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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/1/22

SPONSOR Gonzales/Campos LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE County Hospital & Public Safety Grt SB 183

ANALYST Graeser

### REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY22	FY23	FY24	FY25	FY26		
	0.0	110.0	115.0	115.0	Recurring	General Fund
		3,700.0	3,800.0	3,800.0	Recurring	Taos County

Parenthesis ( ) indicate revenue decreases

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

FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	\$5.0	--	\$5.0	Nonrecurring	TRD/ASD – Staff workload costs
	\$48.0	--	\$48.0	Nonrecurring	TRD/ITD - Contractual Resources

Parenthesis ( ) indicate expenditure decreases

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Senate Bill 183

Senate Bill 183 allows a class B county with population of less than 37 thousand and a net taxable value for property tax purposes of more than \$1,590,000,000 but less than \$2,000,000,000 to impose a County Hospital and Public Safety Gross Receipts tax of .5 percent. This tax must be approved by the voters of the county. The county is authorized to issue revenue bonds backed by the tax.

The tax proceeds directly or through issuance of revenue bonds may be expended on "...designing, constructing and equipping of hospital and public safety buildings; the remodeling, renovating, or making additions to and equipping existing hospital and public safety buildings; or the improving, or equipping of the grounds of hospital and public safety buildings.

The increment is separate from the general county local option gross receipts tax, and is in addition to any amount of such tax imposed, and is not subject to the cap on the county local option gross receipts tax rate.

The only county qualified to impose this County Hospital and Public Safety Gross Receipts tax is Taos County with 2020 population of 34,489 and 2021 net taxable value for property tax purposes of \$1,600,926,590.

The effective date of this bill is July 1, 2022. Because the tax must be voted on by the county electorate, it is unlikely that the tax could be effective until July 2023. The election would probably be held in November, 2022, but TRD requires 90-days’ notice to implement a new local option gross receipt tax.

**FISCAL IMPLICATIONS**

Taos County has some of the highest total gross receipts tax rates in the state, with the El Prado Water and Sanitation District (Taos), the El Valle de Los Ranchos Water and Sanitation District (Taos), Red River, Taos, and Taos Ski Valley are currently over 8.5 percent total rate. Only Anthony Water District, Chama, Española (both the Rio Arriba County, the Santa Fe County areas), Bosque Farms, and Los Lunas are over 8.5 percent. Española (Santa Fe County) has a total rate of 9.0625 percent. Taos Ski Valley, with 9.4375 percent has the highest current rate in the state. The following chart shows the impact of an additional .5 percent on each of the sub-jurisdictions within the County.

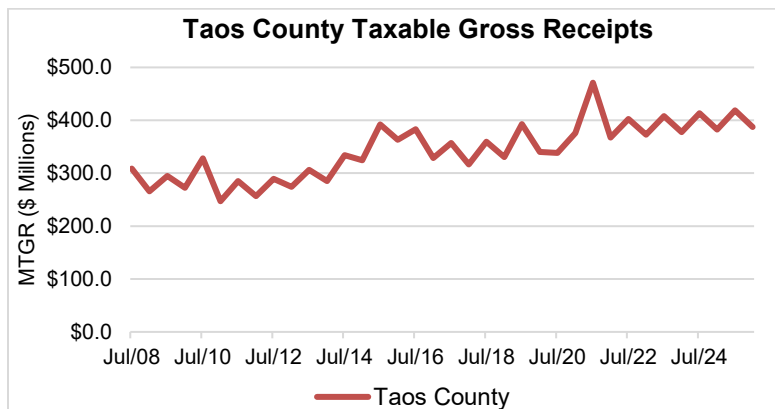
	City Imposed Rates	County Imposed Rates	County Rate in Munis	State Share	State Rate	Total Tax Rate	Rate w/ CHPST
Taos County		2.375%			5.125%	7.5000%	8.0000%
El Prado Water & Sanitation District (Rmdr)		2.625%			5.125%	7.7500%	8.2500%
El Prado Water & Sanitation District (Taos)	1.688%		2.125%	1.225%	3.900%	8.9375%	9.4375%
El Valle de Los Ranchos Water & Sanitation District (Rmdr)		2.625%			5.125%	7.7500%	8.2500%
El Valle de Los Ranchos Water & Sanitation District (Taos)	1.688%		2.125%	1.225%	3.900%	8.9375%	9.4375%
Questa	1.563%		1.875%	1.225%	3.900%	8.5625%	9.0625%
Questa Airport		2.375%			5.125%	7.5000%	8.0000%
Red River	1.813%		1.875%	1.225%	3.900%	8.8125%	9.3125%
Taos	1.688%		1.875%	1.225%	3.900%	8.6875%	9.1875%
Taos Airport (69)		2.375%			5.125%	7.5000%	8.0000%
Taos Ski Valley (29)	2.438%		1.875%	1.225%	3.900%	9.4375%	9.9375%

We assume that any bonds supported by this tax would conform to the general practice and rules applied to revenue bonds by New Mexico Finance Authority. This might be 10 year tax-exempt bonds carrying 1.75 percent interest. Annual revenue available of \$3.700 million might generate total bond amounts of \$30 to \$32 million depending on coverage ratio demanded and sales costs. PPRF interest rates, as published by NMFA, are rising rapidly and could be over 2.5 percent by the time a bond was sold.

