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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/25/2020  
 SPONSOR Powdrell-Culbert LAST UPDATED 2/11/2020 HB 158  
 SHORT TITLE Transfer Angel Investment Credit Review SB \_\_\_\_\_  
 ANALYST Torres

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22		
NFI	NFI	NFI	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	No Fiscal Impact	\$35.5	\$10	\$45.5	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Conflicts with HB 178

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Economic Development Department (EDD)

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

House Bill 158 transfers the review, approval and the reporting related to the angel investment tax credit from the Economic Development Department (EDD) to the Taxation and Revenue Department (TRD).

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature, but changes are applicable to qualified investments made on or after January 2019.

The bill requires applicants to submit identical information to TRD and EDD, so that EDD can maintain a file for its records (see Significant Issues for a discussion). The bill makes the applicant apply for the credit no later than one year following the end of the calendar year in which the qualified investment was made and makes that applicant claim the credit no later than one year following the date the completed application is approved.

### **FISCAL IMPLICATIONS**

The bill is likely to reduce the operating budget impact of administration related to the angel investment tax credit at EDD while increasing the operating budget impact to TRD. TRD reports that forms, publications, procedures, and workpapers will need to be created and or updated. Information technology system changes in taxpayer access point, the business credit manager, the business credit case, and reports within GenTax will need to be updated. An estimate of the impact on the Information Technology Division to update the business credit manager, the business credit case and to create a new report is low; 300 hours or approximately 2 months and \$15,549 soft costs. Recurring staffing workload to review and approve the credit for the Revenue Processing Division and Audit and Compliance Division are \$20 thousand and could be accomplished with existing resources.

### **SIGNIFICANT ISSUES**

The angel investment tax credit is currently administered by EDD, despite the agency reporting a lack of area expertise in administering tax credits. EDD also reports that the department does not have the software necessary to track the each credit and investment over the lifetime of their activity. Rather than add an entirely new staff functions, this bill transfers the credit to TRD, which has the appropriate staff and expertise.

EDD reports that it is of primary importance for the departments to share applications so EDD can ensure companies are receiving the additional investment opportunities for which they may qualify. The bill currently satisfies this condition.

### **CONFLICT**

HB 158 is in conflict with HB 178.

IT/rl/sb/al