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## FISCAL IMPACT REPORT

ORIGINAL DATE 01/28/13

SPONSOR Trujillo LAST UPDATED \_\_\_\_\_ HB 172

SHORT TITLE Limit Tax Credit Paid to Another State SB \_\_\_\_\_

ANALYST Smith

### REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15	FY16	FY17		
\$0.0	\$1,390.0	\$1,450.0	\$1,530.0	\$1,610.0	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

House Bill 172 amends Section 7-2-13 NMSA 1978 to close an income tax loophole involving multi-state taxpayers. Currently, taxpayers receive a credit capped at 5.5 percent of apportionable income. The bill specifies that the credit cannot exceed the taxpayer's liability.

### FISCAL IMPLICATIONS

Currently taxpayers can claim a refund in excess of their total liability because the 5.5 percent credit cap is greater than the 4.9 percent top income tax rate. The loophole developed because this section of the income tax code was not amended to conform to the 2003 rate reductions.

TRD analysis for this bill was conducted using the 2010 New Mexico Personal Income Tax data. The amount of taxes owed to other states attributable to NM was estimated. It was assumed that this amount would reduce due to the rate difference of 5.5 percent maximum under current law, and the 4.9 percent current max rate in NM. 70 percent of this expected rate difference effect is expected to be seen as not all taxpayers are able to apply at a rate more than 4.9 percent. Consensus personal income growth rates were used to estimate the fiscal impact for subsequent years.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy:** Revenue should be adequate to fund needed government services.
2. **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity:** Different taxpayers should be treated fairly.
4. **Simplicity:** Collection should be simple and easily understood.
5. **Accountability:** Preferences should be easy to monitor and evaluate

SS/bm