

# ***Tax Matters***

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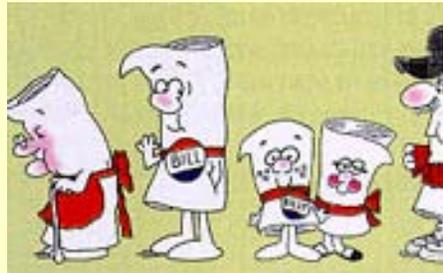
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## **IN THIS “LEGISLATIVE SESSION” EDITION OF *TAX MATTERS*:**



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## 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.

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## 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](#).

*[NMTRI Note: the forecast was not revised last week, so the forecast remains unchanged from December (above). There is a little reason for optimism in revenue and confidence in the forecast this year – one being the fact that it isn't being revised...]*

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 still has really just barely begun.

*[NMTRI note: closing “loopholes” might be acceptable revenue enhancements for both parties, but what they are may be in the eyes of the beholder...]*

## 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 slowed as the Senate passed gas and GRT tax packages to the House. Movement is slowing although the favored proposals are clear, as are the tax intentions of the House and Senate. 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.

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 count eight House bills in the Senate, and only four Senate bills in the House. Of those, two are companions (see the list below). Furthest along amongst the House bills now are still Rep Crowder and Gonzales's Local Option Fuel Tax in their [HB 63](#), which 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. Rep Alcon, Wooley, and Johnson's Native American Income Tax Settlement Fund proposal in their [HB 148](#) is also in the Senate Finance Committee. Lastly, the only other tax bill to get so far along is the committee substitute for Vice Chair Carl Trujillo's [HB 202](#). That bill was the House tax package and contained his internet/remote seller proposal, plus the addition of several new proposals making the package worth \$200-270M. That number assumed \$20M for remote sales, and the rest attributable to the remainder of the package. The LFC estimate provided a range because of the likely unconstitutionality of a proposed heavy vehicle license tax added to the proposal (which inexplicably remains). Also added was an increase in the motor vehicle excise tax from 3% to 4%, and the healthcare taxation proposal 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).

This week, the Senate's gasoline tax proposal made it to the House Taxation and Revenue Committee. That proposal is in the committee substitute for Senator Sanchez [SB 95](#), which increases the gasoline tax by 10 cents and the special fuel (diesel) tax by 5 cents, reducing distribution percentages commensurately to hold consistent distributions to smaller fund beneficiaries. It also raise the petroleum products loading fee for a time, and sends the increased proceeds to a tax stabilization fund until general fund reserves reach 5%.

Senator Munoz is 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 [SB 247](#).

The House Taxation and Revenue Committee was supposed to hear the last of Rep Harper's tax reform package in his HB 412 on Friday. It was the last bill on the agenda which was followed in order, but before the last bill was heard, a partisan effort to take and pass a bill off the table, the solar markets credit extension proposal in Maestas-Barnes [HB 61](#). The committee has a somewhat unique and historic non-partisan policy of not passing bills with fiscal impacts until the committee goes through a process, which was not followed and resulted in some frustration on the part of some committee members. The bill was passed and tabled, but the tax reform discussion is now the last item on the agenda for Monday morning (see the House committee schedule [here](#)).

### House and Senate Tax Related Bills in the other Chamber

Bill Number/ Sponsor:	Title: <a href="#">Link to bill language</a> : Description	Assignments- Location:
HB 8 Dodge/Lunds trom	<b>Eliminate Cigarette Tax Distribution <a href="#">HB 8</a></b> Eliminates the 1.25% distribution to the NMFA from Cigarette Tax revenues. Associated bonds have been retired.	HAFC-DP- Passed/H
HB 63 Crowder/Go nzales	<b>Local Option Fuel Tax: <a href="#">HB 63</a></b> 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	<b>Native American Income Tax Settlement Fund: <a href="#">HB 148</a></b> 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, Wooley	<b>Muni Enviro Services Gross Receipts: <a href="#">HB 176</a></b> 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
HB 202 Carl Trujillo	<b>Tax of Business Without Physical Presence: <a href="#">HB 202</a></b> 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.	HBIC/HTRC- HBIC-DP- HTRC-DNP- CS/DP- Passed/H- SCORC/SFC- SCORC-w/o rec-SFC
HB 249 Martinez, Ferrary, Small	<b>College Special Event Gross Receipt: <a href="#">HB 249</a></b> 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
HB 266 Carl Trujillo	<b>Short-Term Rental Occupancy Tax: <a href="#">HB 266</a></b> 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-

