

Tax Matters

The Newsletter of the New Mexico Tax Research Institute

Issue No. 2017-07

March 12, 2017

New Mexico Tax Research Institute
P.O. Box 91657
Albuquerque, New Mexico 87199-1657

505-842-5833
Richard.Anklam@nmtri.org
www.nmtri.org

Views expressed in this publication are those of the editorial staff unless otherwise indicated. They do not necessarily reflect the views of any member or members of the New Mexico Tax Research Institute. Nothing in this publication is intended to be nor should be construed as offering tax advice. No tax planning decision should be made without consulting your professional tax advisor. All rights reserved. No material in this publication may be reproduced or redistributed without the express written permission of the New Mexico Tax Research Institute.

© 2017 NMTRI

IN THIS “LEGISLATIVE SESSION” EDITION OF *TAX MATTERS*:



- **Into the Legislative Session**
- **Tax-pectations for the Session**
- **List of Tax Related Legislation**
- **Federal Tax Reform – What are the States to Do?**
- **HOLD THE DATE – NMTRI Annual Tax Policy Conference April 27 and 28 at Sandia Resort and Casino**
- **Tax Quotable**
- **Don't Forget the Principles**

INTO THE LEGISLATIVE SESSION – IT BEGAN - JANUARY 17, 2015



The 2017 Regular Session of the New Mexico Legislature convened at noon on Tuesday, January 17, and ends at noon (or somewhere thereabouts) on March 18. The deadline for bill introduction is February 16. Legislation not acted on by the governor is pocket vetoed on April 7. The effective date of legislation that's not a general appropriation bill, a bill carrying an emergency clause or other specified effective date takes

effect on June 16. Being a "long" or 60-day session, non-budgetary legislation and items not related to the budget are fair game and not limited by the call of the Governor as they are in short 30-day sessions. It is already a very busy session, as high profile and contentious issues in the wake of an election cycle that re-installed the Democratic majority in the House, not to mention the significant turnover in general membership and Peter Wirth replacing Michael Sanchez as Senate Majority Leader – may make things even harder but more interesting.

New Mexico has an uncompensated volunteer legislature comprised of a 70 member House of Representatives and a 42 member Senate. Legislative sessions alternate between 30-day budget related sessions in even numbered years, and unconstrained 60-day sessions in odd-numbered years.

Click [here](#) to see the daily bill locator on the legislative website. We have our list of introduced tax related legislation in both chambers below.

The Legislative Council Service maintains copies of bills, compiles locators, and publishes lists of bill conflicts during the course of the session. Most information is available in a timely and electronic fashion from their rather robust website, which can be reached at <https://www.nmlegis.gov/>. The site has become increasingly functional and reliable over time. Information is reasonably up to date and legislation can be easily followed from home.

Tax-pectations for the Session



The 60-day session has arrived. In addition to a new year, we have several new members of both houses, as well as a new Democratic leadership in the House. Not being a "budget only" 30-day session, not just tax/budget issues and the controversy they bring are fair game, but so are other controversial issues, such as those we've seen from prior sessions that we're sure to see again, like social promotion, crime, education, and minimum wage will come up.

This year however, all of the oxygen in the room will be consumed by matters of budget – or lack thereof – and taxes to a lesser extent. The beginning of most 60-day sessions is slow, and full of pomp and circumstance. This year however, the fact the state was in a deficit position for

the current fiscal year that we're more than half-way through - even after the October Special Session – which was intended to fix just that – meant that the first week and half of this session were really a second special session on 2017 solvency. The December consensus revenue forecast had the legislature \$141 million short for 2017, and 2018 has a deficit of \$93M under 2017 appropriations (“negative new money”), and that doesn't address increasing Medicaid and other costs, not to mention the need to budget for some money in reserve so we don't have to have yet another special session on solvency again soon. The December consensus revenue estimate can be found on the LFC website [here](#).

The 2017 solvency discussions were fairly cordial, in part because they were collectively sweeping, swapping, and deferring every dollar they could to cover the current year deficit. Taxes and/or more painful cuts were never really a part of that conversation because it was too late for those to be effective tools in the current year. Now, there aren't any pennies left in the couch, we're already flying on fumes, and the conversation is going to be nothing but budget and taxes for 2018. In her Executive budget (found [here](#) on the Governor's website) Governor Martinez's proposes to further reduce spending across government, and proposes requiring state workers to contribute more for their retirement, saving the state the portion on whatever was swapped. She argues it can be done without new taxes and has threatened to veto any such increases. Democrats in particular have strongly suggested revenue enhancements must be a part of the solution. The debate continues.

What Happened this Week



With the deadline to introduce bills long since passed, the House of Representatives ended up with 577 bills introduced and the Senate has 538 bills introduced. The last 67 House bills and 49 Senate bills are what are referred often referred to as “dummy” bills. They often carry a title of “for the public peace, health, safety, & welfare” and contain little or no substance. They tend to be introduced by committee chairs on the introduction deadline and can serve as vehicles for legislation after the introduction deadline passes with an amendment or

committee substitute.

This week, progress seemed to be slower than the last week – not that fewer hours were spent. The favored proposals are still clear but what the Frankenstein Tax Monster will look like at the end of the day isn't clear, depending on which proposals or parts survive both houses and the Governor's veto. There still isn't any evidence of a “deal”, and the Governor's office still appears to indicate most tax increase proposals will be vetoed. Several interesting events took place this week. On Friday the Senate Finance Committee amended and passed out [House Bill 2](#) – the budget, and the committee substitute for Vice Chair Carl Trujillo's [HB 202](#). That bill was the House tax package moved out of the House last week. That proposal originally contained his internet/remote seller proposal, but several other tax proposals were added making the package worth \$200-270M. The LFC estimate provided a fiscal range for remote sales as well as a likely

unconstitutional heavy vehicle license tax added to the proposal. Also added was an increase in the motor vehicle excise tax from 3% to 4%, and the healthcare taxation proposals found in Sen Smith and Ingle's [SB 457](#) (which makes changes to hold harmless distributions, repeals 7-9-77.1 (Medicare/Tricare GRT deduction) and 7-9-96 (hospital GRT credit), amends 7-9-93 (practitioner GRT deduction) and 7-9-61 (50% hospital deduction) to provide a 60% deduction for hospital and practitioner services), and a repeal of the gross receipts deduction for sales of tangibles to nonprofits. The latter was pulled out by a House floor amendment. Senate Finance heard the bill Thursday and amended it Friday before passing it to the Senate floor. They stripped the majority of the healthcare provisions (skinny-ing down the healthcare related proposals to raise around \$80M from hospitals only), but added corporate change freezes, and a 5 cent/gal special fuel tax increase and a 10 cent/gal gasoline tax increase as well as an increase in the petroleum products loading fee ("PPL"). It also creates a tax stabilization reserve fund and sends the additional fuel tax proceeds there until the reserve reaches 5%. The commercial vehicle license fee proposal was modified to reduce the amount from \$90 to \$45. So, on balance, the bill now raises more than before, but the "winners and losers" have changed - an additional \$450M more assuming the best about the unconstitutional stuff, remote sales and if it were to pass in its current form.

