NOTE: As provided in LFC policy, this report is intended for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

F I S C A L   I M P A C T   R E P O R T

SPONSOR:	Kissner	DATE TYPED:	01/22/00	HB	18
SHORT TITLE:	Agricultural Processing Tax Deduction			SB	
				ANALYST:	Eaton

REVENUE

Estimated Revenue		Subsequent	Recurring	Fund
FY00	**FY2001**	**Years Impact**	**or Non-Rec**	**Affected**
	$ (30.0)		Recurring	General Fund
	$ (180.0)		Recurring	Local Govt.

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

This bill provides for a gross receipts tax deduction from the sale of construction materials, services, agricultural processing equipment and related installation services for use in new or expanded agricultural processing operations. To qualify for the deduction, a nontaxable transaction certificate must be in the possession of the purchaser claiming the deduction. Claiming the credit would preclude investment credits that would be available with regard to the same equipment pursuant to the Investment Credit Act.

Taxation and Revenue Department (TRD) reports that currently there are no agricultural processing plants planned or under construction in New Mexico. TRD also reports criticisms of the current IRB/Investment Credit mechanisms. The criticisms are: a.) capital intensive businesses cannot meet the employment requirement and gain less than the full 5% investment credit allowed; and b.) manufacturing businesses may have relatively low amounts of gross receipts tax and compensating tax liabilities against which to claim the amount of investment credit granted. This means that it takes a number of years to apply the credits against withholding.

FISCAL IMPLICATIONS

The estimated impact in FY 2001 is $30.0 (recurring) to the general fund, and $180.0 (recurring) to local governments.

ADMINISTRATIVE IMPLICATIONS

Minimal. May be implemented without additional resources.

JE/gm