

# ***Tax Matters***

*The Newsletter of the New Mexico Tax Research Institute*

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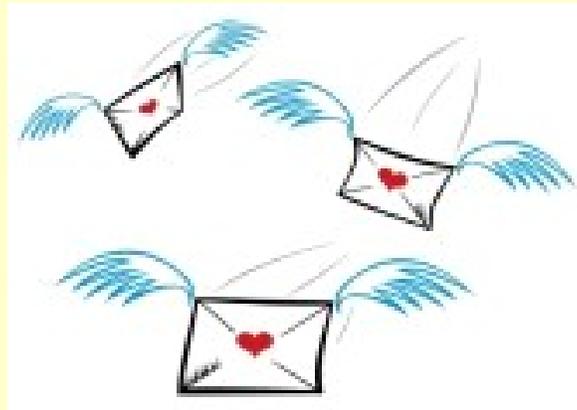
New Mexico Tax Research Institute  
P.O. Box 91657  
Albuquerque, New Mexico 87199-1657

505-842-5833  
[Richard.Anklam@nmtri.org](mailto:Richard.Anklam@nmtri.org)  
[www.nmtri.org](http://www.nmtri.org)

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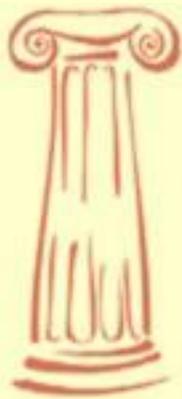
## **IN THIS “GOOD BILL” LEGISLATIVE SESSION ISSUE OF TAX MATTERS:**



- **HOLD THE DATE – NMTRI Annual Tax Policy Conference May 10-11 at the Hotel Albuquerque**
- **Into the Legislative Session**
- **Tax-pectations for the Session**
- **List of Tax Related Legislation**
- **Don't Forget the Principles**
- **Tax Quotable**

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**HOLD THE DATE AND MARK YOUR CALENDARS NOW –  
15<sup>TH</sup> ANNUAL NMTRI TAX  
POLICY CONFERENCE IS COMING!**



**NEW MEXICO  
TAX RESEARCH  
INSTITUTE**

The Fifteenth (can you believe it?) Annual NMTRI Tax Policy Conference and annual members meeting will be held at the Hotel Albuquerque in Albuquerque May 10-11<sup>th</sup>. You will be inundated with details shortly! We look forward to seeing you there!

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**INTO THE LEGISLATIVE SESSION – IT BEGAN - JANUARY 16, 2018**



The 2018 Regular Session of the New Mexico Legislature convened at noon on Tuesday, January 16, and ends at noon (or somewhere thereabouts) on February 15. The deadline for bill introduction is January 31. Legislation not acted on by the governor is pocket vetoed on March 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 May 16. Being a "short" or 30-day "budget" session, non-budgetary legislation and items not related to the budget are not fair game for open introduction and are limited by the call of the Governor. It is an interesting time. There is still talk of tax reform, and Governor wants to address crime issues, but the fiscal crisis is over for the moment – mostly thanks to very strong oil price/production in the Permian. So, while there's plenty to fight about and money to fight over, it doesn't appear as tense as some and it's possible they'll quietly fund government and go home, without significant other damage or accomplishment.

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 30-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. Being a “budget only” 30-day session, only tax/budget issues and the controversy they bring are fair game, but so are other controversial issues where the Governor chooses to allow them. There are already pre-filed bills such as those we’ve seen from prior sessions (crime, abortion, etc.), and not all is just red meat.

This year however, most of the oxygen in the room will be consumed by matters of budget and taxes, as well as anything else the Governor wants to consider. The beginning of most 30-day sessions is faster than 60-day sessions, but still slower than one would like. Even the short session finds time for pomp and circumstance. This year however, the fact the state was in a deficit position before ending up in a surplus with almost reasonably reserves in 2018 now expected has taken the crisis out of the room. Stranger still, the forecast is likely to get stronger still when it’s likely revised in the near future (the primary driver there being higher than expected prices for oil and gas, along with oil production in the neighborhood of 30% ahead of forecast). The December consensus revenue forecast had the legislature \$199 million to the good for 2018, and that’s with reserves of around 9%. The December consensus revenue estimate can be found on the LFC website [here](#).

**\*That number was revised upward a couple of weeks by the consensus revenue estimating group. Now they’re looking at 13% reserves and an additional \$93M (to \$292M) of “new money” in the revenue forecast.**

In her Executive budget (found [here](#) on the Governor’s DFA website) Governor Martinez has proposed a budget of \$6.32B, with spending increases including state worker salary increases (1%+) with public safety and teachers seeing larger increases of course, as well as more money for education, CYFD, and economic development programs like LEDA and JTIP. Legislators have proposed spending measures of their own, however the reasonably healthy – but not too healthy - state of the budget – suggests that there’s lots of room to get a budget deal but not a lot of leverage to force big deals or huge compromises. Both sides want some similar things, naked tax increases are still unacceptable (largely?) to the Governor, and meaningful cuts without offsets probably aren’t really in the cards either, although hospitals want to be taxed to increase funding Medicaid funding of the healthcare system.

Despite call for reform and repeated self-flagellation on the part of policy makers over how we’ve created too many exemptions, deductions and credit, the fact that the majority of the House and Senate tax related proposals are new or expanded deductions and credits bemoans the problem and belies the fact that we have a little extra money to spend.

