the GRT more than almost any other state (see table on page two). Relying too heavily on a single tax will increase the economic distortions caused by that tax. In general taxes with a broad base and low rate do the least harm to a state’s economic efficiency.

TECHNICAL ISSUES

TRD:

Changing “INCREASING” on page 1, line 11, to “EXPANDING” may clarify the bill’s actions.

OTHER SUBSTANTIVE ISSUES

The approval of the use of county environmental GRT dollars to support renewable energy facilities and systems may encourage the development of these systems in New Mexico.

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¹ The City of Albuquerque is an exception to this trend. Their local option GRT rates have gone up and down over time.

NMED:

The Environment Department can take credit for pollutants averted through renewable energy production in state implementation plans required pursuant to the Clean Air Act. Increased renewable energy production and energy efficiency programs decrease the need for energy production from fossil fuels, resulting in reduced greenhouse gas and ozone precursor (nitrogen oxide and volatile organic compound) emissions. This could result in fewer requirements for other sources of these emissions in potential nonattainment areas.

JAG/bym