Around the same time, there was some tax action in the House. Representative Harper's tax reform package found in his [HB 412](#) was not on the agenda but nevertheless was taken off the table and moved out of the House Taxation and Revenue Committee Friday morning (on a no-recommendation vote). It was then heard on the House floor that same night, where House Taxation and Revenue Committee Chair Carl Trujillo moved for a friendly committee substitute which was then passed out of the House unanimously. That substitute bill restored the food tax deduction and stripped the LICTR increases and personal and corporate income tax changes as well, along with the hold-harmless distribution. Also eliminated was the proposal in the original bill to eliminate tax lightning. In the Senate, the bill has two assignments: Senate Corporations and Senate Finance. It was expected to be heard and amended in Corps on Saturday afternoon, but that failed to happen as the Senate focused on timely passing their amended version of the budget in [HB 2](#). Presumably it will be heard tomorrow afternoon, and technical amendments as well as others of interested to the Senate are anticipated.

We'd previously mentioned that way to identify more favored or less controversial bills is to look at what gets out of their respective House earlier than normal - or even heard by another house's committee. That has still only happened to a small number of bills, and a couple of those are companions. We now count twelve House bills in the Senate, and seven Senate bills in the House (versus 7 and 4 last week). Of those, four are companions (two each Pan Am Center tax breaks - [HB 249](#) and [SB 94](#) - and the proposals to tax short term occupancies under the municipal lodgers tax- the AirBnB proposals in [HB 266](#) and [SB 254](#)).

In addition to Carl Trujillo's House tax package and a couple of companions mentioned above, Senator Munoz [SB 247](#) appears poised for passage on the floor of the House. It's proposing to increase the maximum rate that that may be imposed under the Local Liquor Excise Tax Act from 6 to 9%, and changes the population range and property tax values of counties that can impose the tax so that the imposing/beneficiary county (McKinley) may continue to do so at a higher rate. It is joined on the floor by Sen Shendo's [SB 181](#), which adds the higher education

department to the definition of “claimant agency” for purposes of refund offset in the NMTRD tax refund offset program. See all listed in the table below.

[NMTRI note: It’s starting to get weird as the last functional(?) week begins. Options are narrowing and other than some of the proposals mentioned earlier that have made lots of progress and will likely pass – don’t do a thing to make or break the state and its budget. So, keep your eyes on HB 412 and HB 202, and pray to whatever god you may that the results are improvements and the sub-optimization of any real solutions are kept to a minimum. Oh, the fee reduction of the commercial licenses – reducing it doesn’t make it more constitutional any more than you can be slightly less pregnant. It is or it isn’t but if it isn’t, they should raise real money or not bother it seems.]

House and Senate Tax Related Bills in the other Chamber

Bill Number/ Sponsor:	Title: Link to bill language: Description	Assignments- Location:
HB 8 Dodge/Lunds trom	Eliminate Cigarette Tax Distribution HB 8 Eliminates the 1.25% distribution to the NMFA from Cigarette Tax revenues. Associated bonds have been retired.	HAFC-DP- Passed/H- SCORC/SFC- SCORC-DP- SFC
HB 61 Maestas Barnes	Extend Solar Market Tax Credit: HB 61 Reinstates the recently sunsetted Solar Market Development Tax Credit, but phases the credit amount down from 10% to 5% in 1% annual increments from 2019-2025.	HLEDC/HTR C-HLEDC- DP-HTRC- DP-Passed/H- SCORC-SFC- SCORC
HB 63 Crowder/Go nzales	Local Option Fuel Tax: HB 63 Renames and expands the County and Municipal Gasoline Tax Act to apply to all municipalities and counties, and allows the inclusion of special fuel (diesel) in the tax program.	HLELC/HTR C-HLELC- DP-HTRC- DP/a-fl/a- Passed/H- SJC/SCORC/ SFC-SJC-DP- SCORC-DP- SFC
HB 148 Alcon, Wooley, Johnson	Native American Income Tax Settlement Fund: HB 148 Creates an appropriation for the Native American veteran’s income tax fund” to pay claims past the time limit on state taxes withheld from native servicemen and/or spouses that wasn’t previously refunded.	HSIVC/HAF C-HSIVC- DP/a-HAFC- w/drnPassed/ H-SIAC/SFC- SIAC-DP- SFC
HB 176 Ezell, Nibert,	Muni Enviro Services Gross Receipts: HB 176 Expands the uses of and renames the municipal environmental services	HLELC/HTR C-HLELC-

Wooley	gross receipts tax increment (to “municipal infrastructure and environmental gross receipts...)	DP-HTRC-DNP-CS-/DP-Passed/H-SCORC/SFC-SCORC-DP-SFC
HB 184 Youngblood	Property Tax Revenue To Charter Schools: HB 184 Requires treasurers to report to charter schools and school districts the amounts share of tax due the charter school and requires the school district to distribute that share to the charter school if the money goes to it first.	HEC/HTRC-HEC-DP-HTRC-DP/a-Passed/H-SEC/SFC-SEC-DP-SFC
HB 202 Carl Trujillo	Tax of Business Without Physical Presence: HB 202 Narrows engaging in business for purposes of the GRT to not include those without nexus and unregistered with less than \$100K sales in NM, changes the definition of place of business to include the buyer’s location in the case of those selling goods or services with no other place of business in NM. The committee substitute added the healthcare taxation scheme with a 60% deduction found in, increases the motor vehicle excise tax from 3-4%; imposes a new commercial vehicle license tax.. Senate amendments narrow the healthcare tax provisions to hospitals only, freeze corporate changes, increases gasoline, PPL and special fuels taxes.	HBIC/HTRC-HBIC-DP-HTRC-DNP-CS/DP-Passed/H-SCORC/SFC-SCORC-w/o rec-SFC-DP/a-fl/a-Passed/S
HB 249 Martinez, Ferrary, Small,	College Special Event Gross Receipt: HB 249 Extends the gross receipts tax deduction for NMSU’s Pan Am Center (only) and creates a new governmental gross receipts tax deduction for the same purpose.	HEC/HTRC-HEC-DP-HTRC-DP/a-Passed/H-SCORC/SFC-SCORC-DP-SFC-w/drn
HB 266 Carl Trujillo	Short-Term Rental Occupancy Tax: HB 266 Effectively expands the lodgers tax act by striking the limitation that three or more units be available (expanding scope to single-unit rentals)	HBIC/HTRC-HBIC-DP-HTRC-DP-Passed/H-SCORC/SFC-SCORC-DP-SFC
HB 376 Small	Annual Tax Statements of Withholding: HB 376 Requires employers with twenty-five or more employees to file annual statements of employee withholding electronically.	HSIVC/HTRC-HSIVC-DP-HTRC-DP/a-Passed/H-SCORC
HB 408 Carl Trujillo	Tax Liability Changes & Definitions: HB 408 Makes technical corrections, eliminates 210 day “gotcha” provision in refund claim statute, makes completeness of a claim solely determined by the Department.	HTRC-DP/a-fl/a-Passed/H-SCORC/SFC-SCORC

