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FISCAL IMPACT REPORT

Maestas
 Barnes/Ruiloba/ **ORIGINAL DATE** 02/28/17
SPONSOR Montoya/Neville **LAST UPDATED** _____ **HB** 430
SHORT TITLE No Municipality Food Tax **SB** _____
ANALYST Amacher

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		NFI	NFI	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Office of the Attorney General (OAG)

New Mexico Municipal League (NMML)

SUMMARY

Synopsis of Bill

House Bill 430 prohibits a municipality from imposing an excise tax on food or beverages. If enacted, HB 430 becomes effective June 16, 2017.

FISCAL IMPLICATIONS

There are no known fiscal impacts from a statewide perspective. As outlined by the New Mexico Municipal League, this legislation further restricts the ability of a municipality to impose taxes on specific products or property that, in turn, reduces the potential revenues a municipality may raise to support services provided to local residents.

SIGNIFICANT ISSUES

House Bill 430 prohibits a municipality from imposing an excise tax on food or beverages. Items currently prohibited by law include tobacco, liquor, motor fuels and motor vehicles. A municipality may continue to impose an excise tax of the sales, gross receipts on other items not prohibited and on any other type of specific products or services, if those products or services taxed are each named specifically in the tax ordinance and as approved by a majority vote in the municipality. Furthermore, the provisions of this act are not applicable to the business licenses fees issued by a local governing body.

OTHER SUBSTANTIVE ISSUES

Although this bill as proposed prohibits a municipality from an excise tax on food or beverage, the amendments do not apply to the business license authority of a municipality. This licensure authority is a means by which the governing body may promote the health and general welfare of the community. If HB 430 is enacted, only the state may impose taxes on food and beverages by type, or production, or by the way it may be purchased as in a retail food store; such taxes imposed would also be in the spirit of promoting the health and general welfare of the statewide community.

The New Mexico Municipal League (NMML) notes the proposed legislation represents an expansion of the preemption of municipal authority to determine the type of taxes and fees it wishes to impose on citizens to raise revenues to support services to the citizens of the municipality.

NMML makes references to its Statement of Municipal Policy as adopted by its membership:

“At both the state and federal level attempts are being made to preempt local government authority to tax certain transactions. Preemption of local taxing authority deprives local governments of the ability to raise revenue to provide service to their constituents. **The League opposes federal and state legislation that preempts local taxing authority.** The New Mexico Municipal League opposes continuation of the moratorium on taxation contained in the Internet Tax Freedom Act.”

The New Mexico Municipal League opposes HB430.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Municipalities will continue to have the option to excise a tax on food and or beverages that would allow revenues to be generated to address certain needs of the community, such as education and health care, which may be unfulfilled by other resources.

JMA/sb/al