## What Happened this Week



We're into the last week of the session that started Tuesday, January 16th. We did see the predictable spattering of "dummy bills", or bills introduced before the deadline with titles such as "For the Public Peace, Health, Safety, and Welfare". Those bills are essentially empty shell vehicles to be used in the event new legislation is needed. Of course, existing bills can also be amended and substituted to achieve certain desired

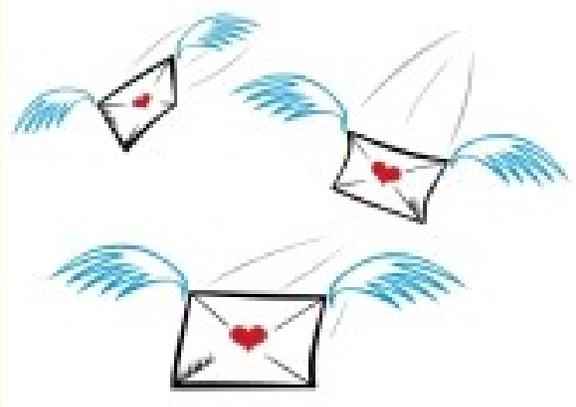
changes.

We're currently tracking 65 tax related proposals (39 House, 26 Senate). We added three income tax related Senate bills that were introduced as "dummies" but subsequently used. Things have sped up but it's still easy to say the session has been odd and somewhat lethargic. As evidence of that, there's were only 370 House and 317 Senate bills introduced in total – fewer than normal.

Bills generally move in order, but additional committee assignments, sponsor or opposition requests, and political priority can impact speed of movement. So, it's always interesting to see what's moving where. Most bills get two committee assignments, and the first committee is usually an easier sell than the second. In the tax world that often means a first hearing in House Business and Industry Committee or the Senate Corporations and Transportation Committee, followed by the House Taxation and Revenue Committee and the murkier Senate Finance Committee. In the latter two, you're more concerned about policy, budget limitations and fiscal impacts. The House Taxation and Revenue has an almost always followed rule of tabling all bills with fiscal impacts until the budget is determined. On that note, most of the last tax bills to be introduced were given single committee assignments directly to House Taxation and Revenue Committee.

The House and Senate are hearing each other's bills now. The Senate puts its amendments on HB 2, the budget bill and sent it rolling forward. That sets the stage for tax bills to move that have fiscal impacts to move, once it's know how much capacity there is in the budget to spend on tax related proposals. And of course, it did...

## Good Bill Day in House Taxation and Revenue Committee



The HTRC has a policy that it rarely ignores, of tabling temporarily all tax bills with fiscal impacts. Once the budget is complete, the members somewhat secretly vote, and they move the most favored bills they can afford off the table and sent them to the floor and usually, the Senate. There were a few exceptions made this year where couple of bills made it our early with fiscal impacts (such as the high wage jobs tax credit and Angel Investment credit refundability provision). Good bill day this

year was Friday (not an official title or announced event – it typically occurs at the end of a meeting after a really uninteresting proposal with almost no one in the room. This year marked a first as far as we know, where half (2 of 4) of the released hostages riddled with loopholes. Chairman Trujillo’s [HB 83](#) which provides a personal income tax deduction for non-distributed trust income to nonresident beneficiaries, allowed the proposal to shield business income from state income tax. That defect was noted in the LFC and TRD FIRs and, and the bill was amended on the floor with a “fix” before being passed by the House yesterday on unanimous vote. The other tax planning vehicle was another gross receipts tax holiday proposal, bipartisan, by HTRC member Doreen Gallegos, and Republican Senator Steve Neville. This proposal provides a deduction from gross receipts for the sale of any tangible personal property on the day after Thanksgiving, by a business with 25 or fewer employees (if you have too many you can always fire the worst or set up a special purpose entity for purchasing purposes with no employees). Like the school tax holiday, its most advantageous to wealthy and likely doesn’t accomplish its intended goal of propping up local small business, but it does wreak of populism and should serve to make citizens feel good. The planning vehicle comes in if you use it to purchase all of your business equipment and supplies for the year. The other bill to achieve escape velocity was the bipartisan Food & Healthcare Gross Receipts Offsets in Gentry and Martinez’s [HB 191](#), which changes GRT hold harmless distribution rules for those municipalities that have not imposed a hold harmless increment, by limiting the distributions to 85%.

Saturday was even more interesting when Rep. Carl Trujillo attempted to pull a rooftop solar bill off the table but did not apparently consult the committee. The Republican’s voted against the measure resulting in tie vote. After another committee member walked in, Chairman Trujillo suggested that Rep Trujillo could make the same motion, which he did, but to which the Republicans responded by leaving the room to break the quorum.

The substantive tax bill to have moved the furthest so far is still, Senator Cisnero’s [HB 17](#), which has passed the Senate and is sitting in the House Taxation and Revenue Committee, it’s only House committee assignment. It’s the narrow the exemption in the gross receipts tax for non-profits to exclude managers from national laboratories from the exemption. The concern the proposal attempts to address is that Los Alamos, or perhaps Sandia Labs down the road, could be managed by a nonprofit like Los Alamos once was, materially reducing state and local tax revenue. Likewise there’s a tax proposal in the House that’s moved to the Senate that changes

distribution rules and definitions, but it has no fiscal impact and allows money used by National Guardsman and their families who aren't deployed overseas (see Rep. Rodella/Garcia and Sen Cisneros's [HB 47](#)).