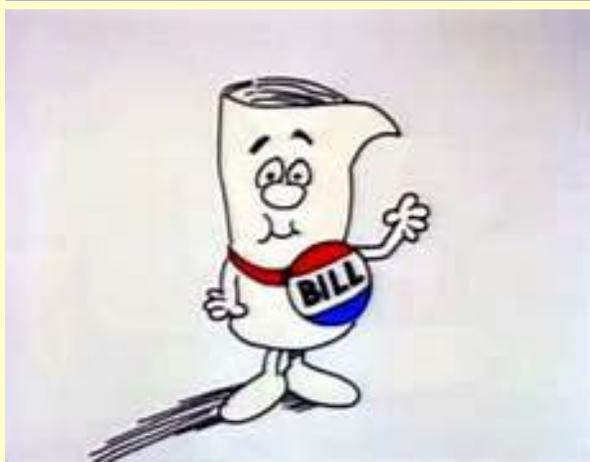
HB 412 Harper	Tax Reform: HB 412 Rebrands, reduces GRT rates, harmonizes sales/use tax rates, repeals numerous credits/deductions, creates one CIT rate, encourages remote sales, addresses property tax lightning, increases LICTR/working families credits.	HTRC-w/o rec-fl/sub adptd- Passed/H- SCORC/SFC- SCORC
SB 94 Papen	Nonathletic Event Gross Receipts: SB 94 Extends the gross receipts tax deduction for NMSU's Pan Am Center (only) and creates a new governmental gross receipts tax deduction for the same purpose.	SCORC/SFC- SCORC- DP/a-SFC- DP-Passed/S- HEC/HTRC- HEC-DP- HTRC-DP
SB 95 Sanchez	Gas Tax Increase & Distribution: SB 95 Increase the gasoline tax by 10 cents and the special fuel (diesel) tax by 5%, reducing distribution percentages commensurately to hold consistent distributions to smaller fund beneficiaries. The committee substitute also increases the petroleum products loading fee to \$150 for a time, increase the motor vehicle excise tax from 3-4%, and directs excess funds to a new equalization fund until general fund reserves reach 5%.	SCORC/SFC- SCORC-w/o rec-SFC- DNP-CS/DP- Passed/S- HTRC
SB 181 Shendo	Colleges As Tax Refund Intercept Claimants: SB 181 Adds the higher education department to the definition of "claimant agency" for purposes of refund offset in the NMTRD tax refund offset program.	SCORC/SFC- SCORC-DP- SFC-DP- Passed/S- HEC-HRTC- HEC-DP- HTRC-DP/a
SB 231 Morales	Increase Cigarette & E-Cigarette Taxes: SB 231 Slightly more than triples the tobacco products tax, and includes e-cigarette and other tobacco smoking devices not currently taxable (i.e. pipes, papers, etc.) into the present sin tax regime for non-cigarettes. Also, the proposal almost doubles the cigarette tax.	SCORC/SFC- SCORC- DP/a-SFC-w/ rec-fl/a- Passed/S- HHHC/HTRC -HHHC
SB 247 Munoz	Liquor Tax and County Definition: SB 247 Increases the maximum rate that that may be imposed under the Local Liquor Excise Tax Act from 6 to 9%, and changes the population range and property tax values of counties that can impose the tax so that the imposing/beneficiary county (McKinley) may continue to do so at a higher rate.	SCORC/SFC- SCORC-DP- SFC-DP/a- Passed/S- HLELC/HTR C-HLELC- DP-HTRC- DP
SB 254 Sapien	Short Term Rental Occupancy Tax: SB 254 Effectively expands the lodgers tax act by striking the limitation that three or more units be available (expanding scope to single-unit rentals).	SCORC/SFC- SCORC-DP- SFC-DP-

		Passed/S-HBIC/HTRC-HBIC-DP/a-HTRC
SB 390 Steinborn	Film Tax Credit “Production Facility”: SB 390 Reduces from t 50 to 45 the number of acres required to be a production facility for purposes of the film production tax credit.	SCORC/SFC-SCORC-DP-SFC-DP-Passed/H-HBIC/HTRC-HBIC

[NMTRI note: things are still slow and nerves are still frayed. We’re approaching the last week and things, good and bad, will start happening soon .

Thanks for Reading

Join us weekly through the session as we try to provide balanced policy analysis, commentary and discussions of the tax and budget proposals that implicate tax policy in New Mexico. Join us weekly through the session as we try to provide balance policy analysis, commentary and discussions of the tax and budget proposals that implicate tax policy in New Mexico.



Bills with significant tax implications introduced in 2017 Regular Legislative Session:

Note – Income Tax bills are effective tax years beginning on or after January 1, 2018 unless otherwise noted. “TYBA” = Tax years beginning on or after. Bills with an emergency clause are effective upon signature if enough votes are obtained. Bills with no effective date. Other notes: “CS” indicates committee substitute; “a” indicates amended.

