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FISCAL IMPACT REPORT

SPONSOR Taylor, JG **DATE TYPED** 02-14-04 **HB** 368/aHBIC

SHORT TITLE Non-Profit Operated Gross Receipts **SB** _____

ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
		(\$750.0)	Recurring	General Fund
		(600.0)	Recurring	Local Funds
	(1,125.0)	(1,125.0)	Recurring	Public Project Re- volving Fund
	(210.0)	(210.0)	Recurring	State Park & Rec Capital Improve.
	(150.0)	(150.0)	Recurring	Youth Conservation Corps
	(15.0)	(15.0)	Recurring	Office of Cultural Affairs

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department

SUMMARY

Synopsis of HBIC Amendment

The House Business and Industry Committee amendment changes the population criteria for a downtown arena that would be eligible for the proposed tax exemptions from a city with a population of 350,000 to a city with a population of 50,000.

It provides a governmental gross receipts tax (GGRT) deduction for New Mexico public four-year institutions' athletic facilities that seat 5,000 or more.

Synopsis of Original Bill

HB0368 provides an exemption from gross tax and governmental gross receipts tax for receipts from sales of non-profit downtown sports and entertainment arenas operated by a non-profit organization. Specifically exempted are ticket sales, parking, souvenirs, concessions, programs, advertising, sponsorship, naming rights, merchandise, corporate suites, club suites, broadcast rights and all other products or services related to or occurring at the arena and operated by a nonprofit organization. The bill defines downtown sports and entertainment arena such that it must be an arena in downtown Albuquerque. The bill has an effective date of July 1, 2004.

FISCAL IMPACT

TRD estimates that the exemption for the downtown non-profit sports arena will reduce total gross receipts tax revenues by \$1.35 million beginning in FY06. \$750 thousand of the loss would be absorbed by the state general fund and \$600 thousand by the local government. They estimate that the tax base is \$26 million. This assumes that the arena will host 130 events, with an average attendance of 5 thousand per event and average expenditure of \$40. \$26 million is equal to 130 times 5 thousand times \$40. This analysis assumes only the arena proposed for Albuquerque.

The governmental gross receipts exemption provided in the HBIC amendment reduces governmental gross receipts by a total of \$1.5 million annually, according to TRD. The estimate assumes that the exemption applies to athletic facilities at UNM, NMSU, NMHU, ENMU, and WNMU. It notes these facilities generated \$30 million from admission revenues in FY 2003. Applying a 5 percent GGRT tax rate to the \$30 million base implies \$1.5 million in foregone GGRT revenue. This revenue is divided between various funds including the public project revolving fund (1,125.0), the state park and recreation capital improvement program (210.0), the youth conservation corps program (150.0), and the office of cultural affairs (15.0).

OTHER SUBSTANTIVE ISSUES

By way of comparison, KPMG estimated revenues, including ticket sales concessions, merchandise, parking, box suites and clubs suites, restaurants, advertising etc for an arena in Wichita, to be about \$14.8 in 2002 dollars.

BT/lg:dm