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FISCAL IMPACT REPORT

ORIGINAL DATE 2/1/07
 SPONSOR Komadina LAST UPDATED 2/22/07 HB _____
 SHORT TITLE Municipal Higher Education Gross Receipts SB 733/aSEC
 ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	*See Narrative	*See Narrative	Recurring	Rio Rancho

(Parenthesis () Indicate Revenue Decreases)

Duplicates HB 374

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of SEC Amendment

The Senate Education Committee amendment to Senate Bill 733 changes the definition of a municipality that may impose a municipal higher education facilities gross receipts tax. As amended, the municipality will need to be located in a class B county and have population over 50 thousand and greater than \$2 billion in taxable property value in property tax year 2006 or any future years. The amended bill will still apply only to the municipality of Rio Rancho, but will delay by about one year the ability of that municipality to impose the tax.

The amendment makes Senate Bill 733 a duplicate bill of House Bill 374, as amended by the House Taxation and Revenue Committee.

Synopsis of Original Bill

Senate Bill 733 creates the municipal higher education facilities gross receipts tax and allows a municipality in a Class B county that has a municipal population over 50 thousand to impose it. The new tax may be imposed in 1/16 percent increments up to ¼ percent. Revenues collected due to the tax may be used only for acquisition, construction, renovation or improvement of

facilities of a four-year post secondary public education facility located in the municipality or to repay municipal higher education facilities gross receipts tax revenue bonds.

The bill will require voters of a municipality to approve imposition of any municipal higher education gross receipts tax at the first regular election following passage of an ordinance to impose the tax by the municipal governing body.

The bill also allows a municipality that imposes a municipal higher education gross receipts tax to issue municipal higher education gross receipts tax revenue bonds for which the tax is pledged as repayment of principal and interest.

The effective date of these provisions is July 1, 2007.

FISCAL IMPLICATIONS

In FY08, Rio Rancho's taxable gross receipts base is expected to total \$1.8 billion. Imposing an additional ¼ percent tax would increase that municipality's revenue by about \$4,388.7 thousand. However, the true fiscal impact to Rio Rancho will depend on if it imposes the tax, when it imposes the tax, and at what increment the tax is imposed.

SIGNIFICANT ISSUES

Currently, the only municipality that will qualify to impose this new tax is Rio Rancho, which is located in Sandoval County and had a population of 51.8 thousand in the 2000 census. New Mexico Highlands University operates a branch campus in Rio Rancho that could benefit from imposition of the tax.

Roswell's 2000 population was about 45 thousand and could grow over 50 thousand by 2010. If Roswell's population exceeds 50 thousand any four-year post secondary institutions with main or branch campuses there would qualify to impose this tax in the future.

ADMINISTRATIVE IMPLICATIONS

TRD can implement the bill with existing resources.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 733 as amended by the Senate Education Committee duplicates House Bill 374 as amended by the House Taxation and Revenue Committee.

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