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FISCAL IMPACT REPORT

ORIGINAL DATE 1/24/07

SPONSOR Rawson LAST UPDATED _____ HB _____

SHORT TITLE College Event Admission Gross Receipts SB 204

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	(46.9)		Recurring	Public Project Revolving Fund
	(6.3)		Recurring	Youth Conservation Corps
	(8.8)		Recurring	State Parks
	(0.6)		Recurring	Cultural Affairs Department

(Parenthesis () Indicate Expenditure Decreases)

Duplicates House Bill 143

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (NMHED)
 New Mexico Finance Authority (NMFA)
 Department of Finance and Administration (DFA)
 Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 204 creates a new deduction from the gross receipts tax for receipts from admissions to non-athletic special events such as concerts and plays held at post-secondary institution venues within 50 miles of the New Mexico border that can accommodate at least 10 thousand people. This deduction will be applicable in FY08 through FY12, when the deduction will sunset.

FISCAL IMPLICATIONS

Data from the Pan American Center suggests that about \$1.25 million in receipts from admissions to non-athletic events will be eligible for the new gross receipts tax deduction. These receipts are currently taxed at 5 percent under the governmental gross receipts tax because the events are sponsored by a post-secondary. The new deduction will cause the eligible venue to change contract arrangements to make these receipts taxable under gross receipts tax instead of governmental gross receipts tax, resulting in a loss of \$62.5 thousand from governmental gross receipts tax revenue.

Governmental gross receipts tax collections are distributed as follows: 75 percent go to NMFA's public project revolving fund, 10 percent go to the youth conservation corps program, 14 percent go to state park and recreation area capital improvements, and 1 percent goes to the cultural affairs department for capital improvements to state monuments.

SIGNIFICANT ISSUES

Currently, the only venue eligible for the new gross receipts tax deduction created in this bill is New Mexico State University's (NMSU) Pan American Center, which seats 13,000 people and is located in Las Cruces, NM. However, if NMSU rents the Pan American Center to an event promoter, receipts from the rental will still be subject to the governmental gross receipts tax created in Section 7-9-3.2 NMSA 1978.

NMHED notes that the Pan American Center competes with facilities at the University of Texas El Paso (UTEP) for special events. Since Texas does not charge a tax on tickets to these events, the bill may help draw events to NMSU.

While individual credits, deductions and exemptions 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.

Gross receipts tax deductions such as the one created by this bill do not guarantee whether the tax reduction will result in larger profits for businesses or lower prices for consumers.

ADMINISTRATIVE IMPLICATIONS

TRD reports that the bill will cause minimal administrative impacts. CRS forms, instructions, and publications will be revised.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 204 duplicates House Bill 143.

TECHNICAL ISSUES

The bill might be clearer if “non-athletic special event” were defined.

The title of the bill indicates that the deduction applies to athletic events, but the bill applies only to non-athletic events.

OTHER SUBSTANTIVE ISSUES

Due to the small fiscal impact this bill will have on governmental gross receipts tax collections, NMFA believes the bill does not violate the non-impairment clause in Section 7-1-6.38(D) NMSA 1978, which specifically states that the state legislature may not limit, reduce or alter the distribution of net receipts from the governmental gross receipts tax while bonds payable from that revenue are outstanding.

NMSU’s Pan American Center was ranked the sixth busiest university event facility by Amusement Business Magazine in 2000.

SS/csd