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FISCAL IMPACT REPORT

ORIGINAL DATE 1/30/18

SPONSOR Alcon LAST UPDATED _____ HB 140

SHORT TITLE NM Housing Trust Tax Refund Contributions SB _____

ANALYST Iglesias

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20	FY21	FY22		
No Fiscal Impact						General Fund

Parenthesis () indicate revenue decreases

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

Mortgage Finance Authority (MFA)

SUMMARY

House Bill 140 adds a new section to the Income Tax Act to allow for the optional designation of a tax refund to the New Mexico housing trust fund for affordable housing activities pursuant to the New Mexico Housing Trust Fund Act (Section 58-18C-1 NMSA 1978). A taxpayer would have the option to make a contribution to the fund.

There is no effective date of this bill. It is assumed that the effective date is 90 days after this session ends. The bill's provisions apply to taxable years beginning on or after January 1, 2018.

FISCAL IMPLICATIONS

According to the Taxation and Revenue Department (TRD), there is no fiscal impact to the General Fund because the contributions would have the effect of reducing taxpayer refunds, not state revenue.

The provisions of the bill apply to taxable years beginning on or after January 1, 2018. Refunds designated by taxpayers on or after January 1, 2018 will be transferred to the fund. This is consistent with the New Mexico Housing Trust Fund Act, which states: "the Fund shall consist of the following recurring sources: (1) appropriations and transfers from the general fund; (2) any other money appropriated or distributed to the fund; or (3) any private contributions to the

fund.”

In accordance with the Act, “money from the fund may also be used to reimburse the [Mortgage Finance Authority (MFA)] for actual expenses incurred in administering the fund in an amount not to exceed five percent of total funds disbursed from the fund.” This provision covers MFA’s operating costs for administering the fund.

SIGNIFICANT ISSUES

Established in 2005, the purpose of the New Mexico housing trust fund is to provide flexible funding for housing initiatives in order to produce significant additional housing investment in the state. MFA is the trustee of the fund, and the State Investment Council is the investment agent for the fund. The fund was created in 2005 with an initial appropriation of \$10 million and subsequent appropriations of \$18.7 million.

The New Mexico Housing Trust Fund Act states, “(t)he authority’s governing body shall be responsible for ensuring that on an annual basis the total funds awarded for housing activities attract at least three times as much funding from other sources.” According to MFA, to date, the fund has leveraged \$459 million in other funding sources, which represents a 24-to-1 return on the state’s \$18.7 million investment. The fund has also received \$19.7 million in loan principal repayments, \$1.9 million in loan interest and \$5.5 million in net investment interest.

MFA also indicates hundreds of construction jobs are created throughout the state due to construction activity financed by the New Mexico Housing Trust Fund.

PERFORMANCE IMPLICATIONS

MFA administers the New Mexico housing trust fund as a revolving loan fund used to finance the construction and rehabilitation of affordable housing units. Therefore, personal income tax contributions to the fund will enable MFA to finance additional affordable housing units throughout New Mexico.

ADMINISTRATIVE IMPLICATIONS

This bill requires TRD to add a contribution option to the PIT-D Voluntary Contributions Schedule for taxable years beginning on January 1, 2018. TRD will need to transfer any funds contributed to MFA. TRD states this bill would have a minimal administrative impact on the department.

MFA administers the New Mexico housing trust fund pursuant to the New Mexico Housing Trust Fund Act. As required by the Act, the fund’s advisory committee reviews all project applications and makes recommendations to the MFA board of directors for funding. The committee is subject to oversight by the Mortgage Finance Authority Act oversight committee; therefore, MFA reports on the status of the New Mexico housing trust fund annually to the Mortgage Finance Authority Act oversight committee.