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FISCAL IMPACT REPORT

ORIGINAL DATE 2/2/07
 LAST UPDATED 2/14/07 HB 597/aHTRC

SPONSOR Miera

SHORT TITLE County Correctional Facility 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	County Governments

(Parenthesis () Indicate Revenue Decreases)

Duplicates SB 742
 Conflicts with SB 144, HB 265
 Relates to HB 316

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)
 Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment to House Bill 597 lessens the impact of the bill by changing the maximum rate at which the county correctional facility gross receipts tax may be imposed to 0.25 percent. The amended bill allows an additional 1/8 percent increment, rather than the additional 3/8 percent increment contained in the original bill.

Synopsis of Original Bill

House Bill 597 increases from 0.125 to 0.5 percent the maximum rate at which a county correctional facility gross receipts tax may be imposed. Counties will still be able to impose the tax in any increment of one-sixteenth percent.

The effective date of these provisions will be July 1, 2007.

FISCAL IMPLICATIONS

The fiscal impact of this bill depends on if and when county governments choose to impose county correctional gross receipts tax rates above the current limit of 0.125 percent. TRD provided the table below to indicate the potential revenue increase to each county if an additional 0.125 percent tax were imposed in FY08.

	FY 2008 Taxable Gross Receipts	Revenue from Additional 1/8% Tax
Bernalillo County	\$18,007,800,533	\$22,509,751
Carton County	\$45,398,509	\$56,748
Chaves County	\$1,288,243,597	\$1,610,304
Cibola County	\$221,462,045	\$276,828
Colfax County	\$320,643,295	\$400,804
Curry County	\$893,731,953	\$1,117,165
DeBaca County	\$45,206,628	\$56,508
Dona Ana County	\$3,583,835,026	\$4,479,794
Eddy County	\$2,695,714,130	\$3,369,643
Grant County	\$535,737,390	\$669,672
Guadalupe County	\$284,455,853	\$355,570
Harding County	\$6,171,312	\$7,714
Hidalgo County	\$94,012,098	\$117,515
Lea County	\$3,133,096,430	\$3,916,371
Lincoln County	\$555,456,255	\$694,320
Los Alamos County	\$914,176,908	\$1,142,721
Luna County	\$498,746,830	\$623,434
McKinley County	\$1,103,313,383	\$1,379,142
Mora County	\$22,916,717	\$28,646
Otero County	\$868,728,115	\$1,085,910
Quay County	\$107,209,748	\$134,012
Rio Arriba County	\$691,702,965	\$864,629
Roosevelt County	\$348,126,854	\$435,159
San Juan County	\$4,310,992,010	\$5,388,740
San Miquel County	\$336,084,200	\$420,105
Sandoval County	\$2,396,433,606	\$2,995,542
Santa Fe County	\$4,189,459,380	\$5,236,824
Sierra County	\$174,862,825	\$218,579
Socorro County	\$268,437,579	\$335,547
Taos County	\$710,489,941	\$888,112
Torrance County	\$164,692,727	\$205,866
Union County	\$83,209,858	\$104,012
<u>Valencia County</u>	<u>\$898,587,912</u>	<u>\$1,123,235</u>
TOTAL	\$49,799,136,612	\$62,248,921

Source: Taxation and Revenue Department

SIGNIFICANT ISSUES

Any county in New Mexico may impose the county correctional facility gross receipts tax. Imposition of this tax does not require approval by a majority of county voters, although voters may petition an election to approve or disapprove the tax.

County revenue collected due to a county correctional facility gross receipts tax is restricted for use in operating, maintaining, constructing, purchasing, furnishing, equipping, rehabilitating, expanding, or improving a judicial-correctional or county correctional facility. Revenue may also be used to transport or extradite prisoners or to pay principal and interest on county correctional facility gross receipts tax bonds.

Currently, counties are experiencing escalating costs to extradite and transport prisoners. For example, Bernalillo County reports that the county jail’s operating budget grew by an average of 9.5 percent per year from 1995 to 2007.

Under current law, New Mexico’s local governments are authorized to impose up to 4.6875 percent of local option gross receipts taxes (that figure excludes several additional local option taxes that have been authorized for selected local governments). On average, a local option gross receipts tax of about 1.6 percent is actually imposed by local governments statewide. Combined with the state gross receipts tax of 5 percent, the statewide tax rate is therefore 6.6 percent.

ADMINISTRATIVE IMPLICATIONS

The administrative impact on TRD will be minimal.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 597 duplicates Senate Bill 742.

House Bill 596 relates to House Bill 316, which creates a recurring appropriation of \$5 million per fiscal year to assist counties with expenses incurred to incarcerate certain felony offenders. This bill addresses the problem of growing county correction expenses through appropriating \$5 million per year rather than giving each county the option to pay the costs through a tax increase.

House Bill 597 conflicts with Senate Bill 144 and House Bill 265. These bills, which would impose local option compensating taxes, also amend Section 7-20F-3 NMSA 1978.

SS/nt