F I S C A L   I M P A C T   R E P O R T

SPONSOR Zimmerman **ORIGINAL DATE LAST UPDATED** 2/5/15 **HB** 219

SHORT TITLE Out-of-State Event Gross Receipts **SB**

ANALYST van Moorsel

REVENUE (dollars in thousands)

Estimated Revenue*					Recurring or Nonrecurring	Fund Affected
FY15	**FY16**	**FY17**	**FY18**	**FY19**		
$0.0	($187.5)	($187.5)	($187.5)	($187.5)	Recurring	Public Project Revolving Fund
$0.0	($60.0)	($60.0)	($60.0)	($60.0)	Recurring	Energy, Minerals and Natural Resources
$0.0	($2.5)	($2.5)	($2.5)	($2.5)	Recurring	Office of Cultural Affairs
$0.0	**($250.0)**	**($250.0)**	**($250.0)**	**($250.0)**	**Recurring**	**Total**

(Parenthesis ( ) indicate revenue decreases

Duplicates SB271 – Out-of-State Event Gross Receipts

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)
New Mexico State University (NMSU)

SUMMARY

Synopsis of Bill

House Bill 219 amends the Gross Receipts and Compensating Tax Act to exempt from governmental gross receipts (GGRT) the receipts from the performance of or admissions to recreational, athletic, or entertainment services that occur out of state.

Specifically, the bill amends the definition of governmental gross receipts to exclude receipts of the state or an agency, institution, instrumentality or political subdivision from the performance of or admissions to recreational, athletic or entertainment services or events *outside of New Mexico* in facilities open to the general public.

The bill has no effective date. It is assumed the effective date is 90 days after the session ends.

FISCAL IMPLICATIONS

The Taxation and Revenue Department's analysis of HB 219 estimates the negative fiscal impact to the public project revolving fund (PPRF), the Energy, Minerals and Natural Resources Department (EMNRD), and the Department of Cultural Affairs. TRD's analysis notes the impact of this bill would mainly come from the receipts of public universities that are paid "game guarantees" to play games at out of state opponents. Typically, smaller schools, or schools in less powerful conferences, are paid to play away games against opponents from power conferences. Schools can be paid a million dollars for such a game, and these funds can be used to supplement athletic budgets. This bill would exclude such payments from the definition of GGRT. This generally only applies to major revenue sports like football and basketball, and not to Olympic sports like track and field. Based on information from UNM and NMSU, the analysis assumes an average annual GGRT revenue from such payments of $250 thousand.

SIGNIFICANT ISSUES

NMSU states intercollegiate athletics at institutions of higher education within New Mexico currently schedule out-of-state athletic contests in order to meet conference requirements for intercollegiate play. The university shows current projected GGRT paid by NMSU for from out-of-state games averages $85 thousand per year:

FY2015 - $65,875
FY2016 - $101,250
FY2017 - $71,250 Average = $84,281 per year
FY2018 - $98,750

NMSU adds exempting these out-of-state athletic receipts would have a positive impact by providing additional monies to defray the cost of travel to these games, noting the typical cost to travel to an out-of-state game is approximately $250,000. NMSU also reports the exemption could support student-athletes by expanding educational support and nutrition programs.

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.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is <u>not</u> met since TRD is <u>not</u> 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.

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/je/bb