The High Wage Jobs Tax Credit "fix" proposal was found in Rep. Sweetser and Carl Trujillo's [HB 200](#), as well as the change to the definition of "construction" found in Rep. Gentry and Linda Trujillo's [HB 245](#), are still out in good position. Both proposals have bi-partisan support as well as the former even a little from the Taxation and Revenue Department. The credit focuses eligibility on Job Training and Incentive Program eligibility alone, lengthens the term of the credit (8 yrs), but reduced the credit percentage by changing it to the top personal income tax rate (4.9% presently). It also makes several changes intended to make the credit easier to predict and administer. The change in the gross receipts tax definition of "construction" was amended to be direct deductions for tangibles in the GRT deduction 7-9-54 and 60 (gov'ts and nonprofits, respectively), a seemingly "cleaner" approach with less chance of unintended consequences or misadministration. It's still intended to codify present practice and law in and old regulation. The regulation in question is long standing but not as clearly supported in statute as some would like. It has a companion bill in the Senate in Chairman Sanchez's [SB 215](#).

Rep. Harper's effort to harmonize the compensating and gross receipts tax bases – a vestige of his broader earlier efforts ([HB 206](#)) – was further narrowed with the elimination of the compensating tax portions of the proposal because of fiscal impacts. Repeal of many mostly dead income and gross receipts tax provisions remain, as well as a semi-controversial change to the chemicals and reagent deduction in the gross receipts tax (Senator Cisneros proposes to eliminate it entirely in his [SB 68](#) and [SB 128](#)). While the bill moved out of the House unamended, we do expect to see it amended again when language to the change in the GRT deduction is found. At issue: there is a large dollar amount of refunds parked at Tax & Rev based on that deduction. The two known cases (public decision and orders now on appeal) were refund claims for power plant fuel – not something most agree was the intention of the 60-year-old deduction. Some claims are in the industries to which the deduction pertains: mining, oil and gas, and refining. Industry is concerned that the baby will get thrown out with the bathwater, while the budget wonks worry about how much leakage there is and how to best address it (hence the repeal attempts as well as narrowing or clarifying efforts).

#### *What about the impacts of Federal changes to Tax Law?*

Remember last week we mentioned that for many states, the federal tax cuts presented state tax increases. The provisions will have non-intuitive impacts on some NM households. For instances, all married filing joint households with 4 or more "exemptions" (or head of household with 3 or more members) that don't itemize will see a state level tax increase. Those changes can cut both ways (i.e. reduced interest expensing) or create timing differences (i.e. depreciation changes). Most states believe if anything, the base expansion outweighs other changes, resulting in state level positive fiscal impacts (read: tax increases). While there's surprisingly little discourse about decoupling or otherwise helping our most vulnerable/poor taxpayers from being burdened by the federal changes resulting in tax increases, Clemente Sanchez offered on proposal in his [SB 279](#), and there a chance a couple of more will emerge as well.

The list below are those tax proposals that have escaped their own house or are close and have a companion that has. It may allow some handicapping of what might have a reasonable chance of passage.

*[It's a little embarrassing to watch our favorite House committee embrace populism and struggle to address known problems in bills. There are other committees for such things. Tax holidays in general tend to represent exceptionally poor tax policy, in that they rarely further the espoused purpose, add complication, and cost money. Wait, it gets better. While they might save wealthy people with credit cards a few bucks, as with the food tax – the most expensive tax populism we've ever encountered here – the “benefit”, if any, accrues – like the populist Trump tax cuts – mostly to those with more and not so much to those without, but everyone should get a few pennies. Maybe the Payday lenders can step in and help our poor leverage this opportunity?*

*The hold harmless repeal relief that also passed out of HTRC on good bill day is a result of the policy blunder gift that keeps on giving, the hold harmless mechanism that came with the deductions for food and physician's services when paid by insurance companies that we passed 15 years ago. The problems associated with that blunder will likely never go away as we are seemingly incapable of undoing mistakes. Luckily we're a wealthy state and can afford the highest per capita cost of tax populism of any state. That said, the relief passed represents an unfair resolution to a problem at the expense of all others. Hardly anything but a band-aid for some.*

*It's still not clear what combination of tax increases and favorable changes can pass both houses and get signed into law. The hospital tax measure still is the best bet on a standalone basis. No bill with individual income tax increases would likely have a chance of signature. Broad reform still isn't likely, but a skinnier reform package could still be cobbled together. The NTTC reform could happen too. The construction definition change (which is now a modification to two deductions) looks reasonably likely to pass at this point too. The nonprofits deduction change targeted at Los Alamos is likely to pass also it seems, although it's not clear the governor wouldn't view it as a tax increase in a stand-alone fashion, and there's a rumor her office got a call from the Joint Chiefs who aren't thrilled about being so directly targeted.*

*We invite you to state at the bill table below. We still think there's a couple of good ideas – that really is about it - and we invite you to figure out which ones they are!]*

***BILLS with MOJO (Having left their house - or close and a companion of one who has)***

<b>Bill Number/ Sponsor:</b>	<b>Title: Link to bill language: Description</b>	<b>Assignments- Location:</b>
HB 35 C Trujillo/Ruiloba	<b>Liquor Excise Tax Distributions</b> <a href="#">HB 35</a>	Passed/H
HB 47 Rodella/Cisneros/Garcia	<b>Tax Refund for National Guard Eligibility:</b> <a href="#">HB 47</a>	Passed/H- SPAC/SFC- SPAC-DP- SFC

