BILL ANALYSIS AND FISCAL IMPACT REPORT
Rick Homans, Secretary, Taxation and Revenue Department

November 20, 2009

Bill: 179390.1SA **Sponsor:** **Related Bills:**

Short Title: TIDD Technical Changes

Description: This bill makes the following changes to the Tax Increment for Development Act: the phrases "base gross receipts taxes" and "gross receipts tax increment", which are currently defined in terms of tax collections, are replaced or redefined in terms of taxable gross receipts before the food and medical deductions; the estimate of "base gross receipts taxes" is to be based on actual receipts in the first year a district has a dedicated gross receipts tax increment; a three percent administrative fee is imposed on the amount of state gross receipts tax that is dedicated to a TIDD, with the proceeds to be appropriated to TRD for systems and other administrative work related to TIDDs; the list of local option gross receipts taxes that can be dedicated to a TIDD is updated; and provides new definitions for many terms.

Effective Date: July 1, 2010

Estimated Revenue Impact*						R or	
FY2010	FY2011	FY2012	FY2013	FY2014	FY 10-14	NR**	Fund(s) Affected
0	***	***	***	***	***	R	General Fund
0	***	***	***	***	***	R	Local Governments

* In thousands of dollars. Parentheses ( ) indicate a revenue loss. ** Recurring (R) or Non-Recurring (NR).

*** The fiscal impact of this proposal will depend on future decisions by the State, local governments, and any current or future TIDDs. Updating the list of local gross receipts taxes that can be dedicated will give local governments the appropriate choice in dedicating their revenues to a TIDD. If any future TIDD experiences growth in food and medical deductions the proposal would incorporate that growth into the calculation of distributions.

Policy Issues: None.

Technical Issues: None.

Other Issues: The bill clarifies the calculation of the increment, making the calculation manageable for those districts with existing taxpayers. It also expands the number of local option taxes a portion of which may be given to the districts. It also clarifies that any balances in the debt service account when the bonds have been paid will be returned to the governmental entity that provided the tax money.

Administrative Impact: This bill will have a high administrative impact on the Department. See "Administrative Impact – Detailed Discussion."

Description - Detailed Discussion:
New phrases are defined or the definition of phrases are changed as follows:
"adjusted taxable gross receipts" means taxable gross receipts plus the amount of deductions allowed under Section 7-9-92 and 7-9-93 NMSA 1978;
"annual gross receipts tax increment" means the result of the following computation for the last month

of a gross receipts tax distribution year:

(1)Subtract one from the gross receipts tax increment factor for the month;

(2) Divide the result from Paragraph (1) of this subsection by the gross receipts tax increment factor for the month, if base adjusted taxable gross receipts are greater than zero; or one, if base adjusted taxable gross receipts are zero; and

(3) Multiply the result of Paragraph (2) of this subsection by the cumulative amount of gross receipts tax reported on returns in the gross receipts tax increment distribution year;

"gross receipts tax increment distribution year" means September 1 through August 31 of the following year if the resolution dedicating a gross receipts tax increment was effective on July 1, and March 1 through the last day of February of the following year if the resolution dedicating a gross receipts tax increment was effective on January 1;

"base adjusted taxable gross receipts" means: the total amount of adjusted taxable gross receipts for reporting periods covering business activity in the calendar year preceding the formation of the tax increment development district and when an area is added to an existing district, the amount of adjusted taxable gross receipts reported in the added area in the calendar year preceding the effective date of the modification of the tax increment development plan and designated by the governing body to be available as part of the gross receipts tax increment; provided that in the first year that a gross receipt tax increment is dedicated, the amount of base adjusted taxable gross receipts shall be estimated by multiplying the amount of adjusted taxable gross receipts reported in that first year by a factor reflecting an estimated growth rate from the base year, where the estimate is made by the governing body that adopted a resolution to form that district in consultation with the Taxation and Revenue Department.

"gross receipts tax factor" means:

(1) if the base adjusted taxable gross receipts is greater than zero:

(a) the quotient of dividing the cumulative amount of adjusted taxable gross receipts in the current gross receipts tax increment distribution year by the cumulative amount of adjusted taxable gross receipts in the corresponding business activity months of the base gross receipts tax increment distribution year, if the quotient is greater than one, and otherwise one, or

(2) two, if base adjusted taxable gross receipts is zero;

"monthly gross receipts tax increment" means the greater of:

(1) the result of the following computation:

(a) subtracting one from the gross receipts tax increment factor

(b) divide the result from Subparagraph (a) of this paragraph by the gross receipts tax increment factor, if base adjusted taxable gross receipts are greater than zero; or one, if base adjusted taxable gross receipts are zero;

(c) multiply the result of Subparagraph (b) of this paragraph by the cumulative amount of gross receipts tax reported on returns in the current gross receipts tax increment distribution year;

(d) subtract from the result of Subparagraph (c) of this paragraph the cumulative amount of monthly gross receipts tax increment district for prior months in the current gross receipts tax increment distribution year; and

(e) subtract from the result of Subparagraph (d) of this paragraph any amount by which the gross receipts tax increment at the end of the prior gross receipts tax increment distribution year exceeds the sum of the annual gross receipts tax increments for all preceding gross receipts tax distribution years; or;

(2) zero;

"taxable gross receipts" means "gross receipts" as that term is defined for purposes of the Gross Receipts and Compensating Tax Act, excluding any exemptions and less any deductions allowed for purposes of the Gross Receipts and Compensating Tax Act, that are reported on returns for which the corresponding gross receipts tax has been paid.

Administrative Impact – Detailed Discussion:

This proposal will have a High IT impact. Analysis performed by the State's private systems contractor and the Department's IT technical/management staff foresees a significant amount of time for coding, testing, development and verification. The projected implementation range is 8 to 30 weeks.

Appropriation ($thousands)*			R or NR**	Fund(s) or Agency(ies) Affected
FY2010	FY2011	FY 10-11		
0	#	#	R	Taxation and Revenue Department

* Parentheses ( ) indicate an appropriation out of the fund. ** Recurring (R) or Non-Recurring (NR).

The administrative fee withheld on the portion of the State revenue dedicated to a TIDD is appropriated to the Department "for systems and other administrative expenses related to tax increment development districts." This amount will depend on the percentages the State chooses to dedicate to future TIDDs and the amount of total increment in each TIDD.