Bill Number/ Sponsor:	Title: Link to bill language: Description	Assignments- Location:
HB 8 Dodge/Lunds trom	Eliminate Cigarette Tax Distribution HB 8 Eliminates the 1.25% distribution to the NMFA from Cigarette Tax revenues. Associated bonds have been retired.	HAFC-DP- Passed/H- SCORC/SFC- SCORC-DP- SFC
HB 48 Maestas Barnes	Small Business Income Tax Deduction: HB 48 Creates a personal income tax deduction for Schedule C or E business income, of up to 50% up to \$250K in income (50% for the first \$50K, 40% for the 2 nd 50K, etc.)	HBIC/HTRC- HBIC-DP- HTRC

HB 55 C Trujillo	Liquor Tax to DWI Grant Fund & Drug Courts: HB 55 Makes permanent a previous temporary increase in distribution to the local DWI grant fund of 46%. The proposal also adds a 4% distribution to the administrative office of the courts.	HLELC/HTR C-HLELC- DP-HTRC
HB 61 Maestas Barnes	Extend Solar Market Tax Credit: HB 61 Reinstates the recently sunsetted Solar Market Development Tax Credit, but phases the credit amount down from 10% to 5% in 1% annual increments from 2019-2025.	HLEDC/HTR C-HLEDC- DP-HTRC- DP-Passed/H- SCORC-SFC- SCORC
HB 63 Crowder/Go nzales	Local Option Fuel Tax: HB 63 Renames and expands the County and Municipal Gasoline Tax Act to apply to all municipalities and counties, and allows the inclusion of special fuel (diesel) in the tax program.	HLELC/HTR C-HLELC- DP-HTRC- DP/a-fl/a- Passed/H- SJC/SCORC/ SFC-SJC-DP- SCORC-DP- SFC
HB 68 Garcia/T Salazar	Rural Healthcare Practitioner Tax Credit: HB 68 Changes the present law credit to expand the amount of credit and reduce the number of qualified practitioners.	HHHC/HTRC -HHHC-DP- HTRC
HB 76 J Trujillo	Estate or Trust Distribution Tax Deduction: HB 76 Creates a deduction from trust income for distributions to non-New Mexico beneficiaries. Excluded from the deductions are those things, with the exception of business income, would otherwise not be subject to NM income tax if earned in NM by a nonresident.	HHHC/HTRC -HHHC-DP- HTRC
HB 82 McQueen	Extend Solar Market Tax Credit: HB 82 Reinstates the recently sunsetted Solar Market Development Tax Credit, but phases the credit amount down from 10% to 5% in 1% annual increments from 2019-2025.	HLEDC/HTR C-HLEDC
HB 89 McCamley Martinez	Cannabis Revenue & Freedom Act: HB 89 Creates several Acts and regimes for the purpose of regulating and taxing recreational cannabis. The tax portion imposes a statewide tax, distributed to public schools, in the amount of 15%. The proposal provides for 5% general purpose local option taxes for municipalities and counties that can be approved by the governing bodies without voter approval.	HCPAC/HBI C/HAFC- HCPAC- w/rec-HBIC
HB 96 Baldonado	Hospital Tax Levy Petitions for Action: HB 96 Provides that services called for in ballot measures may not begin less than seven years after the ballot measure, but must begin within four years unless otherwise stated. If services have not commenced timely, any elector or owner may petition the requirement of the services begin, alternative approved use of the funding, or request a refund of the taxes.	HHHC/HTRC -HHHC-DP- HTRC
HB 102 Rehm	Marijuana Tax Act: HB 102 Creates a new act that creates registration and recordkeeping requirements for marijuana production, distribution and sale. The	HBIC/HTRC/ HAFC-HBIC

	proposal imposes a \$25/ounce tax on medical marijuana sales (the proposal does not address recreational sales/use)	
HB 117 Caballero	Supplemental Income Tax: HB 117 Effectively creates a higher tier tax bracket for those earning over \$100/150K (single/family) that increases the top rate .3% in 2017, .5% in 2019, .8% in 2019, and 1% in 2020 where it becomes permanent.	HLEDC/HTR C-HLEDC
HB 148 Alcon, Wooley, Johnson	Native American Income Tax Settlement Fund: HB 148 Creates an appropriation for the Native American veteran’s income tax fund” to pay claims past the time limit on state taxes withheld from native servicemen and/or spouses that wasn’t previously refunded.	HSIVC/HAF C-HSIVC- DP/a-HAFC- w/drnPassed/ H-SIAC/SFC- SIAC-DP- SFC
HB 152 Thomson	Tax Expenditure Budget: HB 152 Requires tax expenditure and dedicated revenue reports from the consensus revenue estimating group by October 15 of every year.	HSIVC/HTR C-HSIVC- DP-HTRC
HB 167 Little	Car Excise Tax To Road Fund: HB 167 In 25% increments over 4 years, the proposal moves 100% of motor vehicle excise tax distributions from the general fund to the road fund.	HTPWC/HTR C-HTPWC- ref HAFC- HTPWC- DP/a-HTRC
HB 169 Little	Income Tax Deductions: HB 169 Eliminates the add back of state tax paid to for those who itemize deductions for federal purposes.	HCPAC/HBI C/HTRC- HCPAC
HB 176 Ezell, Nibert, Wooley	Muni Enviro Services Gross Receipts: HB 176 Expands the uses of and renames the municipal environmental services gross receipts tax increment (to “municipal infrastructure and environmental gross receipts...)	HLELC/HTR C-HLELC- DP-HTRC- DNP-CS-/DP- Passed/H- SCORC/SFC- SCORC-DP- SFC
HB 184 Youngblood	Property Tax Revenue To Charter Schools: HB 184 Requires treasurers to report to charter schools and school districts the amounts share of tax due the charter school and requires the school district to distribute that share to the charter school if the money goes to it first.	HEC/HTRC- HEC-DP- HTRC-DP/a- Passed/H- SEC/SFC- SEC-DP-SFC
HB 192 Ely, McCamley	Film Tax Credits & Residency: HB 192 Removes the \$50M program cap and instead provides for the cap to be indexed to the CPI (i.e. 53.8M in 2018)	HBIC/HTRC- HBIC-DP/a- HTRC
HB 193 Ely	Solar Market Tax Credit Permanent: HB 193 Expands and makes permanent the recently sunsetted credit, increase the prio\$2M annual cap to \$5M, and increases the credit percentage from 10% to 15% for those making less than \$43,871 in taxable income. Extends the credit to corporate income taxpayers.	HBIC/HTRC- HBIC

