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FISCAL IMPACT REPORT

ORIGINAL DATE 2/01/08
 SPONSOR HTRC LAST UPDATED 2/12/08 HB 618/HTRCS
 SHORT TITLE Income Tax Simplification SB _____
 ANALYST Francis/Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	(\$4,110.0)	(\$7,665.0)	Recurring	General Fund
	(\$201.0)	(\$1,145.0)	Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

Relates to HB28, HB148a, HB284, HB391, HB445a, HB448, HB502a, HB618, HB633

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY08	FY09	FY10	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		193.0	(2,560.0)	(2,368.0)	Recurring	GAA

(Parenthesis () Indicate Expenditure Decreases)

* NOTE: A Negative appropriation impact means that appropriations should decline. See section on Dental Services Gross Receipts Tax Deduction.

SOURCES OF INFORMATION

LFC Files
 New Mexico Activities Association (NMAA)

Responses Received From

Taxation and Revenue Department (TRD)
 Department of Health (DOH)
 Health Policy Commission (HPC)
 New Mexico First
 NM Municipal League (NMML)
 Department of Finance and Administration (DFA)
 New Mexico Corrections Department (NMCD)
 Human Services Department (HSD)

SUMMARY

Synopsis of HTRC Substitute

The House Taxation and Revenue Committee substituted House Bill 618 to include the provisions of House Bill 618 and eight other tax bills:

Personal Income Tax Simplification. Creates a new credit against personal income tax and a new tax rate that offsets the repeal of the personal exemption, the standard deduction, the bottom tax rates and the low income comprehensive tax rebate. The credit will be effective for tax years beginning on or after January 1, 2008.

1. Collapses all of the tax brackets for a flat tax of 4.9 percent on taxable income.
2. A credit that changes with income and dependents is added.
3. The low and middle income tax exemption and the low income comprehensive tax rebate are repealed.
4. Several definitions have been changed or updated and several technical changes have been made.

Sporting Event Referee Gross Receipts. Creates a new gross receipts tax exemption for receipts of refereeing, umpiring, scoring or other athletic officiating at any sporting event in New Mexico sponsored by the New Mexico Activities Association or a municipality, county or non-profit organization. The exemption will become effective on July 1, 2008.

Employee Wellness Program Tax Credit. Creates a new credit against personal and corporate income tax liability for employers who have a qualified “wellness” program in place. The credit is for \$150 per employee for those employers who have fewer than 32 employees.

On-Site Liquid Waste Treatment System Tax Credit. Creates a new \$1,250 credit against personal income tax (PIT) liability for the purchase and installation of an eligible liquid waste disposal system in the taxpayer’s primary residence. If the credit exceeds liability, the balance may be carried forward for up to 3 years. The taxpayer must be a New Mexico resident and not a dependent of another taxpayer.

Gross Receipts Tax Deduction for Dental Services to Medicaid Patients. Creates a new gross receipts tax deduction for receipts for provision of dental services to Medicaid patients that are not otherwise deductible. Dental services are defined as services provided to a licensed dentist or dental hygienist. The effective date of the provisions will be July 1, 2009, contingent on approval by the federal Centers for Medicare and Medicaid Services (CMS) for continued federal matching reimbursement for the services.

Benefits Administration Services Gross Receipts Tax Exemption. Creates a gross receipts tax exemption for receipts from providing human resources outsourcing administration and services, including payroll, performance improvement consulting, benefits expertise and comprehensive benefit management services. The effective date of the proposed exemption is July 1, 2008.

Gross Receipts Tax Deduction for Cyberspace Command Center. Creates a gross receipts tax deduction for receipts from services to construct, supply or operate a cyberspace command center at an air force base in New Mexico. Also creates a compensating tax deduction for the

value of services and tangible property purchased to construct, supply or operate a cyberspace command center at an air force base in New Mexico.

A “cyberspace command center” is defined as an installation that defends the United States against attacks conducted over the internet or other communications systems that may disable or interrupt computer, communications or satellite systems or other vital strategic infrastructure that contaminate, destroy or access the information stored or processed through those systems. The effective date of these deductions will be July 1, 2008.

Liquor Tax Distribution for Treatment of Street Inebriates. Provides a distribution of \$20,750 monthly to the City of Farmington from the liquor excise tax revenues.

Expert Volunteers for Schools Tax Credit. Creates the New Mexico 2012 Project to train education volunteers for public schools and creates a \$500 personal income tax credit for eligible volunteers.

