

**NOTE: As provided in LFC policy, this report is intended for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.**

**Only the most recent FIR version, excluding attachments, is available on the Intranet. Previously issued FIRs and attachments may be obtained from the LFC office in Suite 101 of the State Capitol Building North.**

## FISCAL IMPACT REPORT

SPONSOR: Tripp DATE TYPED: 02/13/01 HB 468  
 SHORT TITLE: Gross Receipts Tax Credit on Food Sales SB \_\_\_\_\_  
 ANALYST: Eaton

### REVENUE<sub>fc</sub>

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ (52,900.0)	\$ (58,900.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to Senate Bill 367

### SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

This bill would allow a taxpayer credit of 5 percent for transactions occurring outside municipalities and 3.275 percent for transactions occurring within municipal boundaries. These percentages are chosen to extinguish the entire amount of gross receipts tax the state currently retains on receipts from sales of food for home consumption. "Food" for this purpose and "retail food store" are defined by reference to 7 USCA 2012(k)(1) for purposes of federal food stamp program. This is approximately equivalent to excluding candy and snacks, hand-dipped ice cream, yogurt purchased from a specialty frozen yogurt store, prepared pizza delivered to the home and the like. Many convenience stores and gasoline outlets with convenience stores are registered for acceptance of WIC vouchers and food stamps, but a number are not. This bill would allow the credit for the former, but not the latter.

### FISCAL IMPLICATIONS

The Taxation and Revenue Department (TRD) estimate the full year negative impact of this bill on the general fund to be \$58.9 million.

### ADMINISTRATIVE IMPLICATIONS

The Taxation and Revenue Department (TRD) request a six month extension of the effective date of this bill (July 1, 2001) to allow for necessary reprogramming of the CRS system.

TRD anticipates massive regulatory changes and possible litigation associated with the passage of this bill.

### **TECHNICAL ISSUES**

The Taxation and Revenue Department (TRD) indicate that the actual money received, which is liability less the proposed credit, will be treated initially as a partial payment. To correct this, some computer reprogramming is required. TRD recommends an amendment (language borrowed from HB-452) could forestall any problems and challenges: "The credit provided for in this section shall be considered a payment of the state portion of gross receipts tax."

### **OTHER SUBSTANTIVE ISSUES**

The Taxation and Revenue Department (TRD) note that the financial benefits of this bill will not go primarily to low-income citizens of the state. The lowest income 62,000 families, with 164,000 persons, are food stamp recipients. Food purchased with food stamps are deductible from gross receipts. Purchases for food tend to consume a greater percentage of household budget as income rises. Because of this effect, 50% of the benefit of this bill will go to the 20% of the population with the highest income. TRD indicated in their report that New Mexico, with its food stamp exemption and LICTR, have satisfactorily addressed the problems of regressivity of taxing food.

JBE/ar