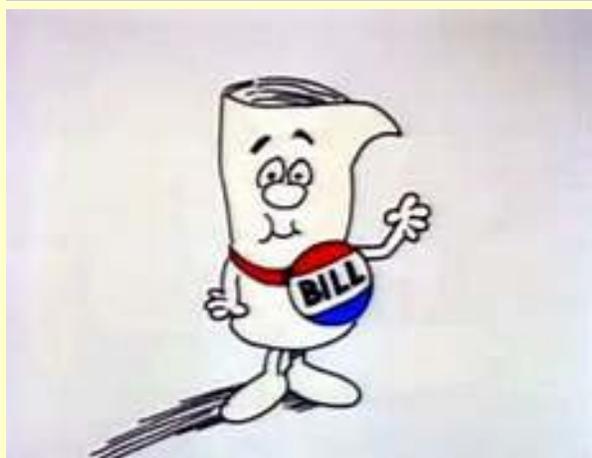
		Passed/H-SCORC/SFC-SCORC
HB 408 Carl Trujillo	<b>Tax Liability Changes &amp; Definitions: <a href="#">HB 408</a></b> Makes technical corrections, eliminates 210 day “gotcha” provision in refund claim statute, makes completeness of a claim solely determined by the Department.	HTRC-DP/a-fl/a-Passed/H-SCORC/SFC-SCORC
SB 94 Papen	<b>Nonathletic Event Gross Receipts: <a href="#">SB 94</a></b> 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
SB 95 Sanchez	<b>Gas Tax Increase &amp; Distribution: <a href="#">SB 95</a></b> 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 247 Munoz	<b>Liquor Tax and County Definition: <a href="#">SB 247</a></b> 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/HTRC-HLELC
SB 254 Sapien	<b>Short Term Rental Occupancy Tax: <a href="#">SB 254</a></b> 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

*[NMTRI note: things are slow and nerves are frayed. The maneuver in House Tax to move a bill with a fiscal impact appeared to do nothing but make emotions higher and trust levels lower (the committee really does have a bi-partisan history of being relevant and fair, in part by following its own rules and working professionally with itself regardless of party in control). Perhaps there was a reason. In the meantime, Minority Leader Gentry has a “dummy” bill also scheduled for House Tax and Rev).*

### 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

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**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.

