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FISCAL IMPACT REPORT

ORIGINAL DATE 2/27/09

SPONSOR Eleanor Chavez LAST UPDATED _____ HM 61

SHORT TITLE Tax Credit Effect On State Functions SB _____

ANALYST Haug

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	NFI	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

No Responses

SUMMARY

Synopsis of Bill

House Memorial 61 requests the legislature as a whole to:

- Carefully consider the budgetary needs of the state when considering any further tax credits, exemptions or deductions and when considering any of the proposed tax credits, deductions and exemptions before it.
- Carefully consider the role that state government is called upon to play in a troubled economy, providing a safety net to a larger pool of residents who now qualify for programs such as medical assistance; food stamps; temporary assistance for needy families; and many other public programs to assist low-income households.
- Consider the impact of tax credits, exemptions and deductions on all of the necessary functions of the state that must be maintained even in the face of diminished revenues

Copies of the memorial would be transmitted to the governor and to the president pro tempore of the senate.

FISCAL IMPLICATIONS

No fiscal impact.

SIGNIFICANT ISSUES

The Legislative Finance Committee's (LFC) February 2009 revenue brief reports that recurring revenue for fiscal year 2009 will be \$5,700,000,000, almost \$300,000,000 less than fiscal year 2008 or a decline of 4.9 percent.

The LFC brief reports that the decline in state revenues would have been worse without significant but unsustainable strength in federal mineral leasing.

The LFC brief reports that recurring revenue for fiscal year 2010 will be \$268,000,000 less than for fiscal year 2009.

Revenues are expected to gain some ground in fiscal year 2011, increasing four and nine-tenths percent back to the 2009 figure of \$5,700,000,000 in the event that the economy improves as projected.

The New Mexico Legislature has enacted a great many tax credits already, including a rural jobs tax credit; a laboratory partnership with small business tax credit; a technology jobs tax credit; a film production tax credit; a New Mexico filmmaker tax credit; an affordable housing tax credit; a qualified research and development small business tax credit for high wage jobs; an alternative energy products manufacturers' tax credit; a qualified business facility rehabilitation tax credit; a welfare-to-work employer tax credit; a job mentorship tax credit; a solar market development tax credit; a residential and small business solar thermal and photovoltaic market development tax credit; a working families tax credit; a special needs adopted child tax credit; a tax credit equal to fifty percent of the fair market value of land or interest in land that is conveyed for the purpose of open space, natural resource or biodiversity conservation; an angel investment credit tax credit for qualified investments; a renewable energy production tax credit; a sustainable building tax credit; an agricultural water conservation expenses tax credit; a blended biodiesel fuel tax credit to offset the special fuel excise tax; a rural health care practitioner tax credit; a credit for the preservation of cultural property; and an intergovernmental business tax credit, among others.

The Legislature has already enacted over forty-five different deductions from taxable income.

The Legislature has already enacted more than fifty different exemptions from taxable income.

In this first session of the forty-ninth legislature alone, there is legislation that proposes tax credits, tax deductions and tax exemptions that have a combined projected fiscal impact of almost \$279,000,000 for 2011, an amount greater than the projected drop in revenues from 2009 to 2010.

GH/mt