HB 202 Carl Trujillo	Tax of Business Without Physical Presence: HB 202 Narrows engaging in business for purposes of the GRT to not include those without nexus and unregistered with less than \$100K sales in NM, changes the definition of place of business to include the buyer's location in the case of those selling goods or services with no other place of business in NM. The committee substitute added the healthcare taxation scheme with a 60% deduction found in, increases the motor vehicle excise tax from 3-4%; imposes a new commercial vehicle license tax.. Senate amendments narrow the healthcare tax provisions to hospitals only, freeze corporate changes, increases gasoline, PPL and special fuels taxes.	HBIC/HTRC- HBIC-DP- HTRC-DNP- CS/DP- Passed/H- SCORC/SFC- SCORC-w/o rec-SFC- DP/a-fl/a- Passed/S
HB 249 Martinez, Ferrary, Small,	College Special Event Gross Receipt: HB 249 Extends the gross receipts tax deduction for NMSU's Pan Am Center (only) and creates a new governmental gross receipts tax deduction for the same purpose.	HEC/HTRC- HEC-DP- HTRC-DP/a- Passed/H- SCORC/SFC- SCORC-DP- SFC-w/drn
HB 266 Carl Trujillo	Short-Term Rental Occupancy Tax: HB 266 Effectively expands the lodgers tax act by striking the limitation that three or more units be available (expanding scope to single-unit rentals)	HBIC/HTRC- HBIC-DP- HTRC-DP- Passed/H- SCORC/SFC- SCORC-DP- SFC
HB 282 Thompson/A rmstrong	Increase Cigarette & E-Cigarette Taxes: HB 282 Triples the cigarette tax (\$2.25/pack vs. \$75); changes distribution percentages to most beneficiaries to maintain funding at present levels.	HTRC
HB 310 McCamley	Income and Capital Gains Taxes: HB 310 Adds a 5.9% bracket to singles with taxable income in excess of \$75K (single) or \$150K (married filing joint or HOH); repeals 50% the deduction for capital gains (retains \$1K deduction); increases motor vehicle excise tax from 3% to 5%.	HTRC
HB 311 Rubio	Increase Working Families Tax Credit: HB 311 Doubles present law credit benefit of 10% of the federal earned income tax credit (which the NM credit piggybacks) to 20% of federal while also effective doubling the present law tax on capital gains by eliminating the 50% deduction for capital gains from income (the \$1000 deduction is not eliminated).	HTRC
HB 324 Maestas	Additional Tax Brackets: HB 324 Adds an additional 5.9% bracket for singles with taxable incomes in excess of \$150,000, and for married/HOH with taxable incomes over \$218,182.	HCPAC/HTR C-HCPAC
HB 332 Garcia Richard/Mart inez/Cisneros	Nonprofit Gross Receipts Exemption: HB 332 Narrows the gross receipts tax exemption for receipts of 501(c)(3) organizations to exclude receipts of those operating national laboratories as prime contractors.	HBIC/HTRC- HBIC-DP- HTRC

HB 365 Christine Trujillo, Thomson	Limit Capital Gain Deduction: HB 365 Eliminates the 50% deduction for capital gains from income (the \$1000 deduction is not eliminated).	HTRC
HB 366 Lewis/Harper	High Wage Jobs Tax Credit Applications: HB 366 Expands the credit applicability to include certain headquarter operations included in previous versions of the credit	HLEDC/HTR C-HLEDC- DP-HTRC
HB 376 Small	Annual Tax Statements of Withholding: HB 376 Requires employers with twenty-five or more employees to file annual statements of employee withholding electronically.	HSIVC/HTR C-HSIVC- DP-HTRC- DP/a- Passed/H- SCORC
HB 408 Carl Trujillo	Tax Liability Changes & Definitions: HB 408 Makes technical corrections, eliminates 210 day “gotcha” provision in refund claim statute, makes completeness of a claim solely determined by the Department.	HTRC-DP/a- fl/a-Passed/H- SCORC/SFC- SCORC
HB 412 Harper	Tax Reform: HB 412 Rebrands, reduces GRT rates, harmonizes sales/use tax rates, repeals numerous credits/deductions, creates one CIT rate, encourages remote sales, addresses property tax lightning, increases LICTR/working families credits.	HTRC-w/o rec-fl/sub adptd- Passed/H- SCORC/SFC- SCORC
HB 430 Maestas Barnes, Ruiloba, Montoya, Neville	No Municipality Food Tax: HB 430 Adds “food or beverages” to the list of excise taxes that cannot be imposed by municipalities (in addition to the present law exclusion for “sales” and “gross receipts” taxes in general).	HBIC-ref HBIC/HLEL C-HBIC
HB 436 Scott	Tax Evasion Penalties & Investigations: HB 436 Expands and creates criminal penalties for tax fraud, which is more broadly defined.	HCPAC/HJC/ HAFC- HCPAC-DP- HJC
HB 438 Ruiloba	Disclosure of Tax Refund Loan Fees: HB 438 Limits and requires disclosure of personal income tax refund anticipation loan fees, prohibits certain acts.	HBIC/HJC- HBIC-DNP- CS/DP-HJC
HB 440 Dodge/Crowder	Renewable Energy Tax Credit Changes: HB 440 Applicable 7/1/15 - makes changes to and extends the renewable energy production credit to new generators through 2023. The amount of power eligible is increased and the credit percentage is reduced over time depending on when the generator first produces electricity.	HENRC/HTR C-HENRC
HB 457 Ely	Tax Info Avail to Local Gov’t: HB 457 Amends confidentiality provisions regarding what the NMTRD can share with local governments, providing that IRS authorization is only required for information requiring IRS authorization to be released.	HTRC