<b>Bill Number/ Sponsor:</b>	<b>Title: Link to bill language: Description</b>	<b>Assignments- Location:</b>
HB 8 Dodge/Lunds trom	<b>Eliminate Cigarette Tax Distribution <a href="#">HB 8</a></b> Eliminates the 1.25% distribution to the NMFA from Cigarette Tax revenues. Associated bonds have been retired.	HAFC-DP- Passed/H
HB 48 Maestas Barnes	<b>Small Business Income Tax Deduction: <a href="#">HB 48</a></b> 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 <sup>nd</sup> 50K, etc.)	HBIC/HTRC- HBIC-DP- HTRC
HB 55 C Trujillo	<b>Liquor Tax to DWI Grant Fund &amp; Drug Courts: <a href="#">HB 55</a></b> 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	<b>Extend Solar Market Tax Credit: <a href="#">HB 61</a></b> 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-T
HB 63 Crowder/Go nzales	<b>Local Option Fuel Tax: <a href="#">HB 63</a></b> 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	<b>Rural Healthcare Practitioner Tax Credit: <a href="#">HB 68</a></b> 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	<b>Estate or Trust Distribution Tax Deduction: <a href="#">HB 76</a></b> 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	<b>Extend Solar Market Tax Credit: <a href="#">HB 82</a></b> 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	<b>Cannabis Revenue &amp; Freedom Act: <a href="#">HB 89</a></b> 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	<b>Hospital Tax Levy Petitions for Action: <a href="#">HB 96</a></b> 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	<b>Marijuana Tax Act: <a href="#">HB 102</a></b> Creates a new act that creates registration and recordkeeping requirements for marijuana production, distribution and sale. The proposal imposes a \$25/ounce tax on medical marijuana sales (the proposal does not address recreational sales/use)	HBIC/HTRC/ HAFC-HBIC
HB 117 Caballero	<b>Supplemental Income Tax: <a href="#">HB 117</a></b> 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	<b>Native American Income Tax Settlement Fund: <a href="#">HB 148</a></b> 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	<b>Tax Expenditure Budget: <a href="#">HB 152</a></b> 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	<b>Car Excise Tax To Road Fund: <a href="#">HB 167</a></b> 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	<b>Income Tax Deductions: <a href="#">HB 169</a></b> 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	<b>Muni Enviro Services Gross Receipts: <a href="#">HB 176</a></b> 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
HB 184 Youngblood	<b>Property Tax Revenue To Charter Schools: <a href="#">HB 184</a></b> 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
HB 192 Ely, McCamley	<b>Film Tax Credits &amp; Residency: <a href="#">HB 192</a></b> 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	<b>Solar Market Tax Credit Permanent: <a href="#">HB 193</a></b> 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	<b>Tax of Business Without Physical Presence: <a href="#">HB 202</a></b> 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.	HBIC/HTRC- HBIC-DP- HTRC-DNP- CS/DP- Passed/H- SCORC/SFC- SCORC-w/o rec-SFC
HB 249 Martinez, Ferrary, Small,	<b>College Special Event Gross Receipt: <a href="#">HB 249</a></b> 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
HB 266 Carl Trujillo	<b>Short-Term Rental Occupancy Tax: <a href="#">HB 266</a></b> 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
HB 282 Thompson/A rmstrong	<b>Increase Cigarette &amp; E-Cigarette Taxes: <a href="#">HB 282</a></b> Triples the cigarette tax (\$2.25/pack vs. \$75); changes distribution percentages to most beneficiaries to maintain funding at present levels.	HTRC
HB 310	<b>Income and Capital Gains Taxes: <a href="#">HB 310</a></b>	HTRC

McCamley	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%.	
HB 311 Rubio	<b>Increase Working Families Tax Credit: <a href="#">HB 311</a></b> 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	<b>Additional Tax Brackets: <a href="#">HB 324</a></b> 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/Martinez/Cisneros	<b>Nonprofit Gross Receipts Exemption: <a href="#">HB 332</a></b> 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	<b>Limit Capital Gain Deduction: <a href="#">HB 365</a></b> Eliminates the 50% deduction for capital gains from income (the \$1000 deduction is not eliminated).	HTRC
HB 366 Lewis/Harper	<b>High Wage Jobs Tax Credit Applications: <a href="#">HB 366</a></b> 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	<b>Annual Tax Statements of Withholding: <a href="#">HB 376</a></b> Requires employers with twenty-five or more employees to file annual statements of employee withholding electronically.	HSIVC/HTR C-HSIVC- DP-HTRC
HB 408 Carl Trujillo	<b>Tax Liability Changes &amp; Definitions: <a href="#">HB 408</a></b> 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	<b>Tax Reform: <a href="#">HB 412</a></b> 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
HB 430 Maestas Barnes, Ruiloba, Montoya, Neville	<b>No Municipality Food Tax: <a href="#">HB 430</a></b> 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	<b>Tax Evasion Penalties &amp; Investigations: <a href="#">HB 436</a></b>	HCPAC/HJC/

