

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (www.nmlegis.gov). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 2/24/15

SPONSOR Brown LAST UPDATED _____ HB 515

SHORT TITLE Direct Sales Company Tax Liability SB _____

ANALYST Graeser

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17	FY18	FY19		
	\$0.0	\$0.0	\$0.0	\$0.0	Recurring	General Fund

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$0.0	\$28.0	\$0.0	\$28.0	Nonrecurring	TRD Operating

(Parenthesis () indicate expenditure decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department

SUMMARY

Synopsis of Bill

House Bill 515 clarifies that a direct sales company may assume gross receipts tax liabilities for taxes owed by its distributor, including taxes on commissions earned by the representatives.

The bill does not contain an effective date – assume 90 days after adjournment or June 19, June 19, 2015.

ADMINISTRATIVE & COMPLIANCE IMPACT: Based on previous efforts to implement similar provisions, TRD reports a high impact (1500 Hours). There will be no impact initially but the assumption of liability will have a high impact on the Information Technology Division once a new agreement is entered into by a direct sale company, its distributor and the Taxation and Revenue Department. It will require similar implementation as for the utilities, which was implemented into the system in January 2013.

House Bill 515 – Page 2

Modification of forms, instructions and publications for the Gross Receipts and Compensating Tax Act will be required, at minimal incremental cost as part of the semi-annual renewal of the program documentation.

LG/je