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## FISCAL IMPACT REPORT

SPONSOR Leavell DATE TYPED 2/07/05 HB \_\_\_\_\_

SHORT TITLE Penalty for Incorrect Gross Receipts Reports SB 85

ANALYST Taylor

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
(Uncertain)	(Uncertain)	(Uncertain)	Recurring	General Fund
(Uncertain)	(Uncertain)	(Uncertain)	Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to: SB 177

### SOURCES OF INFORMATION

LFC Files  
Taxation and Revenue Department (TRD)

### SUMMARY

SB 85 amends the provisions of the law regarding incorrect reporting of gross receipts deductions of sales of food for home consumption and certain medical services. The bill reduces the penalty in current law, which is equal to the misreported deduction multiplied by twice the gross receipts rate for both the state and local options to a rate of 0.25 percent of the local options rate times the misreported amount, but only when the amount of the deduction is over reported.

The bill carries an emergency clause, making it effective upon signature by the governor.

### FISCAL IMPLICATIONS

TRD reports that the fiscal impact uncertain because no penalties have been collected under the statute, which went into effect January 1, 2005.

**ADMINISTRATIVE IMPLICATIONS**

The Taxation and Revenue Department indicates that it will need to make changes to systems, forms, publications, processing and training. Short-term costs of perhaps 0.5 FTE combined. They say that these changes could not be implemented in time for emergency clause effective date.

**TECHNICAL ISSUES**

TRD suggested this technical point:

The bill should contain an effective date to clarify which transactions and tax liabilities are affected.

**OTHER SUBSTANTIVE ISSUES**

TRD'S bill analysis raised the following issue:

The penalties being repealed in this bill were designed to insure accurate reporting by location to facilitate the distribution of "hold harmless" amounts to local governments, but the magnitude of the penalties – equivalent to 200% of the misreported local option gross receipts tax – is much larger than that for other tax underpayment penalties that are limited to 10% of the principal amount.

**BT/lg/njw**