Scott	Expands and creates criminal penalties for tax fraud, which is more broadly defined.	HAFC-HCPAC
HB 438 Ruiloba	<b>Disclosure of Tax Refund Loan Fees: <a href="#">HB 438</a></b> 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	<b>Renewable Energy Tax Credit Changes: <a href="#">HB 440</a></b> 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/HTRC-HENRC
HB 457 Ely	<b>Tax Info Avail to Local Gov't: <a href="#">HB 457</a></b> 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	<b>Civil Legal Svc. Fund Tax Refund Contribution: <a href="#">HB 487</a></b> Creates an optional personal income tax donation of available refund to the legal services fund.	HJC/HTRC-HJC
HB 487 Townsend, Ruilobo, Gonzales, Scott	<b>Tax Gas at the Rack: <a href="#">HB 487</a></b> 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/HTRC-HTPWC
HB 492 Powdrell-Culbert/David Gallegos	<b>Taxpayers Rights Advocate Office Act: <a href="#">HB 492</a></b> 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/HTRC-HSIVC
HB 503 Maestas	<b>Change Income Tax Brackets &amp; Rates: <a href="#">HB 503</a></b> Changes brackets and increases rates (to 6% top rate on taxable income >\$75K single/and \$90K married/hoh).	HLEDC/HTRC-HLEDC
HB 504 Maestas	<b>Income Tax Changes: <a href="#">HB 504</a></b> 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/HTRC-HLEDC
HB 509 Gonzales, Carl Trujillo, Ruiloba,	<b>Tax at the Rack: <a href="#">HB 509</a></b> 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	<b>Unitary Group Combined Reporting: <a href="#">SB 1</a></b> Requires mandatory unitary combined reporting on a waters edge basis. Provides elections for alternate worldwide combined and nexus-consolidated filing groups.	SCORC/SFC-SCORC-DP-SFC

SB 50 O'Neill	<b>Additional Upper -tier Tax Brackets: <a href="#">SB 50</a></b> 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	<b>Nonathletic Event Gross Receipts: <a href="#">SB 94</a></b> 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
SB 95 Sanchez	<b>Gas Tax Increase &amp; Distribution: <a href="#">SB 95</a></b> 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 100 Pirtle	<b>Payments to Partners Gross Receipts: <a href="#">SB 100</a></b> 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	<b>Tax Reform: <a href="#">SB 123</a></b> 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	<b>Gas Tax, Road Fund &amp; Distributions: <a href="#">SB 131</a></b> 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	<b>Gas Tax, Road Fund &amp; Distributions: <a href="#">SB 132</a></b> 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	<b>Enrolled Agents At Tax Protests: <a href="#">SB 138</a></b> 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	<b>Colleges As Tax Refund Intercept Claimants: <a href="#">SB 181</a></b> Adds the higher education department to the definition of "claimant agency" for purposes of refund offset in the NMTRD tax refund offset	SCORC/SFC- SCORC-DP- SFC-DP-

	program.	Passed/S-HEC-HRTC-HEC
SB 196 Campos	<b>Small Business Investment Tax Credit: <a href="#">SB 196</a></b> 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	<b>Delay Certain Tax Changes: <a href="#">SB 199</a></b> 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	<b>Increase Cigarette &amp; E-Cigarette Taxes: <a href="#">SB 231</a></b> 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
SB 232 Ortiz y Pino	<b>Carbonated Beverage Gross Receipts: <a href="#">SB 232</a></b> 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	<b>Liquor Tax and County Definition: <a href="#">SB 247</a></b> 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/HTRC-HLELC
SB 254 Sapien	<b>Short Term Rental Occupancy Tax: <a href="#">SB 254</a></b> 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
SB 264 White/Trujillo	<b>Taxation of Internet Sales: <a href="#">SB 264</a></b> 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	<b>Tax Determination of In-State Sales and Services: <a href="#">SB 274</a></b> 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
SB 288 Padilla	<b>Taxes and Surtaxes for Early Childhood Fund: <a href="#">SB 288</a></b> Creates an Emergency Oil and Gas Tax Surtax in the amount of 1/100	SCONC/SCORC/SFC-

	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
SB 300 Munoz	<b>Transfer of Liquor Excise Tax Credit: <a href="#">SB 300</a></b> 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/SFC- SCORC
SB 309 Smith	<b>Reporting Sales of Services by Jurisdiction: <a href="#">SB 309</a></b> 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	<b>Raise Liquor Excise Tax for Certain Beverages <a href="#">SB 314</a></b> 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	<b>Frontier Community Investment Tax Credits: <a href="#">SB 326</a></b> 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	<b>Changes to Certain Tax Code Provisions: <a href="#">SB 343</a></b> 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	<b>Income Tax Rates &amp; Pre-K Funding: <a href="#">SB 344</a></b> 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	<b>Increase Motor Vehicle Excise Tax: <a href="#">SB 353</a></b> Increases the motor vehicle excise tax rate from 3 to 4%.	SCORC/SFC- SCORC
SB 375 Morales	<b>Royalty Rates on State Trust Lands: <a href="#">SB 375</a></b> Expands the royalty base to include flared natural gas.	SCONC/SCO RC/SFC- SCONC
SB 376	<b>Premium Tax Collection to Tax &amp; Rev: <a href="#">SB 376</a></b>	SCORC/SFC-