There is a small impact of this proposal on the state general fund. Since the general fund is the beneficiary of a 3 percent administrative fee deducted from each month’s GRT distribution, this proposal would generate revenue for the general fund.

The chart below shows a linear forecast for Taos County matched taxable gross receipts adjusted for the receipts attributed to Picuris Pueblo and Taos Pueblo that have signed tax sharing

agreements with the state. Net of administrative fees and the adjustment for Picuris and Taos Pueblos, Taos County matched taxable gross receipts are expected to be \$746 million for FY24, \$757 million for FY25 and \$766 million for FY26.



TRD confirms the LFC staff analysis reported in the table on page 1. The TRD analysis does not acknowledge the 3 percent administrative fee imposed on the collection and distribution of local option gross receipts taxes.

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2022	FY2023	FY2024	FY2025	FY2026		
\$0	\$0	\$3,800	\$3,900	\$4,100	R	Taos County

TRD notes the following, “... it is assumed for this analysis that the proposed local option Gross Receipts Tax (GRT) increment is approved by the voters in the November 2022 general election. Per Section 7-20E-3 (B) NMSA 1978, the effective date of the new tax increment would be at least three months from the date the adopted ordinance is mailed or delivered to the Taxation and Revenue Department (Tax & Rev). Therefore, the new local option would be in effect beginning on July 1, 2023. The fiscal impact was calculated using the Tax & Rev’s RP-500 report with Matched Taxable Gross Receipts for FY2021 in Taos County and using the December 2021 Consensus Revenue Estimating Group growth rates for statewide Gross Receipts Tax and Compensating Tax revenue.”

**SIGNIFICANT ISSUES**

Pursuant to the provisions of 2019’s HB479, Section 14, any county is limited to a total GRT local option rate of 1.25 percent in municipal areas and 1.75 percent in remainder of County areas. In addition, Taos County has imposed a .5 percent gross receipts tax to support UNM Taos and .125 percent Regional Transit District GRT, for a total of 2.375 percent in county Areas and 1.875 percent within the three municipalities in the county. The water and sanitation district gross receipts tax rates are in addition to the county and municipal rates. Taos County has fully imposed all of the rates available pursuant to the maxima allowed by HB479.

TRD notes three important policy points:

“An additional local option GRT increment allows for increasing revenues to local governments. Increased revenue to counties provide fiscal relief and may allow counties to increase services, in this case for hospital bonds and public safety projects, reduce taxes in other areas, or both.”

“The increment qualifying language is very targeted, allowing only Taos County to meet the eligibility. This targeting does not meet equity principles of good tax policy regarding access by all counties being afforded the same local option GRT. Many counties face funding needs for health services and public safety projects. Tax & Rev is not aware of justification for allowing this authority to only one county.”

“GRT rates in Taos County currently range from 7.5% in the unincorporated county area to 9.4375% in Taos Ski Valley. Only Curry County currently has an unincorporated county area GRT higher than Taos County. Because Taos County is a hub for tourism, GRT in that county is “exported” to visitors from outside the County to a high extent. However, the GRT burden on local residents who live or work in Taos may grow even higher due to this bill.”

### **ADMINISTRATIVE IMPLICATIONS**

TRD will make updates to its internal systems, forms, instructions and associated publications at bi-annual local option GRT enactments, January and July of each year.

The proposal is anticipated to have a moderate impact on TRD’s Administrative Services Division (ASD) should the local option GRT rate be enacted. The definition of “county” currently would apply to Taos County, however, all GRT rate and distribution testing will be required. During this time, required production tasks will be performed outside of normal work hours, either as comp time or overtime, depending on the employee’s FLSA status. The total anticipated costs, before overtime and comp time, is \$4,970.

The proposal would have a low impact on TRD’s Information Technology Division (ITD), approximately 240 hours or about one and a half months and \$48 thousand of contractual resources to implement the new increment for one county.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Conflicts with HB163 (2022 Regular Legislative) which provides a five-year moratorium on new increments of county or municipal local option gross receipts taxes.

LG/acv