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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/08/2020  
 LAST UPDATED 2/18/2020    HB \_\_\_\_\_

SPONSOR Gonzales

SHORT TITLE Water & Sanitation Gross Receipts Time Limit    SB 240/aSFC

ANALYST Iglesias

### REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22	FY23	FY24		
-	\$37.0	\$75.0	\$76.0	\$77.0	Recurring	San Juan County Water and Sanitation District
-	\$59.3	\$124.8	\$131.2	\$138.0	Recurring	Taos County Water and Sanitation Districts

Parenthesis ( ) indicate revenue decreases

### SOURCES OF INFORMATION

LFC Files

### SUMMARY

#### Synopsis of SFC Amendment

The Senate Finance Committee amendment to Senate Bill 240 makes the bill provisions applicable to an ordinance imposing a water and sanitation gross receipts tax that is approved by voters on or after July 1, 2020.

#### Synopsis of Original Bill

Senate Bill 240 removes the six-year limitation on a water and sanitation gross receipts tax (GRT) increment imposed by a water and sanitation district. The effective date of this bill is July 1, 2020.

### FISCAL IMPLICATIONS

Under current law, local governments that establish a water and sanitation district may impose a water and sanitation GRT increment of .25 percent on persons engaging in business within the area of the county located within the district. The revenue must be dedicated only for the operation of the district and the increment is currently limited to six years from the effective date of the tax. This bill removes that limitation such that the GRT increment would be effective into perpetuity. This would have a positive revenue impact on water and sanitation districts that have current GRT increment imposed.

Based on review of RP-500 data from the Taxation and Revenue Department (TRD), there are two counties with water and sanitation districts: San Juan County and Taos County. In FY19, San Juan county \$70.3 thousand in revenue from the water and sanitation GRT increment. Taos County, which has two water and sanitation districts, received \$99.2 thousand in revenue from their increments. Both counties enacted their increments in January 2014 – therefore, the increments would be set to expire at the end of 2020. The revenue estimates use GRT revenue distribution data from the RP-500, grown by the average annual growth rates in these revenues. The estimates assume a 50 percent impact to FY21, since the increments are set to expire mid-way through the year.

The estimates assume the increments would not be reinstated following their expiration; however, it should be noted these districts have previously reinstated the GRT increments to allow for continued funding. Presumably, this bill would primarily ease administration to prevent the need to reinstate the increments every six years.

**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

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