Munoz	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-DP/a-SCORC
SB 389 Tallman	<b>Permanent Top Corporate Tax Rate: <a href="#">SB 389</a></b> 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	<b>Film Tax Credit “Production Facility”:</b> <a href="#">SB 390</a> 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
SB 391 Wirth	<b>Captive Real Estate investment Trust Income: <a href="#">SB 391</a></b> 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
SB 408 Wirth	<b>Limit capital Gain Deduction: <a href="#">SB 408</a></b> 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	<b>Disclosure of Tax Refund Loan Fees: <a href="#">SB 414</a></b> 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	<b>Gross Receipts on Sale of Certain Food: <a href="#">SB 416</a></b> 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	<b>Renewable Energy Tax Credit Changes: <a href="#">SB 432</a></b> 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/SCORC/SFC-SCONC
SB 433 Cisneros	<b>Hospital Tax for Medicaid Trust Fund: <a href="#">SB 433</a></b> 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	<b>Gas Tax &amp; Distributions: <a href="#">SB 436</a></b> 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	<b>New Jobs &amp; Investments Tax Credit: <a href="#">SB 438</a></b> 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	<b>Gross Receipts Food Definitions: <a href="#">SB 441</a></b> 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	<b>Healthcare Tax Exemptions and Medicaid Fund: <a href="#">SB 448</a></b> 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 changes distributions.	SCORC/SFC- SCORC
SB 451 Munoz	<b>Exclude Some Local Gov'ts From Hold Harmless: <a href="#">SB 451</a></b> 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	<b>Local Option Property Tax for Schools: <a href="#">SB 454</a></b> 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	<b>Gross Receipts Tax Changes: <a href="#">SB 457</a></b> 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	<b>Sunset Tax Credits: <a href="#">SB 460</a></b> Sunsets and requires review of many personal, corporate, and gross receipts and compensating tax credit, deductions and exemptions.	SCORC/SFC- SCORC
SB 465 Munoz	<b>Unemployment Compensation Rates: <a href="#">SB 465</a></b> 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	<b>Water &amp; Sanitation District Tax Levy Limitation: <a href="#">SB 466</a></b> 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	<b>Bioscience Business Tax Credits: <a href="#">SB 479</a></b> 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	<b>Military Base Construction Gross Receipts: <a href="#">SB 485</a></b> 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

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## Federal Tax Reform – What Are The States to Do? –Helen Hecht, JD, CPA

Taxes may be as certain as death, but tax reform, most decidedly, is not. Experts tell us that the House tax reform package either will, or will not, include certain provisions; may, or may not, have the necessary Senate votes; and can, or cannot, get the President’s support. But one thing is certain—if enacted, it will definitely spur economic growth, unless it sparks a recession. So, how will federal tax reform affect the states??? The answer depends as much on one’s philosophical outlook as on one’s choice of assumptions. A cynic, for example, might observe that prior tax “reform” is what gave us the current system.



I’m not the first to link philosophy with tax reform—a task that’s been called “Sisyphean” after the story made famous by Albert Camus, the French philosopher. Sisyphus was fated to roll a giant boulder up a mountain, just to have it roll back down, day after day, year after year, for eternity. So it’s an apt analogy. Camus, however, was not a cynic. And he insisted: “One must imagine Sisyphus happy.”<sup>1</sup> But in case one finds that impossible, then Camus also said this—“There is no fate that cannot be overcome by scorn.”<sup>2</sup>

States are apparently fated to have their income taxes tied to federal law—a legacy of the Willis Committee. So, as my friend, Jim Eads, puts it, “Congress is driving the car and states are in the back seat—except that it’s not a car, it’s a train—and the states are not in the backseat, they’re in the caboose.” As a result, no matter how significant the effects of proposed federal tax reform may be, they will always be overshadowed by the effects of needed reforms. No surprise, then, that states treat federal tax reform with a bit of scorn.