FISCAL IMPLICATIONS

Bill Number	Title	Fiscal Impact	FY08	FY09	FY10	FY11	FY12
H 28	SPORTING EVENT REFEREE GROSS RECEIPTS	General Fund - Revenues	-	(150)	(160)	(168)	(176)
		Local Government - Revenues	-	(104)	(111)	(117)	(123)
		Estimated Operating Impacts					
H 148	EMPLOYEE WELLNESS PROGRAM TAX CREDIT	General Fund - Revenues	-	(2,000)	(4,000)	(6,000)	(8,000)
		General Fund - Appropriations					
		Estimated Operating Impacts	-	163	163	163	163
H 284	ADVANCED SEPTIC SYSTEM PURCHASE TAX CREDIT	General Fund - Revenues	-	(438)	(446)	(454)	(462)
		Estimated Operating Impacts					
H 391	MEDICAID DENTAL SERVICES DEDUCTION*	General Fund - Revenues	-	-	(1,625)	(1,706)	(1,791)
		Local Government - Revenues	-	-	(1,129)	(1,185)	(1,245)
		Estimated Operating Impacts			(2,754)	(2,891)	(3,036)
H 445	BENEFITS ADMIN. SERVICES GROSS RECEIPTS	General Fund - Revenues	-	(21)	(30)	(31)	(33)
		Local Government - Revenues	-	(21)	(34)	(35)	(37)
		Local Government - Revenues (TIDD)	-	(38)	(79)	(83)	(88)
		Estimated Operating Impacts					
H 448	AIR BASE CENTER CONSTRUCTION GROSS RECEIPTS	General Fund - Revenues	-	(46)	(50)	(55)	(61)
		Local Government - Revenues	-	(38)	(41)	(45)	(50)
		Estimated Operating Impacts					
H 502	LIQUOR TAX FOR TREATMENT OF STREET INEBRIATES	General Fund - Revenues	-	-	(249)	(249)	(249)
		Local Government - Revenues	-	-	249	249	249
		Estimated Operating Impacts					
H 618	INCOME TAX SIMPLIFICATION	General Fund - Revenues	-	(1,353)	(698)	(5,236)	(9,834)
		Estimated Operating Impacts					
H 633	EXPERT VOLUNTEERS FOR SCHOOLS TAX CREDIT	General Fund - Revenues	-	(102)	(408)	(616)	(825)
		Estimated Operating Impacts	-	30	30	30	30
		General Fund - Revenues	-	(4,110)	(7,665)	(14,515)	(21,431)
		Local Government - Revenues	-	(164)	(1,066)	(1,134)	(1,205)
		Local Government - Revenues (TIDD)	-	(38)	(79)	(83)	(88)
		Estimated Operating Impacts	-	193	(2,561)	(2,698)	(2,843)

* This provision is contingent on the deduction not affecting federal revenues. If the services are deductible, there will be an operating impact on the Medicaid budget that includes state and federal appropriations.

The HTRC substitute is projected to reduce the general fund by \$4.1 million in FY09 and grow to a \$21.4 million reduction in FY12. Local governments will see revenues reduced by \$164 thousand in FY09 growing to \$1.2 million in FY12. There is also an impact on the Mesa del Sol tax increment for development district (TIDD) that could impact that development’s ability to finance bonds for infrastructure.

Personal Income Tax Simplification. The estimates are based on simulations of the proposal using TRD’s new micro-simulation model and the latest tax data available (returns for tax year 2006 filed in 2007). Changes in income tax liabilities from the simulations were then projected to 2008 and subsequent years by the forecast growth rate in the total population of New Mexico. Tax year 2008 liability changes were assumed to affect only FY2009 revenues. Tax year 2009 and subsequent year changes in liabilities were assumed to be evenly split across the two fiscal years included in the calendar year.

Sporting Event Referee Gross Receipts. NMAA reports that their organization only sponsors athletic events at high schools and junior highs, not colleges or elementary schools. Based on information provided by NMAA, LFC estimates that receipts of events sponsored by NMAA will be \$3,077.1 thousand in FY09. It is expected that another \$609 thousand per year in receipts from events sponsored by municipalities, counties and nonprofit organizations will be eligible for the deduction. Taxed at the statewide average tax rate of 6.9 percent, the new gross receipts tax deduction will decrease revenue collections by about \$254.4 thousand in FY09. About 59 percent of this reduction will impact the general fund, and the remaining 41 percent will impact local governments. The amount of the deduction is expected to grow by 5 percent per year.

