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FISCAL IMPACT REPORT

ORIGINAL DATE
SPONSOR Trujillo, CA **LAST UPDATED** 02/05/16 **HB** 249

SHORT TITLE Conform Income Tax Due Dates With Federal Law **SB** _____

ANALYST Keyes

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY16	FY17	FY18	FY19	FY20		
\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	Recurring	General Fund

Parenthesis () indicate revenue decreases

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$7.0	\$0.0	\$0.0	\$7.0	Nonrecurring	Taxation and Revenue Dept.

Parenthesis () indicate expenditure decreases

SOURCES OF INFORMATION

LFC Files

Responses Received From

Attorney General's Office (AGO)

Taxation and Revenue Department (TRD)

SUMMARY

House Bill 249 amends a section of the Income Tax Act and a section of the Corporate Income and Franchise Tax Act to change the due date of income taxes to conform, or closely align, with due dates of federal taxes. The bill provides individuals with a deadline to pay New Mexico income tax with a deadline up to the date the individual's federal income tax is due. The same time stipulations apply for corporations filing returns under the Corporate Income and Franchise Tax Act. The bill would apply to taxable years beginning on or after January 1, 2016.

There is no delayed repeal date. The LFC recommends adding a delayed repeal date.

There is no effective date of this bill. It is assumed that the new effective date is 90 days after this session ends.

FISCAL IMPLICATIONS

TRD has stated that a revenue impact across fiscal or tax years is not anticipated. The changes proposed by HB249 will have a minor effect on when payments are made. The total revenue due from taxpayers is not affected.

PERFORMANCE IMPLICATIONS

TRD provided the following analysis:

This bill is intended as a simplicity measure. The federal government recently amended the Internal Revenue Code (HR 3236) to set new federal filing deadlines for most corporations and pass-through entities, such as partnerships, S-corporations, and limited liability companies that elect to be taxed as partnerships. Under the new federal law, corporate returns are now due on the 15th day of the fourth month following the tax year (instead of the third month). Partnership returns are now due the 15th day of March, instead of April, so that partners' K-1s and distributive share documents are available before the individual income tax filing deadline in April. This bill conforms New Mexico filing deadlines to federal deadlines across the board. Specifically, it amends the filing deadlines in the Income Tax Act and the Corporate Income Tax Act. It does not amend the pass-through entity informational filing deadlines because those sections of New Mexico statutes already conform to federal law.

Currently New Mexico allows taxpayers who file electronically an additional 15 days to file their returns. But the favorable 15-day addition only applies to on-time filers, not those who have obtained extensions. This bill makes no changes to the 15-day addition for on-time electronic filers, other than conforming the original due dates to the federal due dates. In short, on-time electronic filers will still have an additional 15 days to file their returns.

ADMINISTRATIVE IMPLICATIONS

HB249 is anticipated to have minimal impact. TRD states that the costs of modifying the forms and instructions for the 2016 income taxes can be absorbed with the annual renewal of the tax programs. TRD employee and taxpayer education will be needed. GenTax will need to be reconfigured.

TECHNICAL ISSUES

The AGO has noted that there is some inconsistent language or terms used in the bill that could be aligned, such as adding “for the taxable year” after the word tax on line 5 on page 2 and “required” before the word return on page 2. It should be confirmed whether an extension on federal returns would be applied to New Mexico returns.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy:** Revenue should be adequate to fund needed government services.
2. **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity:** Different taxpayers should be treated fairly.
4. **Simplicity:** Collection should be simple and easily understood.
5. **Accountability:** Preferences should be easy to monitor and evaluate

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