

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 2/1/07
 LAST UPDATED 2/22/07 HB 374/aHTRC

SPONSOR Swisstack

SHORT TITLE Municipal Higher Education Gross Receipts SB _____

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	*See Narrative	*See Narrative	Recurring	Rio Rancho

(Parenthesis () Indicate Revenue Decreases)

Duplicates SB733

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

Higher Education Department (HED)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment to House Bill 374 removes a requirement that an election must occur within 75 days of passage of a resolution by the governing body to impose a municipal higher education facilities gross receipt tax. The amendment sets the election as the next regularly scheduled municipal election, duplicating language in SB733.

The amendment also changes the definition of a municipality that may impose a municipal higher education facilities gross receipts tax. As amended, the municipality will need to be located in a class B county and have population over 50 thousand and with greater than \$2 billion in taxable property value in property tax year 2006 or any future years. The amended bill will still apply only to the municipality of Rio Rancho, but will delay by about one year the ability of that municipality to impose the tax.

Synopsis of Original Bill

House Bill 374 creates the municipal higher education facilities gross receipts tax and allows a municipality in a Class B county that has a municipal population over 50 thousand to impose it. The new tax may be imposed in 1/16 percent increments up to ¼ percent. Revenues collected due to the tax may be used only for acquisition, construction, renovation or improvement of facilities of a four-year post secondary public education facility located in the municipality or to repay municipal higher education facilities gross receipts tax revenue bonds.

The bill will require voters of a municipality to approve imposition of any municipal higher education gross receipts tax. The election will need to be held within 75 days of passage of an ordinance to impose the tax by the municipal governing body.

The bill also allows a municipality that imposes a municipal higher education gross receipts tax to issue municipal higher education gross receipts tax revenue bonds for which the tax is pledged as repayment of principal and interest.

The effective date of these provisions is July 1, 2007.

FISCAL IMPLICATIONS

In FY08, Rio Rancho's taxable gross receipts base is expected to total \$1.8 billion. Imposing an additional ¼ percent tax would increase that municipality's revenue by about \$4,388.7 thousand. However, the true fiscal impact to Rio Rancho will depend on if it imposes the tax, when it imposes the tax, and at what increment the tax is imposed.

SIGNIFICANT ISSUES

Currently, the only municipality that will qualify to impose this new tax is Rio Rancho, which is located in Sandoval County and had a population of 51.8 thousand in the 2000 census. New Mexico Highlands University operates a branch campus in Rio Rancho that could benefit from imposition of the tax.

According to HED, Rio Rancho hopes to use funding provided by this bill to invest in a 158 acre proposed multi-institution campus. The University of New Mexico and New Mexico State University have committed to the multi-use campus, and New Mexico Technical Institute and New Mexico Highland University have expressed interest.

Roswell's 2000 population was about 45 thousand and could grow over 50 thousand by 2010. If Roswell's population exceeds 50 thousand any four-year post secondary institutions with main or branch campuses there would qualify to impose this tax in the future.

ADMINISTRATIVE IMPLICATIONS

TRD can implement the bill with existing resources.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 374 as amended by the House Taxation and Revenue Committee duplicates Senate Bill 733 as amended by the Senate Education Committee.