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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/7/07

SPONSOR Altamirano LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Reduce Racetrack Gaming Tax Rate SB 636

ANALYST Schardin

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	(960.0)	(1,600.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

Relates to SB 185

Conflicts with SB 247, HB593, HB 886

#### Responses Received From

Department of Finance and Administration (DFA)

Gaming Control Board (GCB)

### SUMMARY

#### Synopsis of Bill

Senate Bill 636 creates reduced gaming excise tax rate for a racetrack with casino net win of less than \$14 million in the preceding calendar year. The only one of New Mexico's five racetrack casinos that currently meets that description is Ruidoso Downs.

While under current law all racetrack casinos pay gaming excise tax equal to 26 percent of net win, the bill would allow Ruidoso downs to pay 10 percent of net win on the first \$10 million of net win in each calendar year, and 26 percent on all net win above \$10 million in a calendar year.

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

### FISCAL IMPLICATIONS

Ruidoso Downs is the only one of New Mexico's five racetrack casinos that had net win under \$14 million in calendar year 2006. That casino's net win is expected to remain below \$14 million

until at least calendar year 2011, and possibly longer if the close proximity of Zia Park in Hobbs continues to hurt business at Ruidoso Downs.

LFC estimates net win at Ruidoso Downs to be about \$11,586.8 thousand in CY07, \$12,102.3 thousand in CY08, and \$12,640.6 thousand in CY09. Because the bill will reduce the tax rate on the first \$10 million of net win each year, the bill will reduce revenue by \$1.6 million per calendar year.

The bill's effective date of January 1, 2008 will mean a \$1.6 million revenue reduction spread over about the first 10 months of calendar year 2008. Six of these months are in FY08 and four are in FY09. The FY08 revenue impact is estimated as \$960 thousand (\$1.6 million X 6/10). The fiscal impact will total \$1.6 million in all following fiscal years.

### **SIGNIFICANT ISSUES**

LFC analysis of gaming excise tax data indicates that Ruidoso Downs is the only one of the state's racetrack casinos that is experiencing a loss of net win since the opening of Zia Park in Hobbs. Ruidoso Downs is also located in close proximity to the Mescalero Apache Inn of the Mountain Gods, a tribal gaming facility.

During the 2005 Legislative Session, Senate Bill 837 increased the gaming excise tax rate on racetrack casinos from 25 to 26 percent.

### **RELATIONSHIP**

Senate Bill 636 relates to Senate Bill 185, which provides a proportional distribution of gaming excise tax collections to all municipalities in which racetrack casinos are located.

The bill conflicts with Senate Bill 247, House Bill 593 and House Bill 886. Senate Bill 247 and House Bill 593 amend the same section to distribute 4 percent of gaming excise tax collections from Sunland Park racetrack casino to the municipality of Sunland Park. House Bill 886 amends the same section to distribute 4 percent of gaming excise collections from all five racetrack casinos to the municipalities in which they are located.

SS/csd