FISCAL IMPACT REPORT

	ORIGINAL DATE 01/29/13		
SPONSOR White and Cisneros	**LAST UPDATED**	**HB**	29
SHORT TITLE Aircraft Repair Station Sales Gross Receipts		**SB**	
		ANALYST	Smith

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY13	**FY14**	**FY15**	**FY16**	**FY17**		
$0.0	($219.0)	($229.0)	($241.0)	($252.0)	Recurring	General Fund
$0.0	($146.0)	($153.0)	($160.0)	($168.0)	Recurring	Local Governments
$0.0	($365.0)	($382.0)	($401.0)	($420.0)	Recurring	Total

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Taxation and Revenue Department
Department of Finance and Administration
Economic Development Department

SUMMARY

Synopsis of Bill

House Bill 29 extends the existing gross receipts tax exemption for aircraft manufacturers to operators of a certified repair station that provide maintenance parts or services to aircraft.

Effective Date: July 1, 2013

FISCAL IMPLICATIONS

TRD attempted a cross match of The Federal Aviation Administration (FAA) lists of all certified repair stations and the tax rolls. There are 20 FAA certified repair stations in New Mexico on the current list. In FY12, 13 of those on the list did not report taxable gross receipts. The seven that reported positive taxable gross receipts, reported $4.7 million in taxable gross receipts, and $329.8 thousand in gross receipts tax (GRT).

Data is not available to separate the gross receipts for parts and services that would become deductible from all other receipts. Assuming that all gross receipts from certified repair stations would be deductible, the impact is estimated to be the full amount of GRT from the listed businesses divided between the General Fund and local governments, at an average ratio of 60/40. Yearly growth is estimated using the December 2012 BBER FOR-UNM forecast growth rate for Gross State Product.

SIGNIFICANT ISSUES

DFA reports that many states offer tax exemptions or deductions for aircraft repair services, including but not limited, to Florida, Arkansas, Indiana and Oklahoma.

DFA also notes that this bill narrows the tax base, which could lead to higher taxes in other sectors or decreases in government spending.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is not met since TRD is not required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the deduction and other information to determine whether the deduction is meeting its purpose.

ADMINISTRATIVE IMPLICATIONS

TRD reports minimal impact

TECHNICAL ISSUES

This bill does not contain a sunset date. The LFC recommends adding a sunset date.

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

SS/svb