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## FISCAL IMPACT REPORT

SPONSOR: Maes DATE TYPED: 02/14/01 HB \_\_\_\_\_  
 SHORT TITLE: Taxation of Rural Electric Cooperatives SB 428  
 ANALYST: Valenzuela

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ 100.0		Recurring	General Fund
	\$ 10.0		Recurring	Other State Funds

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files  
 Office of the Attorney General  
 Taxation and Revenue Department  
 Public Regulation Commission

### SUMMARY

#### Synopsis of Bill

Senate Bill 428 amends the Rural Electric Cooperative Act by subjecting rural electric cooperatives, or their subsidiaries, to state and local taxation for those business activities outside that of providing electric utility services. An effective date is not included in the bill.

#### Significant Issues

Receipts from business activities unrelated to the cooperative's core business would be subject to state, school district, municipal and county property taxes, corporate income tax, PRC regulatory fees, and gross receipts tax. The bill's effect would be to provide equity in the application of state and local taxes for other services provided by rural electric cooperatives, which currently receive special tax treatment.

### **FISCAL IMPLICATIONS**

According to the Taxation and Revenue Department (TRD), electric utility industry revenues totaled \$800 million in 1997, of which approximately 20 percent is attributable to rural cooperatives. However, there is no way, at this point, to determine the percent of revenue from unrelated business activities. TRD has identified the estimated revenue impacts, with its assumptions, from enactment of Senate Bill 428, which are identified below:

- \$ 100.0 Incremental Property Tax (based on 2 times revenue valuation and unrelated business at 1 percent of revenue and property)
- \$ 10.0 PRC fees (based on 0.5% of gross receipts from business transacted in New Mexico)

### **ADMINISTRATIVE IMPLICATIONS**

Enactment of Senate Bill 428 would have a substantial impact on the TRD and the Public Regulation Commission (PRC). It would require the agencies to revise its rules, policies and practices for collections from rural electric cooperatives.

### **TECHNICAL ISSUES**

To ease administration of these provisions, the appropriate effective date could be included in the bill.

MFV/prr