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FISCAL IMPACT REPORT

ORIGINAL DATE 1/23/06
 LAST UPDATED 1/24/06 HB _____

SPONSOR Leavell

SHORT TITLE Gaming Tax Revenue Distribution to Cities SB 132

ANALYST Schardin

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	2,343.0	Recurring	Local Governments

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	(2,343.0)		Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

Gaming Control Board (GCB)

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 132 creates a distribution to counties and municipalities in which a racetrack casino is located in the amount of 1/26 of net gaming excise tax receipts from the racetrack casino located in that municipality or county. Local governments that receive a distribution of gaming excise tax revenue will be allowed to use the money for the “provision of local public services.”

The effective date of these provisions will be July 1, 2006.

FISCAL IMPLICATIONS

The LFC expects gaming excise revenue paid by racetrack operators to total \$60.9 million in FY07, based on a 26 percent tax rate. The bill would distribute 1/26 of this amount, or \$2.3 million, to the five municipalities in which racetrack gaming operators are located. This amount is estimated to be distributed as follows: \$1,162.5 thousand to Sunland Park, \$151.7 thousand to Albuquerque, \$114.6 thousand to Ruidoso Downs, \$309.0 thousand to Farmington, and \$605.1 thousand to Hobbs.

SIGNIFICANT ISSUES

Currently, New Mexico has five racetrack casinos, all of which are located in incorporated municipal areas: Sunland Park in Sunland Park; Albuquerque Downs in Albuquerque, Ruidoso Downs in Ruidoso Downs, Sun Ray in Farmington, and Zia Park in Hobbs.

Local governments in which racetrack casinos are located have often requested distributions from the state share of gaming excise tax in recent years. The rationale for these requests is that casinos cause local governments to incur infrastructure costs. Unlike most other businesses, which pay a share of gross receipts tax to the local jurisdictions in which they are located, racetrack casinos pay only the gaming excise tax.

During the 2005 Legislative Session, Senate Bill 837 increased the gaming excise tax rate on racetrack casinos from 25 to 26 percent.

ADMINISTRATIVE IMPLICATIONS

TRD reports the bill will have a moderate administrative impact. TRD will need to change gaming tax forms and instructions. Computer systems will have to be modified. There will also be a need for greater coordination between TRD and the Gaming Control Board.

SS/yr