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FISCAL IMPACT REPORT

SPONSOR:	Sandel	DATE TYPED:	02/10/00	HB	HJM 16
SHORT TITLE:	Alternatives for Taxing Sales of Electricity			SB	
				ANALYST:	Williams

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY00	FY01	FY00	FY01		
	None				

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01			
	None			

(Parenthesis () Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

Requests the Revenue Stabilization and Tax Policy Committee to examine alternative methods of taxing sales of electricity that will protect state and local revenues and recommend legislation at the 2001 legislative session. The bill addresses uncertainty regarding imposition of gross receipts taxes and franchise fees and concern about potential decline in revenues due to declining electricity prices.

Significant Issues

Electric industry competition will begin in New Mexico on January 1, 2001. Other western states have already opened up their electric power markets to competition, and many providers are expected to compete with the current in-state utilities for customers.

OTHER SUBSTANTIVE ISSUES

TRD notes the potential for considerable tax avoidance by out-of-state suppliers. A consumption tax may be one method of avoiding the ramifications of this problem. TRD also notes the state's share of gross receipts

taxes on electric utilities was approximately \$39 million in FY99. TRD discusses that industrial customers pay a far smaller share of gross receipts tax than residential customers.

TRD also notes local governments also charge access fees which would need to be examined.

PRC notes the bill could be amended to require all competitive power suppliers to have offices in New Mexico.

AW/gm