LFC Requester:	Jennifer Faubion

AGENCY BILL ANALYSIS
2024 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:

AgencyAnalysis.nmlegis.gov

{Analysis must be uploaded as a PDF}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Original ___ **Amendment** x
Correction x **Substitute** ___

Date Prepared: 1/18/2024
Bill No: Senate Bill 4

Sponsor: Ron Griggs
Short Title: Increase Occupancy Rate Tax

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		

(Parenthesis ( ) Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		

(Parenthesis ( ) Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: This bill is targeted at addressing the rate of the occupancy tax that may be imposed by municipality pursuant to the lodgers' tax act. The bill intends to raise the gross taxable rent a municipality may charge up to seven (7) percent of the gross taxable rent, and expand the use of the tax revenue that is generated, and allow that money to be used to develop and promote events and tourism in the state.

FISCAL IMPLICATIONS

Note: major assumptions underlying fiscal impact should be documented.

Note: if additional operating budget impact is estimated, assumptions and calculations should be reported in this section.

The major assumptions made are that tax revenue goes to local municipalities and not the state. That the agency or contractor managing the raised tax revenue work for and/or are paid by the municipality.

This bill affects the tax revenue of municipalities and counties and not the state. It does not appear to have an impact on state tax revenue unless the state of New Mexico separately taxes occupancy as well.

SIGNIFICANT ISSUES

The bill expands what municipalities can do with revenue raised from lodgers/occupancy taxes. The taxable amount increases to 7%. There is a possible issue in Section 1(B) of the bill where the tax is still limited to 5% of the lodging in a county outside of a municipality. There are no implied or stated revenue issues for the state. The bill divides the tax revenue into two categories the first one is outlined in the bill and related to tourism, emergency service to address tourism/events and/or promoting events and the rest of the money can be spent as the county/municipalities see fit provided the ordinance states where the money is going.

PERFORMANCE IMPLICATIONS

There are not any performance issues as the bill is intended to raise taxes at the county/municipality level. The bill lays out that the county/municipality will at on at least a quarterly basis consult with the agency or contractor that is managing the occupancy tax to ensure the funds are spent correctly. There is also a section requiring that the county/municipality send the advisory board the proposed budget.

ADMINISTRATIVE IMPLICATIONS

The proposed bill has the management of the tax being handled at the county/municipality level. The bill allows a county/municipality to contract with a third party to assist with managing the tax or rely on an already existing agency.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None noted at this time.

TECHNICAL ISSUES

There is a possible issue with 3-38-15 Section 1(B) in that the amount taxable by a county is limited to five precent (5%) instead of the seven precent (7%) allowed to a municipality. This could be something that needs to be addressed if it is not intended to have different tax rates for a county and a municipality.

OTHER SUBSTANTIVE ISSUES

There are no other substantive issues currently.

ALTERNATIVES

As to possible alternatives the wording in section 3-38-15 Section 1(D) could be clearer. There is a suggested change in the technical section to keep the discussed items together. Otherwise, there isn't any other alternatives to propose at this time.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If this bill is not enacted it could slow the economic development of counties and municipalities that rely on events/tourism. The lower tax revenue could also require that residents of the counties and municipalities pay higher taxes to make up for the tax revenue difference to host events and handle tourism.

AMENDMENTS

None currently.