Employee Wellness Program Tax Credit. TRD estimates that the credit will reach \$8 million by FY2012. In FY2009, 25 percent of the 49,000 eligible employees will qualify for the credit at a cost to the general fund of \$2 million and the credit will grow 25 percent per year until the \$8 million impact.

On-Site Liquid Waste Treatment System Tax Credit. The fiscal impact assumes 350 units will be eligible for the credit but NMED notes significant issues about the terminology in the bill that could potentially affect the fiscal impact. NMED representatives also state that 1) the types of systems likely to qualify for the proposed credits typically cost in the neighborhood of \$8,000 to \$10,000, but sometimes cost as much as \$20,000; 2) the units are usually installed on rural residential lots that make use of leaching fields when disposing waste; and 3) systems are often required by local regulations.

Gross Receipts Tax Deduction for Dental Services to Medicaid Patients. HSD reports that gross receipts tax paid by Medicaid to dental providers was \$2,378.6 thousand in FY07. Although HSD reports that the amount of dental provider services paid by Medicaid has been fairly stable, LFC expects the fiscal impact of the proposed deduction to grow as enrollment in the program grows and the statewide effective tax rate grows higher. Assuming growth of 5 percent per year, gross receipts tax revenue would be reduced by \$2,753.5 thousand in FY10. Of that revenue loss, 59 percent would accrue to the general fund and 41 percent would accrue to local governments.

The deduction would allow Medicaid appropriations to decline by the same \$2,753.5 thousand in FY10. Because 70.92 percent of Medicaid appropriations for dental services are paid by the federal government, \$1,952.8 thousand of the appropriation reduction would be from reduced federal funds, and the remaining \$800.7 thousand appropriation reduction would be from the general fund.

Benefits Administration Services Gross Receipts Tax Exemption. Based on tax return information, TRD estimates that taxpayers already located in New Mexico that will be exempt due to the proposal paid about \$86 thousand in gross receipts taxes in FY07. It is assumed that 25 percent of this activity will be eligible for the proposed exemption. Receipts from these businesses already located in New Mexico are expected to grow by 5 percent per year.

Fidelity Investments recently announced it will locate a human resources center at Mesa del Sol in Albuquerque. The company is expected to generate receipts of \$125 million in FY09 while it is still in the process of relocating and \$262.5 million in FY10 once its operations are fully in place. Based on the ratio of New Mexico's population to that U.S. population, it is assumed that 99.4 percent of these receipts will be provided to clients outside of New Mexico, making them

eligible for an existing deduction provided in Section 7-9-57 NMSA 1978. The remaining 0.6 percent of receipts will total \$816.4 thousand in FY09 and \$1.7 million in FY11. Taxed at an Albuquerque tax rate of 6.875 percent, the proposed exemption will decrease revenue from Fidelity by an estimated \$56.1 thousand in FY09 and \$117.9 thousand in FY10. The exemption is expected to grow by 5 percent per year. Because Fidelity is locating in the tax increment finance district (TIDD) of Mesa del Sol, 75 percent of what would be the general fund revenue loss and 67 percent of what would be the general fund revenue loss to the city of Albuquerque will accrue to the TIDD. The combined impacts of businesses already existing in New Mexico and Fidelity is expected to be a gross receipts tax loss of \$79.8 thousand in FY09 and \$142.8 thousand in FY10.

Gross Receipts Tax Deduction for Cyberspace Command Center. The amount and timing of this fiscal impact depends on if and when a cyberspace command center locates in New Mexico. TRD estimates that only \$1 million in ongoing services that were taxable in FY07 would become eligible for the proposed deductions. The fiscal impact estimate assumes these receipts grow by 10 percent per year. LFC cautions that the fiscal impact will be much larger if the cyberspace command center is located in New Mexico.

Liquor Tax Distribution for Treatment of Street Inebriates. The \$20,750 monthly distribution to the City of Farmington reduces general fund revenues by \$249,000 annually.

Expert Volunteers for Schools Tax Credit. This bill would also reduce General Fund revenue due to the authorization of a tax credit. Based on a preliminary TRD fiscal impact report, it is estimated that the tax credit would reduce General Fund revenues by \$1.4 million in FY10, with a three year cost of \$3.7 million. National data for 1990 reported there were 473,467 volunteers providing instructional support in schools across the United States. Assuming half of these volunteers were experts in the fields specified in this bill and applying a ratio for New Mexico population, the number of potential volunteers is estimated at 1,500 in 1990. Finally, TRD updates for population growth and assumes each volunteer utilizes the maximum amount of the credit. TRD assumes a phase-in for the program to become fully operational.

