FISCAL IMPACT REPORT

		ORIGINAL DATE	02/06/14		
SPONSOR	Muñoz	**LAST UPDATED**		**HB**	
SHORT TITLE	County Hold Harmless Gross Receipts			**SB**	217
				ANALYST	van Moorsel

REVENUE (dollars in thousands)

Estimated Revenue					**Recurring or Nonrecurring**	**Fund Affected**
FY14	**FY15**	**FY16**	**FY17**	**FY18**		
$0.0	$0.0	($91.9)	($187.5)	($286.7)	Recurring	General Fund
$0.0	$0.0	$91.9	$187.5	$286.7	Recurring	Local Governments
$0.0	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**Recurring**	**Total**

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates HB 155. Relates to HB 114 – Reduction in Hold Harmless Gross Receipts, SB 171 – Local Gov't Hold Harmless Gross Receipts, HB 132 - Local Government Hold Harmless Gross Receipts, SB 87 – Local Gov't Hold Harmless Gross Receipts

SOURCES OF INFORMATION

LFC Files

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 217 amends the Tax Administration Act to amend the food and medical hold-harmless distribution to certain counties. The bill creates a maximum distribution (see below) to the following counties:

- a county with a population less than 48 thousand that does not have in effect a county hold harmless gross receipts tax; and
- a county with a population more than 70 thousand that does not have in effect a county hold harmless GRT and that has a property valuation between $730 million and $1 billion.

All other counties receive the maximum distribution, phased out according to the schedule by which the food and medical hold harmless distribution would be phased out under current law. The maximum distribution is defined as:

- For counties with populations less than 48 thousand, the total food and medical deductions for the month by taxpayers from business locations attributable to the county multiplied by the sum of the combined rate of all county local option gross receipts taxes for the month.

- For counties with populations 48 thousand or greater, the total food and medical deductions for the month by taxpayers from business locations attributable to the county multiplied by the sum of the combined rate of all county local option gross receipts taxes for the month in effect on January 1, 2007.

The effective date of this bill is July 1, 2015.

FISCAL IMPLICATIONS

Based on county populations per the 2010 U.S. Census and the Department of Finance and Administration's Property Tax Facts for 2013, McKinley County is the only county with a population greater than 48 thousand that would meet the criteria prescribed in the bill and would therefore not be subject to a phaseout of its hold harmless distribution.

The fiscal impact is based on the counties that would ***currently*** qualify, and is calculated as the difference between the phased out hold-harmless distribution under current law, and the hold-harmless distribution without the phase-out proposed in the bill. The estimate is based on the Consensus Revenue Estimating Group's forecast for growth in food and medical deductions, and on McKinley County's actual FY13 food and medical hold harmless distribution.

SIGNIFICANT ISSUES

A similar bill was introduced that would exempt Gallup (and parts of Espanola in Santa Fe County) from the phaseout of the municipal hold harmless distribution. Several other pieces of legislation introduced during the 2014 session seek to make changes to the phaseout of the food and medical hold harmless distributions and the rate authority granted local governments to make up revenue lost due to the phaseout.

TECHNICAL ISSUES

TRD notes a technical issue with language stricken on page 9, lines 22 through 25 and page 10, lines one and two. This language currently provides the hold harmless distribution to certain municipalities not be made on or after July 1, 2029. Without this language, no language exists to govern the hold-harmless distribution to municipalities subject to the phase-out after July 1, 2029. The sponsor may wish to amend the bill restore this language.

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

PvM/svb