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FISCAL IMPACT REPORT

SPONSOR Smith DATE TYPED 02/07/05 HB _____

SHORT TITLE Sales to Inmates Gross Receipts SB 428

ANALYST Padilla-Jackson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY06	FY07			
\$48.8	\$48.8	Similar	Recurring	Public Project Revolving Fund (NMFA)
\$9.0	\$9.0	Similar	Recurring	State Park & Rec. Capital Improvement (EMNRD)
\$6.5	\$6.5	Similar	Recurring	Youth Conservation Corps (EMNRD)
\$0.7	\$0.7	Similar	Recurring	Department of Cultural Affairs

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
 Energy, Minerals & Natural Resources (EMNRD)
 Department of the Public Defender (DPD)
 Corrections Department (CD)

SUMMARY

Synopsis of Bill

Senate Bill 428 expands the definition of governmental gross receipts in the Gross Receipts and Compensating Tax Act to include the sale of tangible personal property to inmates of the corrections department.

The effective date is July 1, 2005.

Significant Issues

The Public Defender notes that this bill would require prison inmates to be taxed on their commissary purchases. They note that an approximately seven percent sales tax would be a fairly onerous addition to their costs for toiletries, snack food, craft supplies and house ware, since the inmates are presently paid at a maximum rate of approximately fifty cents per hour.

FISCAL IMPLICATIONS

The analysis provided by TRD suggests that the total annual fiscal impact would be \$65 thousand. Approximately seventy-five percent, or \$49 thousand, of government gross receipts is distributed to the New Mexico Finance Authority for the Public Project Revolving Fund; Approximately fourteen percent (\$9 thousand) of the total would be distributed to the Minerals and Natural Resources Department (EMNRD) for State Parks Division for capital improvements; Approximately ten percent (\$6.5 thousand) to EMNRD's youth conservation corps programs, and one percent (\$650.00) is distributed to the Department of Cultural Affairs for capital improvements at state museums and monuments.

TRD's analysis assumes that receipts from sales to inmates from the New Mexico Corrections Department totals about \$1.3 million per year. The five percent governmental gross receipts tax rate applied to this amount would generate \$65 thousand in tax collections.

ADMINISTRATIVE IMPLICATIONS

TRD anticipates this bill will have a minimal administrative impact, as these changes can be implemented with existing resources.

The Corrections Department notes that the bill could result in a substantial increase in the administrative burden on prison business office managers and on the Corrections Department financial personnel who will be required to account for and transfer the new gross receipts taxes, though they believe that the department should be able to absorb this burden.

OTHER SUBSTANTIVE ISSUES

TRD notes that the governmental gross receipts tax is not imposed on Correction Department's receipts because the current definition of governmental gross receipts only includes enterprise revenue from facilities "open to the general public." The Corrections Department restricts who can purchase items and what can be purchased.

OPJ/yr