Take partnership taxation. Partnerships are the fastest growing form of business,<sup>3</sup> and include the complex high-wealth private equity structures that are supplanting general public ownership of midsized companies.<sup>4</sup> The rise of pass-throughs has been directly linked to much of the rise in income inequality over the last three decades.<sup>5</sup> Federal reform proposals in this area include capping interest expense deductions (relied on for leveraged asset acquisitions) and eliminating the carried interest rules (which allow equity fund managers to treat fees as capital gains). These are certainly important reforms, but I trust their potential effect on certain states is obvious.

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<sup>1</sup> Albert Camus, *The Myth of Sisyphus*, (Hamish Hamilton, in English, 1955) (Éditions Gallimard, in French, 1942)

<sup>2</sup> *Id.*

<sup>3</sup> Richard Prisinzano, Danny Yagen, et al, *Business in the United States: Who Owns It and How Much Tax Do They Pay?* U.S. Dep’t of Treasury Working Paper No. 104, October 2015, available at <https://www.treasury.gov/resource-center/tax-policy/tax-analysis/Documents/WP-104.pdf>.

<sup>4</sup> Private Equity: The barbarian establishment, *The Economist*, p. 15-20, October 22-28, 2016, available at <http://www.economist.com/news/briefing/21709007-private-equity-has-prospered-while-almost-every-other-approach-business-has-stumbled>.

<sup>5</sup> Prisinzano and Yagen, *supra* n. 1.

For most states, however, the potential effects of these future reforms pale in comparison to the very real and ongoing effects of inadequate past reforms—rendering it virtually impossible to audit large complicated partnerships. Nor is this a new problem. The 1982 TEFRA reforms were meant to address it, but soon failed. For years there have been efforts to reform the reform.<sup>6</sup> Now, Congress, through the 2015 Bipartisan Budget Act (BBA), has attempted to solve the problem. I say “attempted” because experts tell us that substantial technical corrections are still required.<sup>7</sup> So profound is the need for the BBA audit reforms, that the Joint Committee “scored” it as generating \$9.3 billion over 10 years.<sup>8</sup> And the effect on the states should also be obvious. But that assumes, perhaps unsafely, that these reforms will eventually be implemented. The goal of the states is fairly modest—just to be able to assess any tax resulting from the federal adjustments. But experts advise that we must nevertheless wait for the IRS to issue comprehensive regulations. And even then, they caution, state conformity may pose significant difficulties.

Tax reform—it’s enough to make one cynical. But it doesn’t *have* to. Recently I talked to the primary sponsor of a state tax reform package—the minority member of that state’s tax-writing committee. I ran into him as he was standing, surrounded and answering questions, in the lobby of the state capitol. As he turned to leave, I asked him how things were going. He said his package, which he’s worked on for months, faced stiff opposition from all sides. But he was upbeat. He told me that he was especially grateful for the endorsement of certain majority leaders who, when he offered to water down the reforms to give them political cover, had responded—if you do, we’ll pull our support. At that point, I looked over his shoulder and joked that, yes, I could see everyone was “right behind him.” And we both laughed. But he also seemed genuinely happy. So, who knows, maybe Camus was right.

*[NMTRI note: Our friend in D.C. and former board vice-chair, Helen Hecht, was kind enough to share an article she penned and couldn’t use. Of course, our crack journalism department can always use the friendly help and there’s never enough content – Thanks Helen!]*

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<sup>6</sup> See Todd J. Gluth, Building a Better BBA: A History of, and Proposal for, Partnership Audit and Collection Rules, Draft Nov. 9, 2016, available at: [http://www.law.uchicago.edu/files/file/11-9\\_draft\\_of\\_bba\\_paper.pdf](http://www.law.uchicago.edu/files/file/11-9_draft_of_bba_paper.pdf).

<sup>7</sup> Marie Sapirie, News Analysis: What the Technical Corrections Mean for Partnership Audits, State Tax Notes, Jan. 9, 2017.

<sup>8</sup> Joint Committee on Taxation, JCX-135-15, Estimated Revenue Effects of the Tax Provisions Contained in H.R. 1314, Oct. 28, 2015.

## 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.

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## TAX QUOTABLES

[on filing for tax returns] “This is too difficult for a mathematician. It takes a philosopher.”

~Albert Einstein

“It's tax time. I know this because I'm staring at documents that make no sense to me, no matter how many beers I drink.”

~ Dave Barry

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**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](mailto: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.



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"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.  
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