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FISCAL IMPACT REPORT

	ORIGINAL DATE	02/24/11	
SPONSOR <u>Campos</u>	LAST UPDATED	03/18/11	HB _____
SHORT TITLE <u>Industrial Revenue Bonds Taxing Entity Notice</u>			SB <u>523/aSCORC/aHTRC</u>
	ANALYST	<u>Burrows</u>	

REVENUE (dollars in thousands)

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

(Parenthesis () Indicate Revenue Decreases)

Duplicates HB 558

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Municipal League (NMML)
 Public Education Department (PED)
 Department of Finance and Administration (DFA)
 Attorney General's Office (AGO)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee has amended Senate Bill 523 by requiring notification to be issued by certified mail with return receipt requested. The notice would include the amount, purpose and time period of the proposed industrial revenue bonds. The HTRC amendment also clarifies that the taxing authorities would receive notice at least 30 *calendar* days prior to the final meeting authorizing bond issuance.

Synopsis of SCORC Amendment

The Senate Corporations and Transportation Committee amended Senate Bill 523 to address the technical issues noted in the original synopsis, and to provide consistency with the changes proposed in the original bill.

Synopsis of Original Bill

Senate Bill 523 would expand the provisions of Section 4-59-4.1 to require counties to provide notification of industrial revenue bond (IRB) issuance to all property taxing entities within that county. Under current law, counties are only required to notify the largest municipality located in the county.

Because no effective date is provided in the bill, its provisions will become effective 90 days after the 2011 Legislative Session adjourns, on June 17, 2011.

FISCAL IMPLICATIONS

There is no fiscal impact.

SIGNIFICANT ISSUES

The proceeds from IRBs are used to fund county projects that would encourage businesses to relocate to New Mexico, or that promote the use of New Mexico agricultural products and natural resources. In some instances, IRBs are used to build or purchase facilities that are then leased for use by industries or businesses. As state property, these facilities are not subject to property taxation, so property tax revenue is reduced during the period of lease.

Under current law, property taxing entities are subject to unexpected reductions in property tax revenue with each new bond issuance. Expanding notification to all property tax authorities will provide warning to changes in revenue.

The Department of Finance and Administration has provided a list of entities that are authorized by statute to impose taxes within a New Mexico county (see Attachment).

DUPLICATION

House Bill 558 duplicates Senate Bill 523. However, House Bill 558 addresses the technical issues noted below.

TECHNICAL ISSUES

Senate Bill 523 amends the notification process to include “any entity located within the county authorized to levy taxes on property in the county.” The remainder of Section 4-59-4.1 continues to refer only to “the municipality.” A possible amendment would update language on page 1, lines 19 and 25, and in subsections B through D to be consistent with the proposed changes.

OTHER SUBSTANTIVE ISSUES

According to the Attorney General’s Office, neither the county assessor nor the municipality authorized to receive notification under current law has veto authority over bond issuance. The Office notes a recent advisory letter issued to the Soil and Water Conservation Commission regarding the issuance of \$190 million in IRBs to finance the High Lonesome Mesa Wind Project in Torrance County. During the 30-year maturity period on the bonds, the property will be exempt from the taxing authority of the Claunch-Pinto Soil and Water Conservation District.

It is the opinion of the Attorney General that a county government does not need to inform or obtain consent from a property taxing entity when it issues industrial revenue bonds under the County Industrial Revenue Bond Act, NMSA 1978, Section 4-59-1.

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