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FISCAL IMPACT REPORT

SPONSOR:	Maes	DATE TYPED:	02/17/00	HB	
SHORT TITLE:	Laboratory/Small Business Tax Credit (ERDT)			SB	25/aSFC
				ANALYST:	Williams

REVENUE

Estimated Revenue		Subsequent	Recurring	Fund
FY00	FY01	Years Impact	or Non-Rec	Affected
	\$ (1,000.0)	\$ (1,000.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to S28,S42,S43, H52 (companion)

SOURCES OF INFORMATION

Legislative Finance Committee files

Taxation and Revenue Department

Economic Development Department

SUMMARY

Synopsis of SFC Amendment

The amendment would reduce the total limit on the tax credit to \$1 million from \$4 million in a given calendar year.

Synopsis of Original Bill

Endorsed by the Economic and Rural Development and Telecommunications Committee. Authorizes a targeted gross receipts tax credit for non-defense business assistance efforts at Sandia National Laboratories. Both technical and non-technical assistance services would be eligible. The tax credit would be \$5,000 for each participating small business in an urban area and \$10,000 each for those in a rural area. A revolving fund would be established by Sandia National Laboratories for qualifying expenditures; this fund would be replenished with monies received pursuant to the tax credit. Businesses participating in the program would be required to certify an alternative source of private assistance is not economically feasible. The Secretary of Economic Development would provide input to improve operations of the program.

Significant Issues

Currently, through federally funded programs, Sandia National Laboratories provides limited assistance to small, defense-related businesses. According to information presented during the interim, for the most recent year data was available, approximately 40% of these businesses were located in New Mexico. Sandia is currently unable to provide non-defense-related assistance.

FISCAL IMPLICATIONS

SFC Amendment

TRD has not submitted a revised analysis reflecting the SFC amendment. Because the tax credit is capped at \$1 million per calendar year, the fiscal impact is now \$1,000.0 per year.

Original Bill

TRD estimates recurring revenue loss to the General Fund is estimated at \$1,800 thousand in FY01 and \$2,000 thousand for a full year. The estimate is based on Sandia National Laboratories currently not able to assist approximately 250 New Mexico businesses per year because those businesses' requests cannot be addressed under the current federal program.

In documents presented during the interim, Sandia noted they have "not widely communicated the availability of the current.... program... to small businesses because Sandia does not want to develop expectations in the State's business community that Sandia cannot fulfill". The implication is that effective promotion of this program could result in greater participation, causing the credit to rise over time. The legislation limits the total credit to \$4,000 thousand per year, and the Economic Development Department projects Sandia could fully utilize the credit.

Also during the interim Sandia noted it currently pays approximately \$43 million annually in gross receipts taxes to the state. Los Alamos National Laboratory does not currently pay gross receipts taxes.

ADMINISTRATIVE IMPLICATIONS

TRD notes a manual process to record credit approvals and applications would be developed.

OTHER SUBSTANTIVE ISSUES

With respect to certification that the assistance cannot be obtained at reasonable costs from the private sector, does the measurement criteria need to be stronger?

While the certification criteria only apply to availability and affordability of services from the private sector, is there overlap from state supported programs such as the Small Business Development Centers (SBDCs)?

Economic Development asks if SBDC's should be included.

AW/njw:gm