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FISCAL IMPACT REPORT

SPONSOR SFC DATE TYPED 03/11/05 HB _____

SHORT TITLE MUNICIPAL EVENT CENTER FEES & FUNDING SB 440/SFCS/a SFL#1

ANALYST Padilla-Jackson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			\$0.1	Recurring	Public Project Revolving Fund
			\$0.1	Recurring	EMNRD
			\$0.1	Recurring	Cultural Affairs Department
			\$0.1	Recurring	Tax Administration Suspense Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
		Increasing	Recurring	General Fund
		Increasing	Recurring	Local Governments
		Increasing	Recurring	NMFA (GGRT)
		Increasing	Recurring	Youth Conservation Corps (GGRT)
		Increasing	Recurring	Parks & Recreation Capital (GGRT)

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Energy, Minerals, and Natural Resources (EMNRD) (pending analysis on latest SFC substitute)
Taxation and Revenue Department (TRD) (pending analysis on latest SFC substitute)

SUMMARY

Synopsis of SFL #1

The Senate Floor amended Senate Bill 440. As it relates to the surcharge that a municipality may charge, amendments one and two strike both references to the word “service” in “vendor service contract”, allowing for the municipality to charge up to five percent of each “vendor contract”. The third amendment appears to clarify the amount that shall be transferred monthly by the municipality that established the event center surcharge to the tax administration suspense fund, by stating that “two percent of each vendor contract” be transferred as opposed to just “two percent of the proceeds”.

Synopsis of Original Bill

The Senate Finance Committee substitute for Senate Bill 440 provides a governmental gross receipts tax exemption for municipal event center receipts, authorizes municipalities to impose a surcharge on event center revenues, and enacts the municipal events center funding act.

Tax Exemption

The bill proposes a new section of the Gross Receipts and Compensating Tax Act to exempt municipal event center receipts from the governmental gross receipts tax (GGRT). The exemption would apply to the sale of tickets, parking, souvenirs, concessions, programs, advertising, merchandise, corporate suites or boxes, broadcast revenues and all other products or services provided at municipal event centers. The tax exemption would apply to municipal event centers that provide seating for a minimum of four thousand people.

Distribution

The bill would make the following distributions, transferred to the Tax Administration Suspense Fund pursuant to the Municipal Event Center Funding Act:

- A. to the public project revolving fund administered by the New Mexico Finance Authority in an amount equal to seventy-five percent of the amount of event center surcharge proceeds
- B. to the Energy, Minerals and Natural Resources Department in an amount equal to twenty-four percent of the amount of event center surcharge proceeds
- C. to the Cultural Affairs Department in an amount equal to one percent of the amount of event center surcharge proceeds

Municipal Event Center Funding Act

The bill also proposes a new act titled, “Municipal Event Center Funding Act”. The act would

authorize municipalities to impose a surcharge of not less than five percent on revenues arising from activities at a municipal event center, levied on all vendor contracts. Two percent of each vendor contract from the event center surcharge proceeds shall be transferred monthly by the municipality that established the event center surcharge to the tax administration suspense fund. The bill would authorize the municipality to establish a fund for construction, renovation, operation, equipment, and maintenance and improvement of a municipal event center for deposit of all event center revenues and surcharges. The money in the fund would go to pay for

- (1) debt service payments;
- (2) costs of operating a municipal event center during the life of the bonds issued by the municipality pursuant to the Municipal Event Center Funding Act;
- (3) costs of constructing, renovating, operating, maintaining, improving that municipal event center; or
- (4) costs of collecting or administering the event surcharge.

Lastly, the bill would allow the municipality to issue revenue bonds to acquire land for and to design, purchase, construct, remodel, renovate, rehabilitate, improve, equip or furnish a municipal event center. These bonds would be secured by event center revenues, event center surcharge receipts or gross receipts tax revenues distributed to that municipality. The bill would invoke an emergency clause to have the provisions take effect immediately.

PERFORMANCE IMPLICATIONS

The costs of collecting and or administering the event center surcharge will be paid from the fund when revenues exceed the required debt service payments. EMNRD cautions that the provisions of this bill will have a performance impact on the Department of Cultural Affairs, State Parks Division (SPD) and the Youth Conservation Corps (YCC) (See the Fiscal Implications Section below). These programs promote goals such as job opportunities for youth, infrastructure improvements within the parks system, and capital improvements for state museums and monuments.

FISCAL IMPLICATIONS

According to TRD's analysis, the fiscal impacts of the bill are unknown because they depend on future development of municipal event centers eligible for the proposed tax exemptions. That said, if the bill passes and the event centers are built, the commercial revenue they generate will become a permanent exclusion from the tax base of the Gross Receipts Tax (GRT) and the GGRT because the exemption is not limited to the time period required for retirement of the revenue bonds. In addition to having a negative impact to the General Fund, it will also negatively impact various distributions to the state, including the New Mexico Finance Authority, and two agencies within EMNRD, namely SPD and YCC.

The fiscal impacts of Senate Bill 440 as amended are still unknown based on the reason described above.

ADMINISTRATIVE IMPLICATIONS

TRD expects that the bill will have minimal administrative impacts, as the surcharge will not be collected by the department. However, they note that administering the new GRT and GGRT exemption will require modification to audit procedures.

OPJ/yr