SIGNIFICANT ISSUES

LFC notes that while individual deductions 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.

Personal Income Tax Simplification. This credit is an effort to simplify the tax code for the majority of New Mexican taxpayers. Instead of several pages of schedules and attachments and instructions, the average taxpayer will take his or her adjusted gross income from the federal 1040, make a few additions/deductions to arrive at a taxable income and look up the tax on one table (page 10 of TRD analysis). All taxpayers will benefit from the new structure with most of the benefit going to lower income taxpayers (see page 11 of TRD analysis).

Although the new structure is a flat rate tax, the credit mimics the progressivity of a graduated tax structure more smoothly than constant exemptions and credits. Also, even though the low income comprehensive tax rebate (LICTR) is repealed, the essence of LICTR is captured by the new credit and is more efficient due to the indexing of the credit to inflation.

The Working Families Credit (state level earned income tax credit based on the federal) is not changed and will still be available to low income working taxpayers.

Sporting Event Referee Gross Receipts. By restricting the proposed exemption to events sponsored by the New Mexico Activities Association, the provision excludes receipts from professional sporting events. Also excluded are events at elementary schools and colleges. However, by including events sponsored by a city, county or non-profit, the exemption will include city athletic league activities, county fairs, and non-profit events such as marathons.

Fees earned by sports officials on varsity, junior varsity, and junior high sporting events are set annually by the New Mexico Activities Association and vary for different events. Sports officials receive mileage reimbursement and are paid per diem if they spend the night away from home.

Since this is an exemption rather than a deduction, no information will be reported on the tax returns and it will be difficult to track the cost of this exemption in the future.

Employee Wellness Program Tax Credit. DOH, in consultation with HPC, TRD and the Workforce Solutions Department, is charged with certifying a company's wellness program which must contain at least three of the following:

- Health awareness: dissemination of health information and screening for employees
- Employee engagement: a committee to engage employees and employee tracking
- Behavioral change: programs that provide counseling, seminars, on-line programs or self-help materials to address behavioral health issues such as smoking, obesity, stress, fitness, nutrition, substance abuse, depression and mental health promotion

Supportive environment: policies and services that promote healthy lifestyles including tobacco use policies, availability of nutritious food, stress management and the encouragement of physical activity

DOH:

Nearly 890,000 cases of seven common chronic diseases — cancers, diabetes, heart disease, hypertension, stroke, mental disorders, and pulmonary conditions — were reported in New Mexico in 2003. (The Milken Institute. An Unhealthy America: The Economic Burden of Chronic Disease. October 2007.

<http://www.chronicdiseaseimpact.com/ebcd.taf?cat=state&state=NM>)

These conditions shorten lives, reduce quality of life, and create considerable burden for caregivers. The Milken Institute has estimated that between 2003 and 2023, NM could potentially save \$6.3 billion (or 26.4%) in direct medical expenditures and lost productivity due to chronic diseases if moderate changes were made toward prevention and screening. The leading causes of preventable disease and death are tobacco use, lack of adequate physical activity, and poor nutritional practices.

Lack of physical activity and poor nutritional habits are believed to be the biggest contributors to overweight and obesity. Overweight and obesity in adults increase the risk of diabetes, cardiovascular disease, asthma, arthritis, some cancers, and poor functional health status. Chronic diseases such as these are responsible for six out of every ten deaths in New Mexico.

The worksite is an ideal setting for health education and disease prevention programs because employees spend significant hours at work.

Individuals with lower incomes and educational attainment tend to have poorer health status when compared to people earning more money and with higher education. By reaching New Mexico residents at their worksites, HB148 could positively impact non-professional populations that have been identified to have higher rates of obesity, tobacco use, substance abuse, depression, and poor nutrition and physical activity behaviors.

The February 2007 issue of *State Legislatures*, a National Conference of State Legislatures publication, reported on wellness programs and found at the time seven states had tax credits including Hawaii, Iowa, Mississippi, New Jersey, New York, Rhode Island and Wisconsin. “The idea is to provide employers—especially smaller businesses—with income, franchise or corporate tax credits for wellness programs such as nutrition, weight management, smoking cessation or substance abuse counseling, or purchasing or maintaining fitness equipment.”

