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

SPONSOR:	Sandel	DATE TYPED:	01/25/00	HB	31
SHORT TITLE:	Exempt Coal from Certain Taxes			SB	
			ANALYST:	Williams	

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	**FY01**			
	$ (4,397.0)	$ (4,880.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

Energy, Minerals and Natural Resources Department (EMNRD)

SUMMARY

Synopsis of Bill

Removes coal from the list of natural resources subject to resource excise tax and oil and gas conservation tax. These are both General Fund revenue sources. Effective date would be July 1, 2000.

FISCAL IMPLICATIONS

Taxation and Revenue Department estimates recurring revenue loss to the General Fund at $4,397.0 in FY01, reflecting the two month lag between production and tax collection for the conservation tax. Full year impact is estimated at $4,880.0 loss in General Fund revenue.

ADMINISTRATIVE IMPLICATIONS

None noted for either agency.

OTHER SUBSTANTIVE ISSUES

TRD notes the New Mexico average effective tax rate is the second highest in the western producing states at 12.1%, only exceeded by Montana at 15.2%. This legislation would reduce the average effective tax rate to 11.3%, which would still keep New Mexico ahead of Wyoming at 10.4%, Colorado at 4.6%, Arizona at 2.6% and Utah at 0.7%.

As noted in both agencies' analyses, with the spread of electric industry deregulation throughout the nation, competitive pressures to reduce costs are leading to changes in the coal industry. Electric generators are seeking low cost sources of supply in an environment where the largest amount of variable generating costs are attributable to fuel delivered to the generating station. Also, long-term contracts are expiring, and spot-type coal sales are becoming more common.

EMNRD notes the market for New Mexico coal has become increasingly depressed, and New Mexico coal production costs are escalating due to geologic factors.

TRD notes this legislation does not address the issue of gross receipts tax pyramiding.

AW/njw