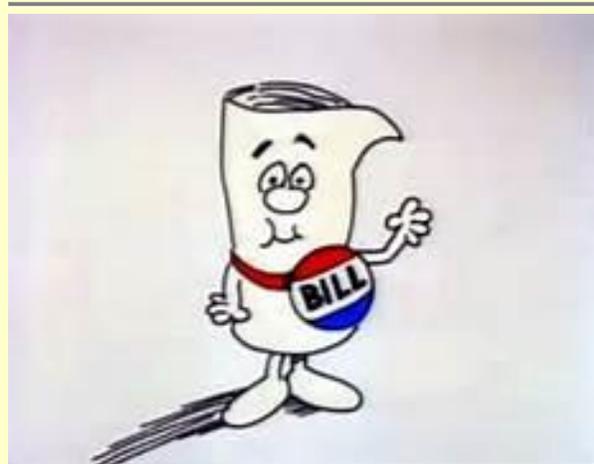
HB 79 Gallegos/Ne ville	<b>Thanksgiving Saturday Gross Receipts: <a href="#">HB 79</a></b>	Passed/H
HB 83 J. Trujillo	<b>Estate or Trust Distribution Tax Deduction: <a href="#">HB 83</a></b>	Passed/H
HB 88 Fajardo/Bald onado	<b>Tax Delinquent Property Sales: <a href="#">HB 88</a></b>	Passed/H
HB 140 Alcon	<b>New Mexico Housing Trust Tax Refund Contributions: <a href="#">HB 140</a></b>	Passed/H
HB 149 Alcon, Rodella, Johnson	<b>Native American Income Tax Settlement Fund: <a href="#">HB 149</a></b>	Passed/H- SIAC/SFC- SIAC-DP- SFC
HB 191 Gentry	<b>Food &amp; Healthcare Gross Receipts Offsets: <a href="#">HB 191</a></b>	Passed/H
HB 194 Harper	<b>Alternative Evidence for Tax Deductions: <a href="#">HB 194</a></b>	Passed/H- SCORC/SFC- SCORC-DP- SFC
HB 200 Trujillo/Swe etster	<b>High Wage Jobs Tax Credit Eligibility: <a href="#">HB 200</a></b>	Passed/H- SCORC/SFC- SCORC-DP- SFC
HB 201 C Trujillo/Smal l	<b>Make Angel Investment Credit Refundable: <a href="#">HB 201</a></b>	Passed/H- SFC
HB 206 Harper/Cisne ros	<b>Compensating &amp; Gross Receipts Tax Changes: <a href="#">HB 206</a></b>	Passed/H
HB 225 Dow/Leavell	<b>Correctional Facility Gross Receipts: <a href="#">HB 225</a></b>	Passed/H
HB 245 L Trujillo/Gent ry	<b>“Construction Material” in Gross Receipts: <a href="#">HB 245</a></b>	Passed/H- SCORC/SFC- SCORC- DP/a-SFC
SB 17 Cisneros	<b>Gross Receipt for Certain Nonprofits: <a href="#">SB 17</a></b>	Passed/S- HTRC
SB 24 O’Neill	<b>Auto Recycler Purchase Info to Tax &amp; Rev: <a href="#">SB 24</a></b>	Passed/S- HCPAC/HBI C-w/drn- HBIC

SB 32 Stewart	<b>Cider Definition and Tax Rate:</b> <a href="#">SB 32</a>	Passed/S- HBIC/HTC- HBIC
SB 79 Stewart	<b>Solar Market Development Tax Credit:</b> <a href="#">SB 79</a>	SCONC/SCO RC/SFC- SCONC-DP- SCORC-DP- SFC-DP
SB 215 Sanchez	<b>Construction Material In Gross Receipts Act:</b> <a href="#">SB 215</a>	SCORC/SFC- SCORC- DNP-SC/DP- SFC

### 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. Of course, tax proposals – particularly bad ones – tend to be regurgitated (so to speak) from year to year. So, merely recalling what’s been introduced (but failed to pass) in recent years will give you some idea of what will be introduced again. For confirmation of that, all you need do is scroll down to the table of bills already introduced below.

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 Pre-filed in the 2018 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 4 J Trujillo, Gonzales, Egolf	<b>Tax Changes:</b> <a href="#">HB 4</a> Increases personal income tax rates, imposes GRT on gov’t and nonprofit hospitals and changes distributions and deductions/credits to treat similarly, changes the definition of modified gross income (to preserve LICTR presumably), contains remote seller tax provisions and changes reporting location for out of state sellers to destination	HTRC

