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FISCAL IMPACT REPORT

ORIGINAL DATE 1/24/06
 LAST UPDATED 2/14/06 HB _____

SPONSOR Sanchez, M

SHORT TITLE Laboratory and Small Business Credit SB 259/aSFC

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	(600.0)	(1,200.0)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates HB440/aHBIC

SOURCES OF INFORMATION

LFC Files
 Taxation and Revenue Department (TRD)
 Economic Development Department (EDD)
 Sandia National Laboratories (SNL)

Responses Received From
 Economic Development Department (EDD)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amended Senate Bill 259 to include eligibility requirements for the Laboratory Partnership with Small Business Tax Credit and make technical corrections. The amendment adds a new section that directs TRD to track credits claimed and match the credit with specific instances of assistance. The laboratory must notify each small business receiving assistance of the option to obtain ownership of tangible or intangible property, receive from the small business acknowledgement of assistance, and obtain a form that indicate request and completion of small business.

The amendment also changes the required filing date of the annual report to October 15 and requires the report of a national laboratory on its own as well as one operating jointly with another laboratory. The original left the single laboratory requirement out of the language.

These amendments may modestly affect the reporting burdens of the national laboratories. This language conforms to House Bill 440 as amended by House Business and Industry Committee and the language included in House Taxation and Revenue Committee substitute for House Bill 82. Fiscal impacts have changed from the original due to new information and collaboration with TRD.

Synopsis of Original Bill

Senate Bill 259 amends the “Laboratory Partnership with Small Business Tax Credit Act” by doubling the amount of the credit for urban and rural small business assistance, increasing the maximum amount a national laboratory may qualify for, and requiring an activity report by the national laboratories in New Mexico. The required report includes the following information:

- Summary of program results and the number of small businesses assisted by county
- Description of projects involving multiple small businesses
- Survey results from assisted businesses
- Total tax credits claimed pursuant to the Laboratory Partnership with Small Business Tax Credit Act
- An economic impact study of jobs created, jobs retained, cost savings, and increased sales generated by small businesses for which assistance is provided

The new credit will be \$20,000 per small business for rural areas, defined as non-Class A counties with property tax valuation of less than \$7 billion, and \$10,000 per small business for urban areas. The maximum annual credit increases to \$2.4 million from up from \$1.8 million per national laboratory.

The effective date is July 1, 2006.

FISCAL IMPLICATIONS

The Economic Development Department (EDD) has indicated that the revision would result in decreased general fund revenue of \$1.2 million per year. According to Sandia National Laboratories (SNL), they have taken the credit each year since 2001 and the amount has been very near the maximum. Since the University of California has operated the Los Alamos National Labs (LANL), they have not qualified for the credit. The new contract however is expected to qualify for the credit since they will most likely subject to the gross receipts tax, according to the Economic Development. Hence, the increase in the amount of the credit is the increase for SNL from \$1.8 million to \$2.4 million, or \$0.6 million, and \$0.6 million for LANL. LANL will add another \$1.8 million due to the change in the contract: this is excluded here because it is not an impact of this legislation.

SIGNIFICANT ISSUES

EDD: Sandia National Laboratories has assisted more than 1,300 small businesses in both urban and rural New Mexico since 2000. More than \$8.1 million was invested in expansion efforts and purchases of local goods and services. Participating companies realized a decrease in operating costs of more than \$2.6 million and increased revenues of nearly \$7.6 million. Over 235 additional jobs were created by participating companies as the result of this technical assistance program.

POSSIBLE QUESTIONS

When will it be decided that Los Alamos National Labs is subject to the gross receipts tax?

NF/mt