HB 486 Brown	Civil Legal Svc. Fund Tax Refund Contribution: HB 487 Creates an optional personal income tax donation of available refund to the legal services fund.	HJC/HTRC- HJC
HB 487 Townsend, Ruilobo, Gonzales, Scott	Tax Gas at the Rack: HB 487 Replaces the present distributor based fuel tax acts (gasoline and special fuel) with a new "motor fuel taxes act", imposed at the rack, with a new administrative regime of deductions and refunds (export, gov't, tribe and member deductions exist).	HTPWC/HTR C-HTPWC
HB 494 Powdrell- Culbert/Davi d Gallegos	Taxpayers Rights Advocate Office Act: HB 494 Creates an independent taxpayer advocate office and makes changes to the tax administration act to create an office with powers to assist taxpayers including providing relief from incorrect assessments of tax, penalty and interest.	HSIVC/HTR C-HSIVC- DP-HTRC
HB 503 Maestas	Change Income Tax Brackets & Rates: HB 503 Changes brackets and increases rates (to 6% top rate on taxable income >\$75K single/and \$90K married/hoh).	HLEDC/HTR C-HLEDC
HB 504 Maestas	Income Tax Changes: HB 504 Changes incomes tax brackets and increases rates, reduces itemized deductions, repeals numerous credits (college fund, veteran employment, uncompensated medical care, capital gains (all)-Angels, green credits	HLEDC/HTR C-HLEDC
HB 509 Gonzales, Carl Trujillo, Ruiloba,	Tax at the Rack: HB 509 Replaces the present distributor based fuel tax acts (gasoline and special fuel) with a new "motor fuel taxes act", imposed at the rack, with a new administrative regime of deductions and credits (tribal distributor deduction is gone), and increases the tax on gasoline and special fuels by 5 cent/gal tax.	HTRC
SB 1 Wirth	Unitary Group Combined Reporting: SB 1 Requires mandatory unitary combined reporting on a waters edge basis. Provides elections for alternate worldwide combined and nexus-consolidated filing groups.	SCORC/SFC- SCORC- DNP-CS/DP- SFC
SB 50 O'Neill	Additional Upper -tier Tax Brackets: SB 50 Restores the top 8.2% personal income tax rate for individuals/married filing separate with taxable income over \$187.5K, and married/HOH with taxable income in excess of \$375K.	SCORC/SFC- SCORC
SB 94 Papen	Nonathletic Event Gross Receipts: SB 94 Extends the gross receipts tax deduction for NMSU's Pan Am Center (only) and creates a new governmental gross receipts tax deduction for the same purpose.	SCORC/SFC- SCORC- DP/a-SFC- DP-Passed/S- HEC/HTRC- HEC-DP- HTRC-DP
SB 95 Sanchez	Gas Tax Increase & Distribution: SB 95 Increase the gasoline tax by 10 cents and the special fuel (diesel) tax by 5%, reducing distribution percentages commensurately to hold consistent	SCORC/SFC- SCORC-w/o rec-SFC-

	distributions to smaller fund beneficiaries. The committee substitute also increases the petroleum products loading fee to \$150 for a time, increase the motor vehicle excise tax from 3-4%, and directs excess funds to a new equalization fund until general fund reserves reach 5%.	DNP-CS/DP- Passed/S- HTRC
SB 100 Pirtle	Payments to Partners Gross Receipts: SB 100 Expands present law to specify guaranteed payments to partners (all) are exempt from the gross receipts tax.	SCORC/SFC- SCORC-w/o rec-SFC
SB 123 Sharer	Tax Reform: SB 123 Proposes a broad elimination of gross receipts tax exemptions and deductions, reduces rates.	SCORC/SFC- SCORC-w/o rec/a-SFC
SB 131 Smith, Gonzalez	Gas Tax, Road Fund & Distributions: SB 131 Increases the gasoline and special fuels taxes by 10 cents/gallon until 7/1/19, at which time the rate would be indexed to the chained price index. Distributions are adjusted, and a new fund is created. Half of new revenue is shared with local governments for road maintenance, and the other half can be used for up to five years for general fund reserves.	SCORC/SFC- SCORC-w/o rec-SFC
SB 132 Smith, Gonzalez	Gas Tax, Road Fund & Distributions: SB 132 Increases the gasoline and special fuels taxes by 10 cents/gallon until 7/1/19, at which time the rate would be indexed to the chained price index. Distributions are adjusted, and a new fund is created. Half of new revenue is shared with local governments for road maintenance, and the other half can be used for up to five years for general fund reserves.	SCORC/SFC- SCORC-w/o rec-SFC
SB 138 Candelaria	Enrolled Agents At Tax Protests: SB 138 Amends the Tax Administration Act to allow enrolled agents to represent taxpayers in matters beyond income taxes (present law limits representation to matters of income taxation).	SCORC/SFC- SCORC-DP- SJC
SB 181 Shendo	Colleges As Tax Refund Intercept Claimants: SB 181 Adds the higher education department to the definition of “claimant agency” for purposes of refund offset in the NMTRD tax refund offset program.	SCORC/SFC- SCORC-DP- SFC-DP- Passed/S- HEC-HRTC- HEC-DP- HTRC-DP/a
SB 196 Campos	Small Business Investment Tax Credit: SB 196 Creates a personal income tax credit on qualified investments in NM not to exceed 25% of a qualified investment not to exceed \$250K. The credit may be carried forward for 5 years and the program has a \$2M annual payout cap (first come...)	SCORC/SFC- SCORC
SB 199 Smith	Delay Certain Tax Changes: SB 199 Restores last year’s corporate income tax rate and single sales factor election percentage (HQ) to last year’s levels, and freezes them until 2019.	SCORC/SFC- SCORC

SB 231 Morales	Increase Cigarette & E-Cigarette Taxes: SB 231 Slightly more than triples the tobacco products tax, and includes e-cigarette and other tobacco smoking devices not currently taxable (i.e. pipes, papers, etc.) into the present sin tax regime for non-cigarettes. Also, the proposal almost doubles the cigarette tax.	SCORC/SFC- SCORC- DP/a-SFC-w/ rec-fl/a- Passed/S- HHHC/HTRC -HHHC
SB 232 Ortiz y Pino	Carbonated Beverage Gross Receipts: SB 232 Specifically excludes “carbonated beverages” from the definition of “food” for purposes of the GRT food deduction found in 7-9-92.	SCORC/SFC- SCORC
SB 247 Munoz	Liquor Tax and County Definition: SB 247 Increases the maximum rate that that may be imposed under the Local Liquor Excise Tax Act from 6 to 9%, and changes the population range and property tax values of counties that can impose the tax so that the imposing/beneficiary county (McKinley) may continue to do so at a higher rate.	SCORC/SFC- SCORC-DP- SFC-DP/a- Passed/S- HLELC/HTR C-HLELC- DP-HTRC- DP
SB 254 Sapien	Short Term Rental Occupancy Tax: SB 254 Effectively expands the lodgers tax act by striking the limitation that three or more units be available (expanding scope to single-unit rentals).	SCORC/SFC- SCORC-DP- SFC-DP- Passed/S- HBIC/HTRC- HBIC-DP/a- HTRC
SB 264 White/Trujillo	Taxation of Internet Sales: SB 264 Narrows engaging in business for purposes of the GRT to not include those without nexus and unregistered with less than \$100K sales in NM, changes the definition of place of business to include the buyer’s location in the case of those selling goods or services with no other place of business in NM.	SCORC/SFC- SCORC-DP- SFC
SB 274 Wirth/Harper	Tax Determination of In-State Sales and Services: SB 274 Strikes present law language providing that services and intangibles be sourced, for sales factor purposes, on a greater of cost of performance basis (where the property and payroll factors are) and inserts language requiring that those sales be sourced like tangible property where the buyer/customer is located.	SCORC/SFC- SCORC- DP/a-SFC
SB 288 Padilla	Taxes and Surtaxes for Early Childhood Fund: SB 288 Creates an Emergency Oil and Gas Tax Surtax in the amount of 1/100 percent of value (essentially collected like the regular tax but without deductions such that the base differs. Imposes a \$.01/kw on electricity generated in NM but exempts governments and those generating for their own purposes or who don’t generate more than 500kw excess in 24hrs. Creates an early childhood education fund to be administered by CYFD for the purpose of supporting certain programs.	SCONC/SCO RC/SFC- SCONC
SB 300	Transfer of Liquor Excise Tax Credit: SB 300	SCORC/SFC-