HB 35 C Trujillo/Ruil oba	<b>Liquor Excise Tax Distributions</b> <a href="#">HB 35</a> Distributes 45% of revenues to the local DWI grant fund, creates a drug court fund and distributes 5% to the drug court fund, and eliminates the 39% distribution to the lottery fund.	HHHC/HTRC -HHHC-DP- HTRC-DP- Passed/H
HB 36 C Trujillo Maestas Barnes	<b>Reinstate Solar Market Development Credit:</b> <a href="#">HB 36</a> Reinstates retroactively the sun-setted credit, bifurcates benefits and program caps between individuals and business/agriculture (annual program caps at \$1.5M for business/ag/\$3.5M for residential, with a 10% credit capped at \$4K/residence and \$9K/business).	HENRC/HTR C-HENRC
HB 47 Rodella/Cisn eros/Garcia	<b>Tax Refund for National Guard Eligibility:</b> <a href="#">HB 47</a> Eliminates language in the distribution rules in the TAA as well as in the tax refund designation language in the personal income tax act that limits contributions and distributions for purposes of assisting NM national guardsmen and their families when deployed overseas.	HSIVC/HTR C-HSIVC- DP-HTRC- DP-Passed/H- SPAC/SFC- SPAC-DP- SFC
HB 70 Little	<b>Change Motor Vehicle Tax Distribution:</b> <a href="#">HB 70</a> Over four years and in 25% increments, redistributes the motor vehicle excise tax from the general fund to the road fund.	HTPWC/HTR C-HTPWC- DP-HTRC
HB 77 Sariñana	<b>Energy Storage Systems Tax Credit:</b> <a href="#">HB 77</a> Creates a new tax credit program for qualified energy storage systems, not to lesser of \$5K or 30% of the qualified expenditures in the case of individuals, and 75K/30% in the case of businesses. Owners of some pass through entities would qualify. The overall program is capped at \$750/yr in credit approvals.	HENRC/HTR C-HENRC-
HB 79 Gallegos/Ne ville	<b>Thanksgiving Saturday Gross Receipts:</b> <a href="#">HB 79</a> Creates another “tax holiday” (GRT deduction) for any “sale of tangible personal property at retail” by a business on the Saturday after Thanksgiving, but only for those businesses with 25 or fewer employees in NM.	HLEDC/HTR C-HLEDC- DP-HTRC- DP-Passed/H
HB 83 J. Trujillo	<b>Estate or Trust Distribution Tax Deduction:</b> <a href="#">HB 83</a> 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, that would otherwise not be subject to NM income tax if earned in NM by a nonresident.	HBIC/HTRC- HBIC-DP- HTRC-DP- Fl/a-Passed/H
HB 87 Trujillo/Rode lla	<b>Solar Market Development Tax Credit:</b> <a href="#">HB 87</a> Reinstates retroactively the sun-setted credit. Credits for business, residential and agriculture are limited to \$9000 and establishes an annual program cap of \$5 million.	HENRC/HTR C-w/drn HENRC- HBIC/HTRC- HBIC
HB 88 Fajardo/Bald onado	<b>Tax Delinquent Property Sales:</b> <a href="#">HB 88</a> Requires that <i>all</i> delinquent properties be placed for sale by the PTD, rather than at least one, unless the director and country treasurer enter into a written agreement stating reasons, timing of recovery, and with copies sent to the Secretaries of DFA and TRD.	HBIC-DNP- CS/DP- /HTRC-DP- HTRC-DP- Passed/H

HB 104 M. Garcia	<b>Rural Healthcare Practitioner Credit Changes: <a href="#">HB 104</a></b> Moves the \$3K credit beneficiaries into the category of \$5K beneficiaries (eliminating the \$3K category). Also adds pharmacists, social workers, and anyone licensed pursuant to the counseling and therapy practice act the list of qualified healthcare practitioners that are eligible for the credit.	HHHC/HTRC -HHHC-DP- HTRC
HB 113 Maestas	<b>Remove Film Tax Credit Annual Cap: <a href="#">HB 113</a></b> Eliminates the \$50M annual cap on film credit approvals.	HCPAC/HTR C-DP-HTRC
HB 128 Trujillo	<b>Broadband Gross Receipts: <a href="#">HB 128</a></b> Creates a new gross receipts and compensating tax deduction for “broadband telecommunications network facilities components”, or equipment used by telecommunications companies to supply internet access and related services.	HBIC/HTRC- HBIC-DP- HTRC
HB 143 Little	<b>Income &amp; Sales Tax Deductions: <a href="#">HB 143</a></b> Eliminates the “add back” of state income or sales tax itemized/deducted for federal income tax purposes.	HCPAC/HTR C-HCPAC
HB 140 Alcon	<b>New Mexico Housing Trust Tax Refund Contributions: <a href="#">HB 140</a></b> Provides for taxpayers with personal income tax refunds to dedicate a portion of their refund to the New Mexico Housing Trust Fund.	HCPAC/HTR C-HCPAC- DP-HTRC- DP-Passed/H
HB 145 Gomez	<b>Physical Therapist Assistant Gross Receipts: <a href="#">HB 145</a></b> Adds physical therapist assistants to the lists of healthcare practitioners eligible for deduction when not sold to individuals or Medicaid	HHHC/HTRC -HHHC
HB 149 Alcon, Rodella, Johnson	<b>Native American Income Tax Settlement Fund: <a href="#">HB 149</a></b> Eliminates the statute of limitations on refunds that can be paid to native American veterans who had income tax withheld that wasn’t owed or claimed timely.	HSIVC/HTR C-HTRC-DP- Passed/H- SIAC/SFC- SIAC-DP- SFC
HB 163 Gentry/Gonz ales/Wirth/N eville	<b>Unimproved Land Property Tax Valuation: <a href="#">HB 163</a></b> Provides for the valuation certain unimproved land at 5% of current and correct value.	HLELC/HTR C-HLELC
HB 168 Townsend/Sc ott/Wooley	<b>Gas Tax Changes: <a href="#">HB 168</a></b> Changes the structure of the gasoline, special fuels, and petroleum products loading fee to be imposed at the rack rather than the present law distributor based system.	HSIVC/HJC/ STRC-HSIVC
HB 191 Gentry	<b>Food &amp; Healthcare Gross Receipts Offsets: <a href="#">HB 191</a></b> Changes GRT hold harmless distribution rules for those municipalities that have not imposed a hold harmless increments limiting the distributions to 85%.	HLELC/HTR C-HLELC- DP-HTRC- DP-Passed/H
HB 194 Harper	<b>Alternative Evidence for Tax Deductions: <a href="#">HB 194</a></b> Provides that alternative evidence can be used to substantiate deductions requiring most NTTCs, and eliminates some registrations and penalty provisions rendered less useful as a result of the changes.	HTRC-DNP- CS/DP- Passed/H- SCORC/SFC-

