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FISCAL IMPACT REPORT

ORIGINAL DATE 02/23/11

SPONSOR Munoz LAST UPDATED _____ HB _____

SHORT TITLE Determine Hunting Benefits to Taxpayers Study SJM 25

ANALYST Graeser

REVENUE (dollars in thousands)

Revenue		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	(\$1,500.0)*	Nonrecurring	All Funds

(Parenthesis () Indicate Expenditure Decreases)

(*) TRD notes that diverting auditors from productive audits to information audits carries an opportunity cost. Each experienced auditor generates at least \$500.0 in enhanced collections per year. This revenue impact assumes three experienced auditors would be diverted from more productive audits for one year.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$200.0		\$200.0	Nonrecurring	General Fund (TRD operating)

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

Department of Game & Fish (DGF)

SUMMARY

Synopsis of Bill

Senate joint memorial 25 requests that the Taxation and Revenue Department conduct audits and a systematic evaluation of income tax returns of outfitters, guides and landowners who claim income from hunting in order to help the legislature assess the costs and benefits of hunting to the state and its taxpayers.

Effective Date: Not specified; 90 days following adjournment (June 17, 2011).

FISCAL IMPLICATIONS

TRD notes that diverting auditors from productive audits to information audits carries an opportunity cost. Each experienced auditor generates at least \$500.0 in enhanced collections per year. This revenue impact assumes three experienced auditors would be diverted from more productive audits for one year.

SIGNIFICANT ISSUES

There are many ways of assessing economic impacts and conducting cost-benefit analyses. These methods are well known and are taught in the state's universities. By proposing a non-standard cost-benefit methodology, this joint memorial is proposing probably the least cost-effective means of assessing the economic impact of a particular industry possible.

PERFORMANCE IMPLICATIONS

Auditor productivity measures would degrade if TRD diverted experienced auditors into conducting informational audits.

ADMINISTRATIVE IMPLICATIONS

TRD notes that this joint memorial generates a substantial impact on the Department. "This bill would require at least three additional auditors to conduct the research and the audits of this group of taxpayers. The estimated budget impacts would be \$200,000. There is an opportunity cost in foregone revenue to the State when the Department's auditors are not being used to conduct revenue generating audits that ensure proper and equitable compliance with New Mexico taxes."

ALTERNATIVES

Game and Fish could be asked to contract with one of the state's universities to conduct a cost-benefit study of the state's hunting policies. The Department of Game and Fish collects fees from hunting and fishing licenses and receives a federal match against those revenues. Requesting the Department of Game and Fish to allocate some of their annual revenues to a cost-benefit study might be more appropriate than diverting generally funded resources.

LG/svb