

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 1-27-09

SPONSOR MP Garcia LAST UPDATED \_\_\_\_\_ HB 86

SHORT TITLE Repeal Land Grant Incorporation Laws SB \_\_\_\_\_

ANALYST Aubel

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
Indeterminable			Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

Local Government Division (LGD) of the Department of Finance and Administration

### SUMMARY

#### Synopsis of Bill

House Bill 86 repeals Section 49-2-18 NMSA 1978 that permits land grants incorporated under special laws to convert to regular corporations under the general corporation laws of the state.

### FISCAL IMPLICATIONS

Because the number of land grants changing status from taxable to nontaxable and vice versa is unknown, the fiscal impact of corporate tax revenues to the general fund is indeterminable. However, the Tax and Revenue Department notes that HB 86 would most likely have minimal impact on corporate tax revenues.

### SIGNIFICANT ISSUES

Current statute allows land grants incorporated under special laws to convert to regular corporations under the general corporation laws of the state. TRD specifies that the land grants that have not already converted to regular corporations are either political subdivisions or nonprofits, and not taxable as corporations currently, or taxable corporations. If any of the currently non-taxable land grants converted to regular corporations, they could retain their non-

taxable status. According to TRD, a revenue effect would only occur if any of these corporations changed their status from non-taxable to taxable or from taxable to non-taxable.

The Local Government Division (LGD) of the Department of Finance and Administration points out that HB86 removes “the ability of the individual community land grant to become a private corporation with the privileges and immunities of a domestic corporation organized under the general corporation laws of the state.” LGC maintains that “this action is significant because it prevents community land grants from organizing as a corporation and selling community lands, dissolving the community land grant.”

Community land grants will still qualify as political subdivisions that have to follow the general provisions of Article 1 Chapter 49-Land Grants.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Land grants would continue to be eligible to convert to a New Mexico corporation under the general corporation laws of the state.

### **POSSIBLE QUESTIONS**

1. How will this impact how land grant entities function?
2. Will this bill preserve the integrity of historic land grants?
3. Does this bill limit property rights?

MA/mt