		SCORC-DP-SFC
HB 198 Gonzales	<b>Tax Code Cleanup: <a href="#">HB 198</a></b> Makes various changes and “fixes to income tax apportionment rules, gross receipts and compensating tax structure, changes distributions and impositions, imposes taxes on out of state sellers	HSIVC/HTR C-HSIVC
HB 200 Trujillo/Sweester	<b>High Wage Jobs Tax Credit Eligibility: <a href="#">HB 200</a></b> Makes significant changes to the requirements including eligibility requirements (JTIP eligibility only), the cap on a qualifying wages is raised to \$150K, while the credit percentage is reduced to the highest income tax rate in effect (presently 4.9%) and the qualifying job can be eligible for the credit for seven years.	HLEDC/HTR C-HLEDC- DP-HTRC- DP-Passed/H- SCORC/SFC- SCORC-DP- SFC
HB 201 C Trujillo/Small	<b>Make Angel Investment Credit Refundable: <a href="#">HB 201</a></b> Changes the five year carryforward provision in present law of unused credit balances to allowing unused balances to be refunded to the taxpayer.	HLEDC/HTR C-HLEDC- DP-HTRC
HB 206 Harper/Cisneros	<b>Compensating &amp; Gross Receipts Tax Changes: <a href="#">HB 206</a></b> Repeals numerous GRT and PIT provisions, harmonizes GRT and compensating tax rules, narrows chemical and reagent deduction (GRT)	HBIC/HTRC- HBIC-DNP- CS/DP- HTRC-DP- Passed/H
HB 216 Ely/Rubio	<b>Working Families Tax Credits &amp; Capital Gains: <a href="#">HB 216</a></b> Eliminates the 50% deductions and doubles the working families credit (piggybacks the federal credit)	HTRC-HTRC
HB 220 Strickler/Alcon/Garcia	<b>Reduce Various Coal Taxes: <a href="#">HB 220</a></b> Phases in a gross receipts tax deduction (to 75% over 3 years) for the sale or processing of coal, and reduces the resource, processor’s, and coal severance surtax, coal.	HENRC/HTR C-HENRC
HB 222 Rehm	<b>Property Taxes for Certain Seniors: <a href="#">HB 222</a></b> Creates a valuation freeze for those disabled or over 65 and with modified gross incomes of less than \$125K. The freeze is at 2019 property value or year the person meeting the requirements purchases the home.	HRC
HB 223 J Trujillo/C Trujillo	<b>Insurance Premiums Tax Transfer: <a href="#">HB 223</a></b> Effectively transfers the tax collection and distributions responsibilities relative to the insurance premiums tax and surtax, to the Taxation and Revenue Department.	HBIC/HTRC- HBIC-DP/a- HTRC
HB 225 Dow/Leavell	<b>Correctional Facility Gross Receipts: <a href="#">HB 225</a></b> Would allow counties with funded debt service funds to repurpose receipts from the correctional facility gross receipts tax for whatever purpose they desire.	HTRC-DP/a- Passed/H

HB 228 Maestas/Gonzales	<b>Gas Tax Increases &amp; Road Fund: <a href="#">HB 228</a></b> Increases the gasoline and special fuels taxes by 10 cents/gallon, adjusts distributions and	HTPWC/HTRC- HTPWC- w/o rec- HTRC
HB 232 Thomson	<b>Cigarette Tax Raise &amp; Distribution: <a href="#">HB 232</a></b> Slightly more than triples the tobacco products tax, and includes e-cigarette and other tobacco smoking <i>devices</i> not currently taxable outside the GRT (i.e. pipes, papers, etc.). Also, the proposal almost doubles the cigarette tax.	HRC
HB 238 C Trujillo	<b>Outdoor Water Conservation Gross Receipts: <a href="#">HB 238</a></b> Creates a new gross receipts tax deduction for sale of certain water saving tangible personal property <i>at retail</i>	HSIVC/HTRC- HSIVC- DP-HTRC
HB 240 C Trujillo, Roch, Dow	<b>Conform Income Tax Act to Federal Changes: <a href="#">HB 240</a></b> Amends present law definitions of base income to conform with changed provisions of federal law allowing an income tax deduction for transfers to an eligible account pursuant to the Stephen Beck, JR., Achieving a Better Life Experience Act of 2014.	HEC/HTRC- HEC
HB 241 C Trujillo, Roch, Dow	<b>Conform Education Trust Act to Federal Changes: <a href="#">HB 241</a></b> Expands state law to allow changes to the federal law to take effect, broadening the scope of the definition of eligible institutions and qualified educational expenses.	HEC/HTRC- HEC
HB 245 L Trujillo/Gentry	<b>“Construction Material” in Gross Receipts: <a href="#">HB 245</a></b> Clarifies the definition of construction for purposes of the gross receipts tax to incorporate long standing regulations distinguishing tangible personal property from construction materials/services.	HTRC/DP/a- fl/sub- Passed/H- SCORC/SFC- SCORC- DP/a-SFC
HB 272 J Trujillo	<b>Change Income Tax Brackets: <a href="#">HB 272</a></b> Adds two new brackets to the existing income tax system: a 6.2% bracket for incomes above \$160K single/\$240K married or HOH; and 6.5% for those earning \$320K for singles, \$480K for married and HOH.	HTRC
HB 284 Scott	<b>Tax Evasion &amp; Fraud: <a href="#">HB 284</a></b> Makes changes to existing fraud provisions. Makes tight	HJC/HTRC- HJC
HB 288 Maestas	<b>Income Tax Act Change: <a href="#">HB 288</a></b> For tax years after 2018, makes the	HTRC
HB 312 Martinez, McCamley, Rubio, Maestas, Armstrong	<b>The Cannabis Taxation and Regulation Act: <a href="#">HB 312</a></b> Creates a Cannabis Taxation and Regulation Act, and a TRD division, to provide a tax and regulatory scheme for cannabis. Also creates funds and distribution rules.	HRC
SB 17 Cisneros	<b>Gross Receipt for Certain Nonprofits: <a href="#">SB 17</a></b>	SCORC/SFC- SCORC-DP-

