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FISCAL IMPACT REPORT

ORIGINAL DATE 2/20/07
 LAST UPDATED 3/01/07 HB 828

SPONSOR Youngberg

SHORT TITLE Taxpayer Information to Licensing Bodies SB _____

ANALYST Earnest

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	\$0.1*	\$0.1*	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

*Indeterminate but positive impact anticipated by TRD.

Note: RLD submitted revised analysis that removed its estimate of an administrative impact and need for an appropriation.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
 Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of Bill

House Bill 828 would authorize the Taxation and Revenue Department (TRD) to notify a licensing body when a licensee has failed to file a tax return required under the Tax Administration Act, or failed to pay a “settled tax liability” of \$1,000 or more. A settled tax liability is defined as an amount that has not been protested within the time periods allowed or, if protested, has been decided against the licensee in a decision that may not be appealed or for which the time to appeal has expired. TRD could request the licensing body initiate disciplinary proceedings and could provide the licensing body with additional information. Licensees covered by the provisions would be those licensed under Chapter 60 (horse racing, boxing, wrestling, alcoholic beverages and construction industries) and Chapter 61 (professional and occupational licenses).

Failure to file a required return or to pay an outstanding liability of \$1,000 or more would become grounds for denial of a license for construction industries licensees and also for professional and occupational licensees.

FISCAL IMPLICATIONS

TRD finds that bill would provide an important compliance tool for enhancing collections of outstanding tax liabilities. Timeliness of payments should be improved, and total collections will likely be enhanced. TRD could not make a precise estimate is not available with current information.

SIGNIFICANT ISSUES

RLD indicates that each board or commission would have to develop a procedure to process TRD information and determine the level of disciplinary action for each profession or occupation based on the licensee's actual or deemed failure to file or pay taxes. RLD, in its revised analysis, indicates they would not be required to revoke a license.

ADMINISTRATIVE IMPLICATIONS

RLD's revised analysis indicates that the only impact will be on licensing boards that will be required to develop new procedures. RLD's original report estimated the need for one additional FTE to process TRD information and enforce disciplinary action, at a cost of about \$50 thousand per year for the FTE. In addition, RLD originally expressed concern about a reduction in revenue from licensing fees and fewer applications.

TECHNICAL ISSUES

TRD notes the following technical issues:

- Section 1, page 1, line 22. To avoid any question about the Department's authority to make the disclosures authorized by the bill, a disclaimer of the protections for taxpayer information under Section 7-1-8 might be added. For example, the following language could be added at the beginning of the first sentence in subsection A:
 - "Notwithstanding any provision to the contrary in Section 7-1-8 NMSA 1978,"
- Section 2, page 3, line 7. A comma should be added between the words "filing" and "or".

OTHER SUBSTANTIVE ISSUES

The bill would allow TRD to advise the Regulation and Licensing Department of licensees that are not filing returns as required or not paying tax debt established of at least \$1,000. This will help ensure that entities that are licensed to do business in New Mexico are in compliance with all tax reporting and paying requirements. Based on the information provided to them by the Taxation and Revenue Department, the Regulation and Licensing Department will determine for which situations they would initiate disciplinary proceedings. Sections two and three would add tax reporting and paying as grounds for the denial, suspension or revocation of a licensee's license by the Regulation and Licensing Department. It is expected that in certain situations license renewals could be held until arrangements are made by a licensee to come into

compliance with their tax reporting and paying requirements, and in only extreme cases would a license be considered for suspension or revocation.

BE/nt