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

SPONSOR Garcia, MP

ORIGINAL DATE 3/03/15
LAST UPDATED

HB 571

SHORT TITLE Limit Newspaper Gross Receipts

SB

ANALYST van Moorsel

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY15	**FY16**	**FY17**	**FY18**	**FY19**		
$0.0	$6,000.0 - $10,700.0	$6,000.0 - $10,700.0	$6,000.0 - $10,700.0	$6,000.0 - $10,700.0	Recurring	General Fund

Parenthesis ( ) indicate revenue decreases

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)
Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

House Bill 571 amends the Gross Receipts and Compensating Tax Act to limit the deduction for publishing and selling newspapers to taxpayers with average net paid newspaper circulation less than 50 thousand.

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

FISCAL IMPLICATIONS

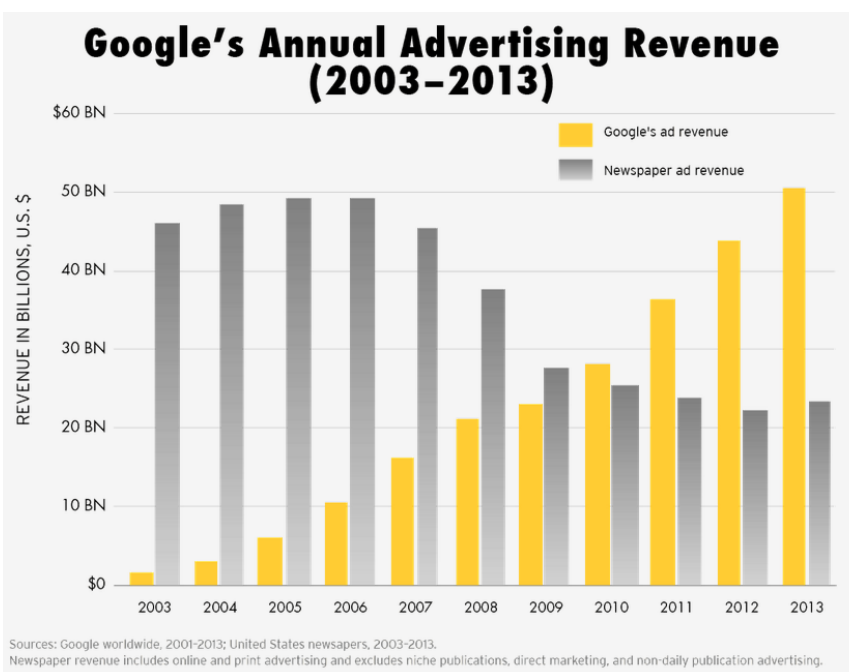
TRD cites the 2014 New Mexico Tax Expenditure Report in estimating the publication sales deduction from GRT cost the state between $200-$250 thousand per year in the last five years. TRD used taxpayer-reported deductions filed by publishing-related NAICS sectors to estimate this deduction. TRD also estimated that the newspaper-sales deduction from GRT cost the state almost $12 million per year for the last 5 years. The New Mexico estimate is based on national paid circulation data from the Newspaper Association of America and New Mexico's share of U.S. population. Although TRD states it is unable to identify the taxpayers who have an average net paid circulation more than fifty thousand, the department has assumed these taxpayers have historically claimed between 50 and 90 percent of the deduction. As such, this percentage represents the estimated additional revenue generated by the bill.

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

Making qualification for this deduction more restrictive would increase the tax burden on newspaper publishers, who would likely pass this burden on to consumers. Taxing newspaper publication and sales could place further pressure on an already struggling industry – the decline of newspaper advertising revenue and sales is weidely reported. In October 2014 the Brookings Institution published *The Bad News About the News*[1], which noted that"[i]n the second half of the 20th century, new technologies began to undermine long-established means of sharing information. First television and then the computer and the Internet transformed the way people got their news. Nonetheless, even at the end of the century, the business of providing news and analysis was still a profitable enough undertaking that it could support large organizations of professional reporters and editors in print and broadcast media. Now, however, in the first years of the 21st century, accelerating technological transformation has undermined the business models that kept American news media afloat, raising the possibility that the great institutions on which we have depended for news of the world around us may not survive."

The Brookings report also included the following graphic highlighting the steep decline in advertising revenue amid increases in online advertising sales.



[1] http://www.brookings.edu/research/essays/2014/bad-news#

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