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FISCAL IMPACT REPORT

ORIGINAL DATE 2/6/07

SPONSOR Miera LAST UPDATED 2/23/07 HB 454/aHBIC/aHHGAC

SHORT TITLE Athletic Officiating Gross Receipts SB _____

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	(\$114.8)		Recurring	General Fund
	(\$76.7)		Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
New Mexico Activities Association (NMAA)

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HHGAC Amendment

The House Health and Government Affairs Committee amendment to House Bill 454 restricts the proposed gross receipts tax deduction to athletic events sponsored or sanctioned by the NMAA, a municipality, a county, or a non-profit organization.

Synopsis of HBIC Amendment

The House Business and Industry Committee amendment to House Bill 454 restricts the proposed gross receipts tax deduction to athletic events sponsored or sanctioned by the NMAA. This amendment effectively excludes receipts from professional sporting events from receiving the deduction.

Synopsis of Original Bill

House Bill 454 creates a new gross receipts tax deduction for receipts of refereeing, umpiring, scoring or other athletic officiating at any sporting event in New Mexico.

The bill contains no effective date so is assumed to become effective 90 days after the legislature adjourns on June 25, 2007.

FISCAL IMPLICATIONS

NMAA reports that their organization only sponsors athletic events at high schools and junior highs, not colleges or elementary schools. Based on information provided by NMAA, LFC estimates that receipts of events sponsored by NMAA will be \$2641.1 thousand in FY08. Taxed at the statewide average tax rate of 6.6 percent, the new gross receipts tax deduction will decrease revenue collections by about \$174.3 thousand. It is expected that another \$17.4 thousand per year in receipts from events sponsored by municipalities, counties and nonprofit organizations per year will be eligible for the deduction.

About 60 percent of this reduction will impact the general fund, and the remaining 40 percent will impact local governments. The amount of the deduction is expected to grow by 5.1 percent per year.

SIGNIFICANT ISSUES

Fees earned by sports officials on varsity, junior varsity, and junior high sporting events are set annually by the New Mexico Activities Association and vary for different events. Sports officials receive mileage reimbursement and are paid per diem if they spend the night away from home.

College sporting event officiating fees are set by the Western Area Conference, the National Collegiate Athletic Association, or the University or College at which the game is played. Fees vary for different levels of college play.

LFC notes that while individual deductions from the gross receipts tax may have small fiscal impacts, their cumulative effect significantly narrows the gross receipts tax base. Narrowing the gross receipts tax base increases revenue volatility and requires a higher tax rate to generate the same amount of revenue.

The bill will reduce local government gross receipts tax collections. Many of New Mexico's local governments are highly dependent on gross receipts tax revenue.

ADMINISTRATIVE IMPLICATIONS

The bill will cause moderate administrative impacts for TRD. TRD will revise CRS forms, instructions and publications. TRD will also need to coordinate with the Public Education Department, the Western Area Conference and all other organizations that hold sporting events to identify which events qualify for the new deduction.

TECHNICAL ISSUES

The bill does not define the term "sporting events."

SS/mt:nt