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FISCAL IMPACT REPORT

ORIGINAL DATE 02/26/13

SPONSOR Taylor LAST UPDATED _____ HB 299/aHBIC

SHORT TITLE Tax Administration Act Changes SB _____

ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15	FY16	FY17		
	\$0.0	\$0.0	\$0.0	\$0.0	Recurring	General Fund
	\$0.0	\$0.0	\$0.0	\$0.0	Recurring	Other TAA Beneficiaries
	\$0.0	\$0.0	\$0.0	\$0.0	Recurring	Total

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HBIC Amendment

The House Business and Industry Committee amendment to House Bill 299 removes the change in the interest rate calculation on refunds. As amended, the bill has no fiscal impact.

Synopsis of Original Bill

House Bill 299 makes several significant changes to the TRD's operational statute, the Tax Administration Act. The most significant change proposed are:

- Gives taxpayers 180 days to file an amended return that is the result of Internal Revenue Service Action. The current deadline is ninety days.
- Defines "Final Determination" in the sense of a claim upon a taxpayer or protest.
- Makes the maximum extension 12 months and at the secretary's discretion.

- Makes clear that administrative processes apply to the denial or granting of a credit or rebate.
- Increases the protest filing period from thirty to ninety days.
- Recodifies the duties and conduct of hearing offices. The bill gives the hearing officer the discretion to postpone or continue a hearing.
- Removes the requirement for attorney general approval for abatements under \$20 thousand.
- Allows interest on overpayments to begin accruing at the date of the overpayment rather than the date of the claim.

FISCAL IMPLICATIONS

The fiscal impact stems from the change in the interest rate calculation and was discussed during Legislative Finance Committee hearing over the summer.

Estimating the cost of tax expenditures is difficult. Confidentiality requirements surrounding certain taxpayer information create uncertainty, and analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the expenditure's fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures.

SIGNIFICANT ISSUES

This is a TRD initiated bill. Developed to improve the taxpayer "friendliness" of the TAA, the bill provides clarifications and extensions of statutory time periods to offer increasingly favorable compliance requirements for taxpayers. Provisions for the taxpayer's filing a refund claim are clarified and improved in the bill. A significant motivation for these changes is to raise New Mexico's scoring by the Council on State Taxation (COST), addressing prior findings that the state was scored with a "D" relative to other states in a scorecard related to Tax appeals and procedural requirements. It is intended that these TAA reforms will substantially remedy the state's low rating in these TAA areas

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