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FISCAL IMPACT REPORT

ORIGINAL DATE 03/13/09

SPONSOR HVEC LAST UPDATED _____ HB 808/HVECS

SHORT TITLE Tax-Exempt Election Contributions & Reporting SB _____

ANALYST Wilson

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$150.0	\$125.0		Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 99, HB 151, HB 244, HB 252, HB 253, HB 272, HB 495, HB 535, HB 550, HB 553, HB 614, HB 646, HB 686, HB 850, HB 878, HB 883, HB 891, SB 49, SB 94, SB 116, SB 128, SB 139, SB 140, SB 163, SB 247, SB 258, SB 262, SB 263, SB 269, SB 296, SB 346, SB 451, SB 521, SB 535, SB 555, SB 557, SB 606, SB 611, SB 613, SB 646, SB 652, SB 676, SB 678 & SB 693

SOURCES OF INFORMATION

LFC Files

Responses Received From

Administrative Office of the Courts (AOC)

Secretary of State (SOS)

SUMMARY

Synopsis of Bill

The House Voters and Elections Committee substitute for HB 808 enacts a new section of the Corporate Income and Franchise Tax Act to read that no corporate income or franchise tax shall be imposed upon religious, educational, benevolent or other organizations not organized for profit that are exempt from income taxation under the Internal Revenue Code unless:

- (1) the organization receives income that is subject to federal income taxation as unrelated business income under the Internal Revenue Code, in which case the organization is subject to the corporate franchise tax, and the corporate income tax applies to the unrelated business income; or
- (2) the organization engages in a targeted election-related communication and the organization fails to file a disclosure report with the SOS.

Reports required by this bill shall contain the following information:

- all expenditures related to the targeted election-related communication, the purpose of the expenditure and the name and address of the person or entity to whom an expenditure was made;
- each donation, grant or allocation received by the entity in excess of \$1,000, regardless of whether it is related to the targeted election-related communication;
- the name and address of the person or entity from which the donation, grant or allocation was received; and
- the date the expenditure was made.

The substitute bill defines a targeted election-related communication to mean any radio, television, cable or satellite broadcast or any print advertisement, including direct or bulk mailings, that: 1) refers to a clearly identified candidate for state office; 2) is made during the 90 days preceding a primary election or a general election for the office sought by the candidate; and 3) is targeted to the relevant electorate.

The bill also includes a list of communications not included in a targeted election-related communication.

FISCAL IMPLICATIONS

There will be a minimal administrative cost for statewide update, distribution and documentation of statutory changes. Any additional fiscal impact on the judiciary would be proportional to the enforcement of this law and commenced prosecutions. New laws, amendments to existing laws and new hearings have the potential to increase caseloads in the courts, thus requiring additional resources to handle the increase.

The SOS does not currently have an electronic system to support these types of reports. The purchase of an electronic system to support these requirements will be necessary. Additionally, the new electronic system will require an annual maintenance contract after the first year warranty expires.

The estimated cost to the SOS is at least \$150,000 in FY 2010 and \$125,000 in the following fiscal years.

SIGNIFICANT ISSUES

The AOC provided the following:

The substitute raises the threshold of donations, grants or allocations received triggering reporting requirements to \$1,000.

The substitute bill requires reporting of targeted election-related communications engaged in by tax-exempt nonprofits, makes a non reporting organization subject to penalties already in existence under the Campaign Reporting Act, and subjects a non reporting organization to the corporate income tax and franchise tax.

The SOS notes that currently the SOS has no authority over tax-exempt organizations. The Public Regulation Commission oversees these entities and presently requires an annual report that does not include financial information.

ADMINISTRATIVE IMPLICATIONS

The Ethics Division within the SOS does not currently employ a sufficient amount of staff to accommodate these provisions. A minimum of two additional full-time FTEs will be necessary. These new staff members will require training and equipment and other associated costs.

RELATIONSHIP

The HVEC substitute for HB 808 relates to the following ethics bill:

- HB 99, Prohibit Former Legislators as Lobbyists
- HB 151, State Ethics Commission Act
- HB 244, Prohibit Contractor Contribution Solicitation
- HB 252, Political Contributions to Candidates
- HB 253, Quarterly Filing of Certain Campaign Reports
- HB 272, Quarterly Campaign Report Filing
- HB 495, Political Candidate & Committee Donations
- HB 535, Lobbyist Identification Badges
- HB 550, Local School Board Governmental Conduct
- HB 553, Disclosure of Lobbyist Expenses
- HB 614, State Ethics Commission Act
- HB 646, School Board Candidate Contribution Info
- HB 686, AG Prosecution of State Officer Crimes
- HB 891, Election Communication Contribution Reporting
- HB 850, Governmental Conduct Act for All Employees
- HB 878, State Contractor Registration & Info
- HB 883, Clean Government Contracting Act
- SB 49, Governmental Conduct Act For Public Officers
- SB 94, Prohibit Former Legislators as Lobbyists
- SB 116, Limit Contributions to Candidates & PACs
- SB 128, Require Biannual Campaign Reports
- SB 139, State Ethics Commission Act
- SB 140, State Ethics Commission Act
- SB 163, Prohibit Former Legislators as Lobbyists
- SB 247, Election Agent Registration Requirements
- SB 258, Contribution from State Contractors
- SB 262, Political Contributions to Candidates
- SB 263, Contractor Disclosure of Contributions
- SB 269, State Bipartisan Ethics Commission Act
- SB 296, State Contractor Contribution Disclosure
- SB 346, Political Contributions to Candidates
- SB 451, Contributions to PERA Board Candidates
- SB 521, Campaign Contributions in Certain Elections
- SB 535, Election Definition of Political Committee
- SB 555, Public Employee & Officer Conduct

SB 557, State Ethics Commissions Act
SB 606, Expand Definition of Lobbyist
SB 611, Investment Contractor Contributions
SB 613, Campaign Finance Changes
SB 646, Judicial Candidate Campaign Contributions
SB 652, Campaign Reporting Private Cause of Action
SB 676, School Board Candidate Contributions
SB 678, School Board Candidate Contributions
SB 693, Prohibit Certain Contributions to Candidates

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