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## FISCAL IMPACT REPORT

SPONSOR: Cravens      DATE TYPED: 1-30-02      HJM \_\_\_\_\_  
 SHORT TITLE: Direct Sellers Commissions Tax Deduction      SB 246  
 ANALYST: Neel

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	(\$1,054.0)	(\$1,150.0)	Recurring	General Fund
	(\$866.0)	(\$945.0)	Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC files  
 Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 246 amends statute to allow a deduction from gross receipts for commissions paid to direct sellers. SB 246 further specifies that direct sellers are defined in Section 3508 of the Internal Revenue Code of 1986. "Direct sellers" as defined in federal code, are independent contractors *"engaged in selling consumer products in the home or otherwise than in a permanent retail establishment."*

### FISCAL IMPACT

TRD's assumptions include:

The fiscal impact was derived using data from the 1997 Census of Trade in New Mexico. In 1997, there were 208 "Direct Selling Establishments"—a subset of the category "Non-store Retailers". Total receipts and payroll for this category were \$202 million and \$25 million, respectively. Using payroll as a proxy for commission sales and assuming an average annual growth rate of 6%, the FY 2003 base is estimated to be approximately \$34 million. An effective state and local tax rate of 6.06% yields the fiscal impact illustrated above.

SN/njw