According to NCSL:

Investing in employee health also pays off. Healthy workers are more productive. An analysis of 32 studies of workplace wellness initiatives found 28 with an average return on investment of \$3.48 per \$1 in program costs, as reported in 2001 in the *American Journal of Public Health*. Citibank saved \$8.9 million over two years after investing \$1.9 million for wellness initiatives, translating into a return of \$4.70 for each dollar spent on the wellness program. Motorola saw a return of \$3.93 for every dollar spent on its wellness program, and saved nearly \$10.5 million annually in disability expenses for program participants compared to non-participants.

Corroborating NCSL, HPC cites research that indicates that workplaces with employee health programs demonstrate a 2% to 5% increase in productivity and that those with health promotion programs save an average of \$3.50 for every dollar spent, as measured by reduced absenteeism and health care costs. Workplaces with wellness programs also report fewer work-related injuries and lower stress levels.

On-Site Liquid Waste Treatment System Tax Credit. According to NMED, the WTAC, created by statute, has developed performance standards for wastewater treatment technologies to be approved for advanced treatment. The WTAC has not developed advanced treatment standards for wastewater disposal technologies, nor has it established that disposal technologies are capable or achieving advanced treatment. Consumers could be misled by HB 284 into thinking that such disposal products can perform advanced treatment when that may not be the case.

Gross Receipts Tax Deduction for Dental Services to Medicaid Patients. DOH and HPC report that New Mexico currently has a shortage of dental service providers, especially in rural areas. New Mexico ranks 49th among the states in the number of dentists per capita. In 2006, the state had 882 active, licensed dentists and 812 active, licensed dental hygienists. HPC reports that in 2006, there were no active, licensed dentists in Catron, Guadalupe, Harding and Mora counties. The number of dental service providers serving Medicaid patients is minimal.

Proponents note that recruitment and retention of health providers has been difficult in New Mexico because of the gross receipts tax. Economic theory suggests that a shortage of healthcare labor will push healthcare wages, and therefore healthcare costs higher. Although much of this problem was addressed in 2004 when Section 7-9-93 NMSA 1978 was enacted, some healthcare practitioners in New Mexico still pay gross receipts tax, while their counterparts in most other

states do not. Unlike many businesses that are subject to gross receipts tax but pass the tax on to consumers, many health providers cannot pass the tax on because managed care organizations and Medicare refuse to pay the tax.

Receipts of health practitioners have historically grown faster than receipts of other industries. Removing receipts from high-growth sectors from the gross receipts tax base makes it more difficult for tax revenue to keep pace with inflation.

Benefits Administration Services Gross Receipts Tax Exemption. On January 17, 2008, New Mexico economic development officials announced plans for Fidelity Investments to open a human resources services division at Mesa del Sol in Albuquerque. The company will begin its expanded operations around the beginning of FY09. The proposed exemption appears to be targeted to the receipts of this company.

Since this is an exemption rather than a deduction, no information will be reported on the tax returns and it will be difficult to track the cost of this exemption in the future.

Gross Receipts Tax Deduction for Cyberspace Command Center. According to EDD, the U.S. Air Force has proposed establishing a permanent cyberspace command center by October 1, 2008 and is actively evaluating potential locations. Cyberspace command has been provisionally located at Barksdale air force base in Louisiana. Over 500 military personnel and civilian employees are expected to be employed by the command center.

EDD also reports that Governor Richardson established a task force to make New Mexico's case to be the permanent location of the cyberspace command center. The task force believes Kirtland air force base would be an optimum location for the center due to existing technical capabilities and proximity to New Mexico's national laboratories. By reducing the cost of construction, supplying and operating the command center in New Mexico, this provision would provide an additional incentive for the cyberspace command center to locate at Kirtland air force base.

Liquor Tax Distribution for Treatment of Street Inebriates. Only Farmington in San Juan County fits the definition added by this bill. In 2000, the municipality had 37,844 people and San Juan is one of four Class A Counties.

The NM Association of Counties reports that the DWI funding for local government was increased significantly last year (House Bill 266 2007 Session). San Juan County should have gotten an additional \$146 thousand from the new distribution.

DFA (analysis from SB164, a related bill):

The level of alcohol and drug abuse is high in San Juan County and current funds may not be adequate to address these issues. According to TSB data San Juan ranks in the top 5 for fatal and injury DWI crashes in the state. San Juan County currently receives funding to address alcohol and drug prevention. This includes over one million dollars from LDWI fund, \$485,000 in special appropriation for a Meth project plus other local, state and federal funds.

