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FISCAL IMPACT REPORT

ORIGINAL DATE 2/09/07

SPONSOR Garcia, MH LAST UPDATED _____ HB 785

SHORT TITLE Border Zone Trade Support Gross Receipts SB _____

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
		Minimal	Recurring	General Fund
		Minimal	Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

Duplicates SB 701, Relates to HB 547 and HB 1081

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
 Economic Development Department (EDD)
 New Mexico Border Authority

SUMMARY

Synopsis of Bill

House Bill 785 extends the sunset of an existing gross receipts tax deduction for the receipts of a trade-support company that locates within twenty miles of a port of entry on New Mexico's border with Mexico. For the purposes of this deduction, a trade-support company is defined as a customs brokerage firm or a freight forwarder. To be eligible for the deduction, receipts must be received within five years of the trade-support company's establishment in New Mexico and the company must employ at least two people in New Mexico.

Currently, the deduction applies to companies locating near a port of entry between July 1, 2003 and July 1, 2008, but the bill would allow companies locating near a New Mexico port of entry before July 1, 2013 to qualify for the deduction.

FISCAL IMPLICATIONS

TRD expects the fiscal impacts of this bill, beginning in FY09, to be minimal. However, LFC notes that construction of a large Union Pacific facility near Santa Teresa may lead more companies to claim this deduction in future years.

SIGNIFICANT ISSUES

New Mexico's ports of entry that may benefit from this bill are located in Santa Teresa and Columbus.

EDD reports that as trade between Mexico and New Mexico grows so will the demand for trade support services. Customs brokers assist firms that trade internationally with necessary documentation. Currently, custom broker services are usually performed in El Paso instead of Santa Teresa. The additional time of stopping in El Paso before Santa Teresa may be a deterrent to trade in New Mexico.

EDD also reports that the deduction extended in this bill is currently being requested for the first time since it was enacted by a company moving to Santa Teresa. Another company, Juarez Customs Brokers' Association, is reportedly considering constructing a facility in Santa Teresa.

ADMINISTRATIVE IMPLICATIONS

TRD will experience minimal administrative impacts.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 785 duplicates SB 701.

House Bill 785 relates to HB 547 and HB 1081. These bills provide gross receipts and compensating tax deductions for locomotive fuel as part of a deal to move Union Pacific's El Paso facility to Santa Teresa.

TECHNICAL ISSUES

The New Mexico Border Authority recommends amending page 3, line 11 to read, "provided by United States Customs and Border Protection; and"

SS/csd