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FISCAL IMPACT REPORT



SPONSOR: Lujan DATE TYPED: 01/24/02 HB 165

SHORT TITLE: Tribal Capital Improvements Tax Credit SB _____

ANALYST: Gilbert

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	*Indeterminate see narrative		Recurring	Oil & Gas Reclamation Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
Energy Minerals and Natural Resources Department (EMNR)

No Response Received

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 165 provides an intergovernmental tax credit against liability for the oil and gas severance tax, the oil and gas conservation tax and the oil and gas emergency school tax for oil, natural gas, liquid hydrocarbons or carbon dioxide severed from wells on Indian tribal land. This bill creates a credit against revenue due the state when an Indian tribal entity imposes a tax on severance that is intended to fund tribal capital improvement projects. Therefore, this bill will reduce revenue normally collected by the State on oil and gas production activities.

Significant Issues

Implementation of this bill will reduce tax revenue currently being collected for the oil and gas reclamation fund. This fund is used by the Oil Conservation Division to protect the public health and safety of New Mexico citizens by plugging abandoned well sites and associated production facilities. According to the Energy, Minerals, and Natural Resources Department (EMNR), these activities could be slowed if insufficient revenue is collected through the oil and gas conservation tax.

However, the EMNR estimates that only 1% of crude oil and 3.4% of natural gas produced in New Mexico were produced from Indian tribal lands.

FISCAL IMPLICATIONS

This bill will reduce revenue generated by the four severance taxes listed above equal to 2% of the total taxable value of the products severed. There is no expiration date, so the decreased revenue will be a recurring shortfall.

However, EMNR does not expect the revenue reduction to be significant since only 1% of crude oil and 3.4% of natural gas produced in New Mexico were produced from Indian tribal lands.

RLG/njw