Munoz	Creates a nonrefundable personal income tax credit, which may be carried forward for up to five years, for liquor licenses purchased for over \$400K and transferred outside an eligible county (McKinley) to anywhere else. The amount of the credit is 60% of the amount paid for the license.	SCORC
SB 309 Smith	Reporting Sales of Services by Jurisdiction: SB 309 Changes gross receipts tax reporting rules for in state service providers, requiring them to report gross receipts tax at the location attributable to the ultimate consumer.	SCORC/SFC- SCORC
SB 314 McSorley	Raise Liquor Excise Tax for Certain Beverages SB 314 Raises liquor taxes by up to more than 750% depending on the category of alcohol (beer is increased the most, spirits second, NM beer least, etc), until 2021, at which time the tax is indexed to rise with consumer price index.	SCORC/SFC- SCORC
SB 326 Campos	Frontier Community Investment Tax Credits: SB 326 Creates a new personal and corporate income tax credit (nonrefundable- 3 yr carryforward) in an amount equal to 25% of up to \$100K for “qualified investments” in “qualified businesses” in frontier communities. Contains clawbacks and reporting requirements.	SCORC/SFC- SCORC
SB 343 Griggs	Changes to Certain Tax Code Provisions: SB 343 Excludes dividends and interest earned by those over 55 from the definition of “modified gross income” for purposes of the personal income tax; reduces corporate income tax rates, increases personal and corporate veteran employment credits (from \$1-5K), reduces all healthcare practitioner credits to \$2K, imposes a new healthcare practitioner and food tax at the rate of 3.775% (shares 1% with locals), increase the motor vehicle excise tax from 3-4% in .5% increments, imposes new recordation tax (i.e. real estate transfer tax).	SCORC/SFC- SCORC
SB 344 Tallman	Income Tax Rates & Pre-K Funding: SB 344 Creates an early childhood fund, creates an additional tax bracket of 8.2% for singles with taxable income in excess of 166,665,67 or married/HOH in excess of \$250,000, repeals the present law 50% capital gains deduction.	SEC/SCORC/ SFC-SEC- DP/a- SCORC- DNP-CS/DP- SFC
SB 353 Stewart	Increase Motor Vehicle Excise Tax: SB 353 Increases the motor vehicle excise tax rate from 3 to 4%.	SCORC/SFC- SCORC
SB 375 Morales	Royalty Rates on State Trust Lands: SB 375 Expands the royalty base to include flared natural gas.	SCONC/SCO RC/SFC- SCONC
SB 376 Munoz	Premium Tax Collection to Tax & Rev: SB 376 Effectively moves premium tax collection to the taxation and revenue department and places the premiums tax administration within the purview of the tax administration act.	SCORC/SFC- SCORC- DP/a-SCORC
SB 389 Tallman	Permanent Top Corporate Tax Rate: SB 389 Freezes “permanently” the corporate income tax top rate at 6.2% for 2017 and tax years thereafter (eliminating the scheduled 2018 reduction to 5.9%).	SCORC/SFC- SCORC

SB 390 Steinborn	Film Tax Credit “Production Facility”: SB 390 Reduces from t 50 to 45 the number of acres required to be a production facility for purposes of the film production tax credit.	SCORC/SFC- SCORC-DP- SFC-DP- Passed/H- HBIC/HTRC- HBIC
SB 391 Wirth	Captive Real Estate investment Trust Income: SB 391 Adds definitions and creates an addition to “base income” for the “amount of any deduction claimed in calculating taxable income for all expenses and costs directly or indirectly paid, accrued or incurred to a captive real estate investment trust.”	SCORC/SFC- SCORC-DP- SFC-DP- Passed/S- HTRC
SB 408 Wirth	Limit capital Gain Deduction: SB 408 Eliminates the 50% deduction for capital gains from income (the \$1000 deduction is not eliminated) effective 2017, makes exception to estimated payment penalties.	SCORC/SFC- SCORC
SB 414 Munoz	Disclosure of Tax Refund Loan Fees: SB 414 Limits and requires disclosure of personal income tax refund anticipation loan fees, prohibits certain acts.	SCORC/SFC- SCORC- DNP-CS/DP- SJC
SB 416 Munoz	Gross Receipts on Sale of Certain Food: SB 416 Narrows the definition of food eligible for the gross receipts tax deduction in 7-9-92, to exclude certain non-nutritional foods.	SCORC/SFC- SCORC
SB 432 Sanchez	Renewable Energy Tax Credit Changes: SB 432 Applicable 7/1/15 - makes changes to and extends the renewable energy production credit to new generators through 2023. The amount of power eligible is increased and the credit percentage is reduced over time depending on when the generator first produces electricity.	SCONC/SCO RC/SFC- SCONC- DP/a-SCORC
SB 433 Cisneros	Hospital Tax for Medicaid Trust Fund: SB 433 Until 7/1/19, effectively taxes hospitals under the gross receipts tax act under a much reduced rate and makes special distributions in an effort to fund Medicaid.	SCORC/SFC- SCORC-DP- SFC
SB 436 Campos	Gas Tax & Distributions: SB 436 Increases the state special fuels (diesel) tax by 6 cents, equally distributed to the state road fund, local governments, and the pre-k fund.	SCORC/SFC- SCORC
SB 438 Munoz/Griggs	New Jobs & Investments Tax Credit: SB 438 Creates a credit of up to 100% of personal income, corporate income, gross receipts or compensating tax for up to ten years, and then declining by 10% per year until eligibility is lost.	SCORC/SFC- SCORC
SB 441 Smith	Gross Receipts Food Definitions: SB 441 Narrow the gross receipts tax deduction for food to those foods eligible for SNAP, unprocessed meat, poultry, fish, and wheat and flour tortillas.	SCORC/SFC- SCORC
SB 448 Ortiz y Pino	Healthcare Tax Exemptions and Medicaid Fund: SB 448 Creates a fund, removes healthcare facilities from the exemption in the governmental gross receipts tax, and narrows the gross receipts tax deduction for nonprofits by eliminating healthcare facilities. Makes and	SCORC/SFC- SCORC

