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FISCAL IMPACT REPORT



SPONSOR: Lujan DATE TYPED: 02/04/02 HB 321

SHORT TITLE: Administrative and Accounting Tax Deduction SB _____

ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	(\$150.0)	(\$164.0)	Recurring	General Fund
	(\$125.0)	(\$136.0)	Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC files
Taxation and Revenue Department (TRD).

SUMMARY

Synopsis of Bill

House Bill 321 amends statute to expand the eligibility for a deduction from Gross Receipts Tax for accounting and administrative services to “business entities.” Business entities are defined as corporations, limited liability companies, partnerships, limited partnerships, limited liability partnerships or real estate investment trusts. Individuals or joint ventures are expressly excluded.

Significant Issues

According to TRD, currently deductions can be claimed for receipts from the affiliate to the corporation or for receipts flowing from the corporation to the subsidiary. Provisions of HB 321 are restricted to allow the deduction only for receipts of a business entity from providing qualified services to an affiliate. Receipts of an affiliate from providing services to a business entity would not qualify for the deduction under this proposal.

FISCAL IMPLICATIONS

TRD notes the following assumptions when determining the fiscal impact:

- According to data from the 1997 Economic Census results in an estimate of \$300 million in total receipts from accounting and administrative services for fiscal year 2003;
- Provisions included in HB 321 are limited to transactions among closely-held businesses; and
- It is assumed that less than 1.7% of the total sector receipts (approximately \$5) million would qualify for this deduction.

ADMINISTRATIVE IMPLICATIONS

TRD notes slight administrative implications to enacting HB 321 including training and form changes, etc.

TECHNICAL ISSUES:

TRD notes:

As the bill is currently written, the provisions are restricted to allow the deduction only for receipts of a business entity from providing qualified services to an affiliate. Receipts of an affiliate from providing services to a business entity would not qualify for the deduction under this proposal. It is not known if this is the intent of the proposed legislation.

SN/ar