	Adds operators of federally designated national laboratories to the list of exceptions to the general gross receipts tax exemption for nonprofits.	Passed/S-HTRC
SB 15 Cisneros	<b>Tax Refund for National Guard Eligibility: <a href="#">SB 15</a></b> Eliminates language in the distribution rules in the TAA as well as in the tax refund designation language in the personal income tax act that limits contributions and distributions for purposes of assisting NM national guardsmen and their families when deployed overseas.	SPAC/SFC- SPAC
SB 24 O'Neill	<b>Auto Recycler Purchase Info to Tax &amp; Rev: <a href="#">SB 24</a></b> Requires TRD to maintain and make available to auto recyclers a system whereby recyclers can check the stolen status of a vehicle before purchase. Also requires recyclers to electronically report to TRD within 48 hrs of the sale of a vehicle, notice of the sale and other information.	SCORC/SFC- SCORC- DP/a-SFC- Passed/S- HCPAC/HBI C-w/drn- HBIC
SB 25 Morales	<b>Increase Cigarette &amp; E-Cigarette Taxes: <a href="#">SB 25</a></b> Slightly more than triples the tobacco products tax, and includes e-cigarette and other tobacco smoking <i>devices</i> not currently taxable outside the GRT (i.e. pipes, papers, etc.). Also, the proposal almost doubles the cigarette tax.	SCORC/SFC- DP-SFC
SB 32 Stewart	<b>Cider Definition and Tax Rate: <a href="#">SB 32</a></b> Amends the definition of cider in the liquor excise tax act to allow for greater alcohol content, and creates a new preferential \$.08/gal tax rate for small wineries producing cider under 10,000 gallons, and \$.28/gal on the next 5K gallons (regular rate: \$.41/gal).	SCORC/SFC- SCORC— DP-SFC-DP- Passed/S- HBIC/HTC- HBIC
SB 49 Sharer	<b>Tax Reform: <a href="#">SB 49</a></b> Eliminate corporate and personal income tax, motor vehicle excise tax, eliminate most GRT exemptions and deductions.	SCORC/SFC- SCORC
SB 68 Cisneros	<b>Tax Code Cleanup and Reporting: <a href="#">SB 68</a></b> Proposes to eliminate some unused GRT and income tax deductions and credits, repeal the chemicals and reagents GRT deduction found in 7-9-65, and require certain taxpayers to separately state deductions or in some cases forego confidentiality, and weaken taxpayer confidentiality provisions to allow for taxpayer confidential information to be shared outside the TRD to certain economists.	SCC/SCORC/ SFC-SCC
SB 79 Stewart	<b>Solar Market Development Tax Credit: <a href="#">SB 79</a></b> Reinstates retroactively the sun-setted credit and changes program, caps the overall credit program at \$5M, and individual credits are limited to \$9K. Benefits are determined on a phased-in sliding scale of 10% of allowable costs if the system is installed prior to 1/1/21, and is reduced over time to 6% through 2033.	SCONC/SCO RC/SFC- SCONC-DP- SCORC-DP- SFC-DP
SB 99 Burt/Griggs	<b>Aircraft Training Construction Gross Receipts: <a href="#">SB 99</a></b> Creates a new gross receipts tax deduction for construction services performed to implement a fighter aircraft training mission in a Class B county (read: Holloman AFB).	SCORC/SFC- SCORC
SB 109 Baca	<b>Tax Delinquent Property Sales: <a href="#">SB 109</a></b>	SCORC/SJC- SCORC-