Studies and research indicate (www.alcoholtaxincrease.org) that raising taxes on the sale of alcohol decreases alcohol consumption especially among youth. This strategy is supported by research as one of the most effective means to reduce DWI and alcoholism.

New Mexico has not increased the alcohol excise tax rates since 1993. This proposed change in law could reduce alcohol use in San Juan County.

Expert Volunteers for Schools Tax Credit. PED notes New Mexico has the third highest per-capita ratio of engineers in the United States, while public school student performance in math and science that is generally below a satisfactory level. PED discusses several other similar projects, past and present, in New Mexico to bring content-area experts to the classroom as a resource. According to a 1995 evaluation by Sandia National Laboratories, “evaluation findings show positive impact of the program... on teachers’ instruction in science, and to a lesser degree, in mathematics.” As well, the academic literature has found “scientist in the classroom” models of science outreach intervention generate interest in science and engage students.

HED notes the 2012 Project is based on the 1990-1995 Science Advisor Program between Sandia National Laboratories and Albuquerque Public Schools for grades K to 8. Similar collaborations currently exist in Las Cruces and Santa Fe school districts. HED indicates existing procedures would be used to certify volunteers both by the school districts and by NMSU. HED discusses an existing NMSU website that features 60 STEM programs. HED notes a new project proposal for New Mexico 2012 Project was not submitted by NMSU for consideration in the Fall 2007 budget process. The January 2008 LFC report “Higher Education Department Review of Selected Research and Public Service Projects” discusses best practices for funding these types of projects.

ADMINISTRATIVE IMPLICATIONS

Sporting Event Referee Gross Receipts. The provision will cause moderate administrative impacts for TRD. TRD will revise CRS forms, instructions and publications. TRD will also need to coordinate with the Public Education Department, the Western Area Conference and all other organizations that hold sporting events to identify which events qualify for the new deduction.

Employee Wellness Program Tax Credit. According to DOH, the agency is identified as a lead agency to implement key components of HB148: reviewing, issuing, or declining certification of eligibility to all New Mexico employers that apply, and promoting the wellness tax credit program. These duties would require 2 new FTE, at an estimated recurring cost of \$132,850.

According to TRD, one FTE would be needed by RPD, at a cost of \$30,000, to manage a manual process of tracking and reviewing the credits. A claim form and instructions would be needed at a cost of approximately \$1,000 to develop. Current publications would need to be changed. Coordination would be required between the various agencies to administer the credit and to establish the rules and guidelines.

On-Site Liquid Waste Treatment System Tax Credit. NMED reports that it will be difficult to ensure that advanced treatment is occurring at the disposal end when no such product has been approved as required by statute, and no standards have yet been established to demonstrate that disposal technologies can achieve advanced treatment.

Expert Volunteers for Schools Tax Credit. PED notes the Math and Science Bureau would work with the Math and Science Advisory Council to plan for and provide the required pedagogical training for volunteers. Time required would represent five percent of one Ed Admin A position at \$25.50 per hour plus benefits and 20 hours for one Exec Sec and Adm Asst

A at \$16.89 plus benefits. The total administrative cost for PED would be \$3.9 thousand annually. According to a draft fiscal impact report from TRD, one additional FTE is needed at a cost of \$30,000 to develop audit procedures.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The House Taxation and Revenue Committee substitute for House Bill 618 contains the provisions of House Bills 28, 148, 284, 391, 445, 448, 502, 618, and 633.

TECHNICAL ISSUES

Sporting Event Referee Gross Receipts. The terms “sporting events” and “athletic officiating” are not defined. It is unclear, for example, whether officials who work at events such as rodeo that take place at a county fair would qualify for the exemption.

LFC suggests replacing the word “nonprofit” on page 1, line 23 with “501(c) (3)” to reference the federal tax code.

Benefits Administration Services Gross Receipts Tax Exemption. LFC recommends amending making the proposed provision a deduction. Because exemptions do not require a tax return to be submitted, they are much more difficult to audit. The cost of exemptions is also virtually impossible to estimate.

TRD notes that Section 7-9-57 NMSA 1978 already contains a deduction for services performed in New Mexico where initial use is out of state. The majority of receipts for businesses who would qualify for the proposed exemption could already be deducted under current law.

NF:SS/mt:bb