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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/27/07

SPONSOR Picraux LAST UPDATED \_\_\_\_\_ HB 872

SHORT TITLE Child Daycare Service Gross Receipts SB \_\_\_\_\_

ANALYST Schardin

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	(\$600.0)		Recurring	General Fund
	(\$400.0)		Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Children, Youth and Families Department (CYFD)

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

House Bill 872 creates a new gross receipts tax deduction for receipts from fees paid to a child daycare provider for providing child daycare services. The effective date of this provision will be July 1, 2007.

### FISCAL IMPLICATIONS

Based on past gross receipts tax collections, TRD estimates the bill will reduce gross receipts tax revenue by about \$1 million in FY08. About 60 percent of that revenue loss will accrue to the general fund and the remaining 40 percent to local governments.

### SIGNIFICANT ISSUES

Currently, regulations governing child care assistance allow child care providers to collect gross receipts tax from clients.

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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 have a minimal administrative impact on TRD.

### **TECHNICAL ISSUES**

TRD notes that the language of the proposal seems redundant; TRD suggests deleting the words “that are received from the fees paid to the child daycare provider for providing child daycare services.”

SS/nt