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FISCAL IMPACT REPORT

ORIGINAL DATE 03/13/21

SPONSOR STBTC LAST UPDATED _____ HB _____

SHORT TITLE Regional Transit District Gross Receipts SB 372/STBTCS

ANALYST Iglesias

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY21	FY22	FY23	FY24	FY25		
	(\$30,500.0)	(\$31,700.0)	(\$32,900.0)	(\$34,100.0)	Recurring	Counties
	\$30,500.0	\$31,700.0	\$32,900.0	\$34,100.0	Recurring	Regional Transit District Authority

Parenthesis () indicate revenue decreases

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
\$5.1	--	--	\$5.1	Nonrecurring	TRD – ASD Staff Workload
--	\$1,428.5	--	\$1,428.5	Nonrecurring	TRD – ITD Contractual Services (General Fund)
--	\$107.4	--	\$107.4	Nonrecurring	TRD – ITD Staff Workload (General Fund)
--	--	\$322.2	\$654.4	Recurring	TRD/ITD - FTE (General Fund)

Parenthesis () indicate expenditure decreases

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

The Senate Tax, Business and Transportation Committee substitute for Senate Bill 372 creates a new section in the Tax Administration Act specifying that, after January 1, 2022, any regional transit gross receipts tax (GRT) collected by the Taxation and Revenue Department (TRD) in a county is to be distributed directly to the regional transit district. This bill also amends Section 7-1-6.13 NMSA 1978 (county local option GRT) to specify the distribution to the county will not

include the receipts associated with the regional transit gross receipts and compensating tax. This bill also amends Section 7-1-6.41 NMSA 1978 to only allow TRD to withhold the administrative fee of 3 percent of the net amount transferred pursuant to Section 7-1-6.12, 7-1-6.13 NMSA 1978 and Section 1 of this bill for deposit in the state general fund.

The effective date of this bill is January 1, 2022.

FISCAL IMPLICATIONS

TRD used the FY19 county regional transit district (RTD) revenue distributed to counties and applied the GRT growth rates from the February 2021 consensus revenue estimate. Counties currently receiving a regional transit GRT distribution are Bernalillo, Los Alamos, Rio Arriba, Sandoval, Santa Fe, Taos, and Valencia counties.

SIGNIFICANT ISSUES

TRD states this bill redirects the distribution for taxes collected on regional transit districts from the county to the regional transit districts. This may provide more direct control over the funds by the district; however, the use of these funds does not change, and it may be reasonable to assume the funds will be used in the same manner as under current statute.

The distribution of the funds directly to the RTD, rather than first flowing through the counties, could assist the RTD in securing bonds. Under current law, it could be interpreted the counties have control of the funds, despite the revenue belonging to the RTD.

ADMINISTRATIVE IMPLICATIONS

The Administrative and Services Division (ASD) of TRD estimates implementation of the legislation will take approximately 120 staff workload hours at a cost of \$5,100 related to system changes.

TRD also states the bill will have a high impact on the Information and Technology Division (ITD) of TRD, with approximately six months of effort and \$1.5 million (\$107.4 thousand of staff workload costs and \$1.4 million of contractual resources including gross receipts tax). The legislation requires system configuration updates for local option distributions, updates to reports, the accounting systems, and implementation of an administrative fee.

Due to the nature and complexity of the effort required to implement the proposed changes in this legislation, TRD notes a contract with the GenTax vendor, FAST Enterprises, LLC, is required. The estimate for FAST to implement the changes in this estimate is \$1.1 million including gross receipts (at the current gross receipts tax rate of 8.4375 percent) and approximately six months.

In addition to the contract with FAST, a contract project manager and contract business analyst will be required at approximately \$214.3 thousand including gross receipts. Due to the nature of such an implementation, independent verification and validation services would also be required at a cost of approximately \$129.9 thousand including gross receipts.

Additionally, one state development resources and one state business analyst would be needed

for the duration of the project at an estimated \$107.4 thousand of staff workload costs. After implementation is completed, one application developer, one business analyst, and one database/system administrator will be necessary for ongoing operations and support.

Notably, TRD's estimated administrative impact is higher than other bills that make tax changes, and TRD estimates a recurring FTE impact for the administration of this bill.

TECHNICAL ISSUES

Parts of the bill refer to the "regional transit gross receipts tax". The tax is denominated by Section 7-20E-23(A) NMSA 1978 as the "county regional transit gross receipts tax", and the TRD recommends conforming the terms for consistency and to avoid confusion.

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