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### FISCAL IMPACT REPORT

SPONSOR:	Tsosie	DATE TYPED:	02/08/00	HB	
SHORT TITLE:	Construction on Tribal Land			SB	279/aSWMC
				ANALYST:	Eaton

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01*			
	\$ 0.0		Recurring	General Fund
	\$ 0.0		Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

## **SUMMARY**

### Synopsis of SWMC amendment

The amendment reorganizes and adds language to not allow the deductions (unless contrary to federal law) from gross receipts arising from transactions with tribes and pueblos in the sale of mineral ore, receipts from selling property that: is or will be incorporated metropolitan redevelopment projects; is an ingredient or component parts of construction project; or that are deductions for "services" as defined in Section 7-9-3 (K). No fiscal impact report on the amendment had been received from TRD prior to the time this report was written.

### Synopsis of Bill

This bill allows construction contractors and subcontractors to purchase deductible construction materials and construction sub-contract services for projects on Indian land, even though the completed construction project is not taxable. These contractors and subcontractors must, of course, deliver the appropriate nontaxable transaction certificate to the material or service seller.

### Significant Issues

Allowing contractors to present NTTCs for materials and sub-contract services for projects on Indian land removes a particularly onerous "gotcha". If the tribe and contractor are sophisticated, all sub-contracted services will be signed by the tribe and thereby receive the protection of federal preemption. Since this tax can be so easily avoided, there is little reason to keep the hurdle in the statutes. Similar reasoning applies to construction materials.

## **FISCAL IMPLICATIONS**

Minimal impact to the general fund and to local governments. A fiscal impact report of the amendment had not been received at the time of the writing of this report.

## **ADMINISTRATIVE IMPLICATIONS**

Minimal impact on Taxation and Revenue Department

JBE/gm