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## FISCAL IMPACT REPORT

SPONSOR Smith DATE TYPED 02-04-04 HB \_\_\_\_\_  
 SHORT TITLE Post-Secondary Textbook Sale Gross Receipts SB 117  
 ANALYST Taylor

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
	(150.0)	(160.0)	Recurring	General Fund
	(100.0)	(105.0)	Recurring	Local Governments
	64.0	70.0	Recurring	NMFA Funds
	21.0	23.0	Recurring	ENMRD

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files  
 Taxation and Revenue Department

### SUMMARY

Senate Bill 117 amends provisions of the gross receipts and compensating tax act related to text book sales to post secondary students. It eliminates the gross receipts tax exemption provided to contract management bookstores and replaces it with a deduction that would be made available to all bookstores selling textbooks. The deduction would be provided for all text book sales to a student displaying a valid student identification card. The current exemption is allowed only for the sale of textbooks and (other materials) at campus bookstores. The governmental gross receipts tax exemption provided to “other materials” sold by campus bookstores is eliminated

Effective date: July 1, 2004.

### FISCAL IMPLICATIONS

TRD estimates that New Mexico students spend about \$32 million per year on text books and \$3.2 million on other materials. They estimate that the market is shared as follows: campus bookstores—53%, contract management stores--28 percent, and private book stores--16 percent.

Sales from privately owned college bookstores that would no longer be subject to the gross receipts tax are thus estimated at \$5.1 million (16% of \$32 million). Multiplying the \$51 million by a 6 percent gross receipts tax rate implies a total gross receipts revenue loss of \$306 thou-

sand. This is partially offset by the provision deleting the exemption provided for the sale of other materials. TRD estimates that the gain from taxing other materials is about \$55 thousand. Thus, total gross receipts revenue loss is approximately is \$250 thousand. Sixty percent of the revenue loss, or \$150 thousand, is attributed to the state general fund. The remaining \$100 thousand represents a loss in gross receipts tax distributions to local governments.

Governmental gross receipts tax revenue is expected to increase by \$85 thousand due to the elimination of the deduction provided for other materials. Recalling that the estimated value of other materials was \$3.2 million, and that little over half of these were sold at campus bookstores where such sales were exempted from the tax implies that the governmental gross receipts tax base will increase by \$1.7 million. Applying the 5 percent governmental gross receipts revenue tax rate to \$1.7 million implies that governmental gross receipts will increase by \$85 million. This revenue is shared between the New Mexico Finance Authority (NMFA) and the Energy and Minerals Department (EMNRD) programs.

#### **ADMINISTRATIVE IMPLICATIONS**

Administrative implications should be small.

#### **OTHER SUBSTANTIVE ISSUES**

This bill essentially levels the playing field between campus bookstore and other sellers of textbooks.

**BT/dm:yr**