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FISCAL IMPACT REPORT

ORIGINAL DATE 02/03/12

SPONSOR Cook LAST UPDATED _____ HB 75

SHORT TITLE Cigarette Tax to Recreational Fund SB _____

ANALYST Walker-Moran

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund(s) Affected
FY12	FY13	FY14	FY15	FY16		
0	\$750.0	\$740.0	\$720.0	\$710.0	Recurring	County and Municipality Recreational Fund
0	(\$750.0)	(\$740.0)	(\$720.0)	(\$710.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

in coordination with Department of Finance and Administration (DFA)

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

House Bill 75 amends section 7-1-6.11 NMSA 1978 to include a new distribution to the county and municipality recreational fund in an amount equal to 0.83 percent of the net receipts, exclusive of penalties and interest, attributable to the cigarette tax.

Distributions to the general fund will be impacted by this bill. Distributions to the other funds remain unchanged.

The effective date of this bill is July 1, 2012.

FISCAL IMPLICATIONS

The cigarette tax revenue estimate in the December 5, 2011 Consensus Revenue Estimate was used in this analysis. The State will lose approximately 0.98 percent of total current general fund cigarette tax distributions each year.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

SIGNIFICANT ISSUES

According to the TRD, this bill reinstates a previous distribution to the county and municipality recreational fund from the cigarette tax, but at a different rate 0.83%. Before July 1, 2010, New Mexico State distributed 1.35% (about \$780,000 each year) of net receipts attributable to the cigarette tax to the county and municipality recreational fund. Effective July 1, 2010, new tax rates were imposed on cigarettes and the state stopped the distribution to the county and municipality recreational fund. The companion county and municipality cigarette fund distribution is not reinstated in this bill, although it, too, was repealed in the 2010 legislative session.

ADMINISTRATIVE IMPLICATIONS

The TRD reports that there would be a small impact (120 hours) on the staffing resources of the Taxation and Revenue Department's information systems team to create and test the new distributions. Minimal programming or reporting changes will be made to GenTax.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy:** Revenue should be adequate to fund needed government services.
2. **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity:** Different taxpayers should be treated fairly.
4. **Simplicity:** Collection should be simple and easily understood.
5. **Accountability:** Preferences should be easy to monitor and evaluate