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FISCAL IMPACT REPORT

ORIGINAL DATE 2/2/07
 LAST UPDATED 2/14/07 HB _____

SPONSOR Lopez

SHORT TITLE County Correctional Facility Gross Receipts SB 742

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	*See Narrative	*See Narrative	Recurring	County Governments

(Parenthesis () Indicate Revenue Decreases)

Duplicates HB 597
 Conflicts with SB 144, HB 265
 Relates to HB 316

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)
 Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 742 increases from 0.125 to 0.5 percent the maximum rate at which a county correctional facility gross receipts tax may be imposed. Counties will still be able to impose the tax in any increment of one-sixteenth percent.

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

FISCAL IMPLICATIONS

The fiscal impact of this bill depends on if and when county governments choose to impose county correctional gross receipts tax rates above the current limit of 0.125 percent. TRD provided the table below to indicate the potential revenue increase to each county if an additional

0.375 percent tax were imposed in FY08.

	FY 2008 Taxable Gross Receipts	Revenue from Additional 3/8% Tax
Bernalillo County	\$18,007,800,533	\$67,529,252
Carton County	\$45,398,509	\$170,244
Chaves County	\$1,288,243,597	\$4,830,913
Cibola County	\$221,462,045	\$830,483
Colfax County	\$320,643,295	\$1,202,412
Curry County	\$893,731,953	\$3,351,495
DeBaca County	\$45,206,628	\$169,525
Dona Ana County	\$3,583,835,026	\$13,439,381
Eddy County	\$2,695,714,130	\$10,108,928
Grant County	\$535,737,390	\$2,009,015
Guadalupe County	\$284,455,853	\$1,066,709
Harding County	\$6,171,312	\$23,142
Hidalgo County	\$94,012,098	\$352,545
Lea County	\$3,133,096,430	\$11,749,112
Lincoln County	\$555,456,255	\$2,082,961
Los Alamos County	\$914,176,908	\$3,428,163
Luna County	\$498,746,830	\$1,870,301
McKinley County	\$1,103,313,383	\$4,137,425
Mora County	\$22,916,717	\$85,938
Otero County	\$868,728,115	\$3,257,730
Quay County	\$107,209,748	\$402,037
Rio Arriba County	\$691,702,965	\$2,593,886
Roosevelt County	\$348,126,854	\$1,305,476
San Juan County	\$4,310,992,010	\$16,166,220
San Miquel County	\$336,084,200	\$1,260,316
Sandoval County	\$2,396,433,606	\$8,986,626
Santa Fe County	\$4,189,459,380	\$15,710,473
Sierra County	\$174,862,825	\$655,736
Socorro County	\$268,437,579	\$1,006,641
Taos County	\$710,489,941	\$2,664,337
Torrance County	\$164,692,727	\$617,598
Union County	\$83,209,858	\$312,037
<u>Valencia County</u>	<u>\$898,587,912</u>	<u>\$3,369,705</u>
TOTAL	\$49,799,136,612	\$186,746,762

Source: Taxation and Revenue Department

SIGNIFICANT ISSUES

Any county in New Mexico may impose the county correctional facility gross receipts tax. Imposition of this tax does not require approval by a majority of county voters, although voters may petition an election to approve or disapprove the tax.

County revenue collected due to a county correctional facility gross receipts tax is restricted for use in operating, maintaining, constructing, purchasing, furnishing, equipping, rehabilitating, expanding, or improving a judicial-correctional or county correctional facility. Revenue may also be used to transport or extradite prisoners or to pay principal and interest on county correctional facility gross receipts tax bonds.

Currently, counties are experiencing escalating costs to extradite and transport prisoners. For example, Bernalillo County reports that the county jail’s operating budget grew by an average of 9.5 percent per year from 1995 to 2007.

Under current law, New Mexico’s local governments are authorized to impose up to 4.6875 percent of local option gross receipts taxes (that figure excludes several additional local option taxes that have been authorized for selected local governments). On average, a local option gross receipts tax of about 1.6 percent is actually imposed by local governments statewide. Combined with the state gross receipts tax of 5 percent, the statewide tax rate is therefore 6.6 percent.

ADMINISTRATIVE IMPLICATIONS

The administrative impact on TRD will be minimal.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 742 duplicates House Bill 597.

Senate Bill 742 relates to House Bill 316, which creates a recurring appropriation of \$5 million per fiscal year to assist counties with expenses incurred to incarcerate certain felony offenders. This bill addresses the problem of growing county correction expenses through appropriating \$5 million per year rather than giving each county the option to pay the costs through a tax increase.

Senate Bill 742 conflicts with Senate Bill 144 and House Bill 265. These bills, which would impose local option compensating taxes, also amend Section 7-20F-3 NMSA 1978.

SS/nt