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FISCAL IMPACT REPORT



SPONSOR: Martinez **DATE TYPED:** 02-11-02 **HB** _____

SHORT TITLE: School District Local Option Gross Receipts Tax Act **SB** 394

ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
		\$977.0	Recurring	Espanola School District
		\$30.0	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases) – In thousands

SOURCES OF INFORMATION

LFC Files
 State Department of Education (SDE)
 Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 394 enacts a new section of statute titled “School District Local Option Gross Receipts Tax Act” that allows local school boards to impose a gross receipts tax of one-half of one percent to one percent on all persons engaging in business in the district, whereby the revenue derived from the tax is dedicated for the payment of Gross Receipts Tax Revenue Bonds (GRTRB). GRTRB are to be used for public school capital projects or “off campus” instruction program capital projects. Section 21-14A-2 NMSA 1978 defines “off-campus instruction program” to mean either the first two years of college education or organized vocational and technical curricula of not more than two years' duration designed to fit individuals for employment in recognized occupations. SB 394 defines “capital project” as planning, designing, constructing, equipping, furnishing or landscaping new buildings; remodeling, renovation or expansion of existing buildings; replacement or upgrading of equipment or furnishings in an existing building; or improving or equipping the grounds surrounding buildings.

Significant Issues

SB 394 defines "district" as a school district that is located in two counties and that has final property valuation in fiscal year 2001 as determined by the state department of public education that was greater than three hundred sixty million dollars (\$360,000,000) but less than three hundred sixty-five million dollars (\$365,000,000). Under this criteria only the Espanola School District would be the only qualifying school district.

FISCAL IMPLICATIONS

SB 394 does not contain an appropriation. TRD estimates the impact of the gross receipts tax based on a .5% rate imposed on the taxable gross receipts reported to Espanola in FY 2001. TRD notes that first year revenues under provisions of SB 394 will be affected by compliance issues related to when a new program such as this comes on line, some time is needed for taxpayers to make the transition. Despite the best efforts of the school district and the Department, many taxpayers will simply not be aware that they should be reporting to a new, or additional, location code.

OTHER SUBSTANTIVE ISSUES

TRD notes that local option gross receipts tax is not currently designed to function as a revenue source for school districts. Because of this, these provisions would impose a significant administrative burden on taxpayers as well as the Department. However, the 2001 legislature passed SB 516a *County Education Gross Receipts Tax*, that allowed class B counties with populations of less than twenty-five thousand (based on the 1990 federal decennial census) and a net taxable value for property tax purposes of more than \$500 million (Taos County) to enact an excise tax, at a rate 0.5 (one-half) percent. The revenues are dedicated for the payment of County Education Gross Receipts Tax bonds. The proceeds of the bonds are dedicated to public school capital outlay projects or for off-campus programs.

ADMINISTRATIVE IMPACT:

TRD notes the following concerns:

The CRS/TRIMS systems must be programmed to collect money from a new reporting location (crossing portions of three different jurisdictions) and distribute funds to a new entity. Forms must be revised. Information must be disseminated to taxpayers in affected districts to make them aware of the new reporting requirements. Taxpayer seminar materials and technical advice memoranda must be prepared and Department personnel must be trained on the new provisions.

Compliance burden for taxpayers would be substantial as well. Currently, taxpayers report gross receipts by municipality or remainder of county area. Taxpayers in the Espanola school district currently report to one of three locations: Espanola, remainder of Rio Arriba county, or remainder of Santa Fe county. Since the school district crosses municipal and county lines, taxpayers would need to report to (at least) two locations.

SN/njw