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## FISCAL IMPACT REPORT

SPONSOR Aragon DATE TYPED 02-06-04 HB \_\_\_\_\_

SHORT TITLE Amounts Included In NM Taxable Income SB 440

ANALYST Taylor

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
	43,800.0	33,400.0	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

Response Received From  
Taxation and Revenue Department

### SUMMARY

Senate Bill 440 amends the income tax act definition of net income. In particular, the provision that excludes itemized deductions from base income is amended so that state and local taxes currently included in the taxpayer's itemized deductions may no longer be excluded.

This provision would apply to taxable years beginning on or after January 1, 2004.

### FISCAL IMPLICATIONS

TRD estimates that this bill would increase general fund revenues by \$43.8 million in FY05. Their analysis reports that the estimate is based on tabulations of federal income tax returns filed by New Mexicans in tax year 2000. Figures are adjusted for income and population growth.

The impact diminishes in future years, as the top state income tax rates are reduced.

### ADMINISTRATIVE IMPLICATIONS

TRD reports modest administrative impacts that they can absorb with existing resources.

**TECHNICAL ISSUES**

The TRD analysis reported the following technical issue: “The current proposal would eliminate the deduction for all “state and local taxes.” It is unclear if this is intended to read “state and local income taxes” or if it is intended to include other taxes, like real estate taxes, that can be deducted as well.” They also note that if the bill intends to eliminate the deduction for all state and local taxes (mostly property taxes), the revenue impact is 50 percent higher.

**BT/lg:dm**