

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 2/09/07
 LAST UPDATED 3/02/07 **HB** _____

SPONSOR Nava

SHORT TITLE Border Zone Trade Support Gross Receipts **SB** 701/aSCORC

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 HB 785, 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 SCORC Amendment

The Senate Corporations and Transportation Committee amendment to Senate Bill 701 makes a technical correction recommended by the New Mexico Border Authority to the definition of the term “port of entry.” Customs services are provided by the United States customs and border protection, not the United States customs service.

Synopsis of Original Bill

Senate Bill 701 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

Senate Bill 701 duplicates House Bill 785.

Senate Bill 701 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.

SS/nt