

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: HB 23

50th Legislature, 2nd Session, 2012

Tracking Number: .187972.1

Short Title: School Nonathletic Event Gross Receipts

Sponsor(s): Representative Mary Helen Garcia and Senator Carlos R. Cisneros

Analyst: David Craig

Date: January 24, 2012

Bill Summary:

HB 23 extends for another five years (through June 30, 2017) the deduction from the gross receipts tax for receipts from admissions to nonathletic special events held at a postsecondary institution venue that is located within 50 miles of the New Mexico border and can accommodate at 10,000 people. Under current law the deduction will sunset on June 30, 2012.

Fiscal Impact:

HB 23 does not contain an appropriation.

HB 23 impacts only one venue, the Pan American Center at New Mexico State University (NMSU).

LESC staff received updated information on applicable nonathletic special events from NMSU, indicating that the average annual revenue between 2008 and 2012 was \$1.19 million. This information provides a potential tax liability estimate of \$59,625.

The *Tax Administration Act* distributes the governmental gross receipts tax (GGRT) revenue as follows:

- 75 percent to the New Mexico Finance Authority's (NMFA's) public project revolving fund;
- 14 percent to state park and recreation area capital improvements;
- 10 percent to the Youth Conservation Corps program; and
- 1.0 percent to the Cultural Affairs Department for capital improvements to state monuments.

Assuming the tax liability estimate of \$59,625 noted above, the table below illustrates the fiscal impact that HB 23 may have on the four recipients of GGRT revenue.

LESC's Estimated Revenue Impact (in thousands)				
FY 13	FY 14	FY 15	R or NR*	Fund(s) Affected
(44.71)	(44.71)	(44.71)	R	New Mexico Finance Authority (75%)
(8.34)	(8.34)	(8.34)	R	State Park and Rec. Area Capital Improvements (14%)
(5.96)	(5.96)	(5.96)	R	NM Youth Conservation Corps (10%)
(0.6)	(0.6)	(0.6)	R	Office of Cultural Affairs

*Recurring (R) or Nonrecurring (NR)

Substantive Issues:

According to NMSU:

- HB 23 is designed to allow NMSU's Pan Am Center to compete with other local venues for national entertainment events; and
- not extending the deduction would hurt NMSU's ability to draw entertainment events because artists would choose to book their event at the University of Texas, El Paso (UTEP) where they can avoid paying these taxes.

According to the Taxation and Revenue Department:

- the 2007 analysis indicated that the NMSU Pan Am Center has a competitive disadvantage when competing for events with UTEP because UTEP did not charge taxes on events;
- before the original deduction was enacted in 2007, the Pan American Center at NMSU had two sources of income, both taxed as governmental gross receipts. After the current Gross Receipts Tax (GRT) deduction was enacted, the contracts with performers for the events produced by the Pan American Center staff were revised to take advantage of the GRT deduction;
- the Pan Am Center would go back to GGRT rate of 5.0 percent if the deduction sunsets; and
- the enactment of HB 23 would result in a lost distribution to GGRT beneficiaries rather than a lost distribution of the GRT tax rate of 5.125 percent to the state General Fund, the City of Las Cruces, and Doña Ana County.