	changes distributions.	
SB 451 Munoz	Exclude Some Local Gov'ts From Hold Harmless: SB 451 Adds a definition and provides that all municipalities and counties that have not imposed hold harmless gross receipts tax increments phase out their hold harmless distributions 100% after 7/1/29, and directs that all legally available funds be used to	SCORC/SFC- SCORC
SB 454 Stewart	Local Option Property Tax for Schools: SB 454 Provides for a new local option property tax for schools, not to exceed \$4/1000 of value in aggregate, to be approved in special or regularly scheduled school elections.	SEC/SFC- SEC
SB 457 Smith/Ingle	Gross Receipts Tax Changes: SB 457 Makes changes to hold harmless distributions, repeals 7-9-77.1 (Medicare/Tricare GRT deduction) and 7-9-96 (hospital GRT credit), amends 7-9-93 (practitioner GRT deduction) and 7-9-61 (50% hospital deduction) to provide a 60% deduction for hospital and practitioner services.	SCORC/SFC- SCORC
SB 460 Cisneros	Sunset Tax Credits: SB 460 Sunsets and requires review of many personal, corporate, and gross receipts and compensating tax credit, deductions and exemptions.	SCORC/SFC- SCORC
SB 465 Munoz	Unemployment Compensation Rates: SB 465 Changes formula for employer contribution rate by changing the rate cap after which the employer is charged an excess claims premium, from 5.4 to 10.8%	SCORC/SFC- SCORC
SB466 Griggs	Water & Sanitation District Tax Levy Limitation: SB 466 Provides an exception to the \$10/1000 limitation on the aggregate taxes that can be imposed by a water or sanitation district can only apply to districts subject to the act for the purpose of issuing securities.	SCORC/SFC- SCORC
SB 479 Munoz	Bioscience Business Tax Credits: SB 479 Expands (?) the present Technology Jobs Tax Credit by expanding the definition of "qualified facility" to include a facility within ten miles of a national lab that or research institution (also defined: UNM, NMSU, NM Tech)	SCORC/SFC- SCORC
SB 485 Burt	Military Base Construction Gross Receipts: SB 485 Creates a new gross receipts tax deduction for receipts from the sale of "services for construction of infrastructure on a military base to support a training mission involving F-16 tactical fighter jets in this state"	SCORC/SFC- SCORC

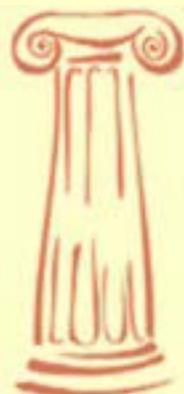
DON'T FORGET THE PRINCIPLES



It's important, particularly when dealing with tough economies, tough decisions, and the emotionally charged subject of taxes, to view the world in the context of principles. Taxes are good in that they raise the money we need to pay for the services we need. They can also be bad if they create inefficiencies, distortions, or inequities. It's a more rational approach to look at our entire tax system rather than getting lost in the weeds focusing only on a particular rate or some item we choose to tax or not tax. We must raise the revenue we need for government (putting aside the debate over how much) while doing the least harm to the economy and to those things we need most (e.g. job creation) while being fair and protecting the most vulnerable in our communities. Accordingly, we've taken the opportunity to reprint our principles of good tax policy here:

- State and local taxes should be adequate to provide an appropriate level of those goods and services best provided by the public sector, such as education, public safety, law enforcement, streets and highways, and the courts.
- State and local tax policy should do the least harm to the private economy. Therefore, tax bases should be as broad as possible so that tax rates can be as low as possible in order to raise the necessary revenues.
- State and local tax policy should be fair and equitable towards individuals and businesses similarly situated. Individuals with the same income level should be taxed the same. Businesses engaged in similar commercial activities should be subject to the same level of taxation.
- State and local tax policy should not be costly to administer and should be easily understood by taxpayers so as to minimize taxpayer compliance costs.
- The state and local tax burden should be evaluated on the basis of the impact of all taxes levied on a given taxpayer, not just a single tax or tax rate.
- Deviations from established tax policy in pursuit of economic development, social or other goals should be well-reasoned and pursued only when established tax policies are not significantly undermined and the results of such deviations can subsequently be measured and evaluated.

**HOLD THE DATE AND MARK YOUR CALENDARS NOW –
14TH ANNUAL NMTRI TAX
POLICY CONFERENCE IS COMING!**



**NEW MEXICO
TAX RESEARCH
INSTITUTE**

The Fourteenth (can you believe it?) Annual NMTRI Tax Policy Conference and annual members meeting will be held at the Sandia Resort and Casino in Albuquerque April 27-28th. You will be inundated with details shortly! We look forward to seeing you there!

TAX QUOTABLES

"Tax reform means, 'Don't tax you, don't tax me. Tax that fellow behind the tree.'"

~Russell Long

"There is an ancient belief that the gods love the obscure and hate the obvious. Without benefit of divinity, modern men of similar persuasion draft provisions of the Internal Revenue Code."

~ Martin D. Ginsburg

"Tax reform is taking the taxes off things that have been taxed in the past and putting taxes on things that haven't

been taxed before."

~Art Buchwald

"If we want to be like the rest of the world, we need to be considering these alternatives. As long as we constrain ourselves from having good taxes, we'll continue having bad taxes."

~Martin Sullivan (on the unwillingness of the US to discuss a value added tax-there are certainly state analogies...)

“Teach your kids about taxes: eat thirty percent of their ice cream”

~Anonymous

“That’s too much bacon.”

~said no one EVER

[NMTRI note: that last one has nothing to do with taxes, but it makes a good point...]



COMMENTS: Your suggestions and comments on this newsletter, the conferences (past or future), the Distinguished Lectures Series, our research or any aspect of NMTRI’s operation and programs are welcome. Please send them to richard.anklam@nmtri.org, call 505-269-6791 or mail them to P.O. Box 91657, Albuquerque, New Mexico 87199-1657. We genuinely solicit your input and thank you for your support.



"The power to tax involves the power to destroy" - McCulloch v. Maryland, 17 U.S. 316 (1819), Chief Justice John Marshall.

“Taxes are what we pay for civilized society” Campaña General de Tabacos v. Collector, 275 U.S. 87, 100 (1927), Justice Oliver

Wendell Holmes, dissenting.
Join NMTRI today!