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FISCAL IMPACT REPORT

ORIGINAL DATE 1/20/09

SPONSOR Sanchez, B LAST UPDATED _____ HB _____

SHORT TITLE Extend Research and Development Tax Credit SB 45

ANALYST Gutierrez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	(\$154.0)	(\$169.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 45 amends Section 7-9H-3 NMSA 1978 to extend the sunset date of the research and development small business tax credit from June 30, 2009, to June 30, 2013.

This bill is being proposed on behalf of the Revenue Stabilization and Tax Policy Committee.

FISCAL IMPLICATIONS

TRD stated that based on past data, the annual fiscal impact for this credit varies significantly. Based on prior year claims and claims so far this fiscal year, it is estimated that the FY2009 credit amount would be \$140,000. The TRD fiscal impact assumes growing this credit 10% year over year.

Estimated Revenue Impact*						R or NR**	Fund(s) Affected
FY2009	FY2010	FY2011	FY2012	FY2013	FY 09-13		
0	(\$154.0)	(\$169.0)	(\$186.0)	(\$205.0)	(\$714.0)	R	General Fund

(Parenthesis () Indicate Revenue Decreases)

Source: TRD

* In thousands of dollars.

** Recurring (R) or Non-Recurring (NR).

ADMINISTRATIVE IMPLICATIONS

TRD is responsible for providing the credit claim forms for the tax credit and TRD reports there will be no additional administrative implications by extending the sunset date.

BLG/svb

The Legislative Finance Committee has adopted the following principles to guide responsible and effective tax policy decisions:

1. **Adequacy:** revenue should be adequate to fund government services.
2. **Efficiency:** tax base should be as broad as possible to minimize rates and the structure should minimize economic distortion and avoid excessive reliance on any single tax.
3. **Equity:** taxes should be fairly applied across similarly situated taxpayers and across taxpayers with different income levels.
4. **Simplicity:** taxes should be as simple as possible to encourage compliance and minimize administrative and audit costs.
5. **Accountability/Transparency:** Deductions, credits and exemptions should be easy to monitor and evaluate and be subject to periodic review.

More information about the LFC tax policy principles will soon be available on the LFC website at www.nmlegis.gov/lcs/lfc