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FISCAL IMPACT REPORT

SPONSOR: Robinson DATE TYPED: 02/15/01 HB _____
 SHORT TITLE: Net Capital Gain Income Tax Deduction SB 236
 ANALYST: Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ (131,000.0)	\$ (136,200.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to SB 108 and HB 382

SOURCES OF INFORMATION

LFC Files
 Taxation and Revenue Department

SUMMARY

Synopsis of Bill

The bill removes the cap of \$1,000 on the net capital gain income deduction for personal income taxes. The bill is effective beginning tax year 2001.

Significant Issues

Unexpectedly strong capital gain has contributed to personal income tax receipts above projections in recent years for both the federal government and many states, including New Mexico. The attached table reflects the relative importance of capital gains to the New Mexico personal income tax structure based on a recent report.

FISCAL IMPLICATIONS

TRD has estimated the bill would reduce general fund revenues by \$131,000.0 in FY02 and \$136,200.0 in FY03. The fiscal impact is projected to grow significantly over time. The TRD fiscal impact incorrectly identifies an impact on local governments and other state funds. Because this is a personal income tax bill, the proposed deduction for capital gains would only impact the state general fund.

OTHER SUBSTANTIVE ISSUES

The attached TRD analysis reflects their position on the proposal's effectiveness as well as presents a distribution of the fiscal impacts by income category.

POSSIBLE QUESTIONS

1. Does the sponsor concur with the effectiveness issues raised by the TRD analysis?

AW/ar
Attachment