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FISCAL IMPACT REPORT

SPONSOR Cisneros **DATE TYPED** 2/11/04 **HB** _____

SHORT TITLE Income Tax Relief and Raising Tax on Oil **SB** 627

ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
(1,250.0)	1,500.0	4,400.0	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Response Received From
Taxation and Revenue Department

SUMMARY

Senate Bill 627 provides income tax relief for single parent households and for additional persons who are over 65 or blind. It increases the oil and gas school tax rate on oil and carbon dioxide production.

The tax relief provided for single parent households is achieved by making income tax brackets and rates for “head of household” filers the same as those for “married filing joint”.

Additional relief is provided for some elderly by ending the current phase-out of the exemption for higher income taxpayers who would now be provided a \$2,500 exemption regardless of income. Currently, the exemptions (of \$1,000.0) are completely phased out at incomes greater than \$28,500 for single individuals and \$45 thousand for heads of households, surviving spouses and married individuals.

The emergency school tax amendments increase the tax rate on oil and carbon dioxide from 3.15 percent of taxable value to 4.0 percent--the same rate imposed on gas production. The reduced rates provided for stripper wells are increased proportionately.

The income tax provisions of the bill are applicable beginning in 2004. The higher rates for the emergency school tax are effective as of July 1, 2004 (FY05).

FISCAL IMPLICATIONS

TRD's report shows the following impacts for the various components of the bill.

Provision	Estimated Impact on Revenues		Subsequent Years	Funds Affected
	FY 2004	FY 2005		
Exemption for Seniors	(1,000)	(9,000)	(7,000)	General Fund
Single parent relief	(250)	(4,500)	(2,000)	General Fund
School tax increase	None	15,000	13,400	General Fund
Total	(1,250)	1,500	4,400	General Fund

The income tax provisions are shown decreasing in subsequent years, reflecting the phased-in income tax reductions. The school tax provision is also shown decreasing in subsequent years. This is due to assumed lower oil prices.

ADMINISTRATIVE IMPLICATIONS

TRD reports that the administrative impacts are relatively minor and can be managed with existing resources.

BT/lg