	Requires that <i>all</i> delinquent properties be placed for sale by the PTD, rather than at least one, unless the director and country treasurer enter into a written agreement stating reasons, timing of recovery, and with copies sent to the Secretaries of DFA and TRD.	DNP-CS/DP-SJC-DP
SB 129 Pirtle	<b>Tax Definition of “Food” and SNAP Program: <a href="#">SB 129</a></b> Narrow the definition of food for purposes of the gross receipts tax deduction and SNAP benefits to that which is approved for the federal supplemental nutrition program or woman, infants, and children, plus tortillas and unprocessed meat, poultry and fish.	SCORC/SFC-SCORC
SB 128 Cisneros	<b>Tax Code Cleanup &amp; Reporting: <a href="#">SB 128</a></b> Proposes to eliminate some unused GRT and income tax deductions and credits, repeal the chemicals and reagents GRT deduction found in 7-9-65, and require certain taxpayers to separately state deductions or in some cases forego confidentiality, and weaken taxpayer confidentiality provisions to allow for taxpayer confidential information to be shared outside the TRD to certain economists.	SCORC/SFC-SCORC-DNP-CS/DP-SFC
SB 154 Morales	<b>Food Gross Receipts Hold Harmless Changes: <a href="#">SB 154</a></b> Changes GRT hold harmless distribution rules for those municipalities that have not imposed a hold harmless increments limiting the distributions to 85%	SCORC/SFC-SCORC-DP-SFC
SB 162 Cisneros	<b>Gross Receipts Tax Reporting: <a href="#">SB 162</a></b> Creates a new remote seller/referrer requirement with destination based reporting requirements, imposes gross receipts tax (in new/different ways) on various classes of hospitals, increases the motor vehicle excise tax and amends/narrows the premiums tax in lieu provision	SCORC/SFC-SCORC
SB 177 Smith/Gonzales	<b>Gas Tax, Road Fund &amp; Carlsbad Brine Well: <a href="#">SB 177</a></b> Increases the gasoline tax by 10 cents, the special fuels tax by 5 cents, adjusts distributions to hold most harmless, sends \$5M to the new state road maintenance fund	SCORC/SFC-SCORC
SB 198 Campos	<b>Frontier Communities Investment Tax Credits <a href="#">SB 198</a></b> Creates a new corporate and personal income tax credit for qualified investments in frontier communities. The credit cannot exceed more than \$25K per qualified investment and a taxpayer is limited to \$100K in claims. The credit may be carried forward for up to 3 years, and both tax programs require a certificate of eligibility from the Economic Development Department which is limited to issuing no more than \$750K per year.	SCORC/SFC-SCORC
SB 209 Kernan	<b>Conform 529 Programs to IRS Code: <a href="#">SB 209</a></b> Amends present law definitions of base income to conform with changed provisions of federal law allowing an income tax deduction for transfers to an eligible account pursuant to the Stephen Beck, JR., Achieving a Better Life Experience Act of 2014.	SEC/SCORC-SEC
SB 210 Kernan	<b>Conform Education Trust Act to Federal Change: <a href="#">SB 210</a></b>	SEC/SCORC-SEC

	Expands state law to allow changes to the federal law to take effect, broadening the scope of the definition of eligible institutions and qualified educational expenses.	
SB 215 Sanchez	<b>Construction Material In Gross Receipts Act: <a href="#">SB 215</a></b> Clarifies the definition of construction for purposes of the gross receipts tax to incorporate long standing regulations distinguishing tangible personal property from construction materials/services.	SCORC/SFC- SCORC- DNP-SC/DP- SFC
SB 227 Martinez/Cisneros	<b>Insurance Tax for Substance Use Disorder: <a href="#">SB 227</a></b> Adds one hundredth percent to the health insurances premiums surtax to fund substance abuse treatment programs, creates a fund, makes an appropriation and requires the state to produce a plan to address substance use disorders through the healthcare system.	SCORC/SFC- SCORCDNP- CS-DP-SFC
SB 231 Munoz	<b>Foster Youth Employment Tax Credits: <a href="#">SB 231</a></b> Creates a new personal and corporate income tax credit for employing qualified foster youths. The credit is \$1/K per job time the fraction of the year worked (20+ hrs/week). The credit may be carried forward up to 3 yrs.	SCORC/SFC- SCORC-DP- SFC
SB 257 Campos	<b>Increase Film Credit Aggregate Cap: <a href="#">SB 257</a></b> Increases the present law annual aggregate film credit cap from \$50M to \$60M	SCORC/SFC- SCORC
SB 263 Cisneros	<b>Hospital Gross Receipts: <a href="#">SB 263</a></b> Provides a 50% deduction for hospital receipts and subjects them to state only gross receipts tax, imposes the GGRT on government hospitals, and amends the GRT exemption for nonprofits to exclude hospitals. Also amends tax revenue distribution rules to conform to the changes.	SCORC/SC- SCORC
SB 279 Sanchez	<b>Income Tax Deductions: <a href="#">SB 279</a></b> Decouples from the federal tax changes for individuals by maintaining for 2018 the personal exemption, standard and itemized deductions for from 2017.	SCORC/SFC- SCORC
SB 302 Ortiz y Pino	<b>New Income Tax Brackets: <a href="#">SB 302</a></b> Adds a new 6.9 and 7.9% personal income tax bracket for taxable incomes above \$180K and 360K for singles, and \$120K and 240K for head of household and married filing joint returns.	SCORC/SFC- SCORC
SB 303 Ortiz y Pino	<b>New Income Tax Brackets: <a href="#">SB 303</a></b> Adds a new 5.9, 6.9 and 7.9% personal income tax bracket for taxable incomes above \$100K, 200K and 300K for singles, and \$150K and 300K, and 450K for head of household and married filing joint returns.	SCORC/SFC- SCORC

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## 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

“The art of taxation consists in so plucking the goose as to obtain the largest amount of feathers with the least amount of hissing.”

~*Jean-Baptiste Colbert*

“Taxes are not good things, but if you want services, somebody's got to pay for them so they're a necessary evil.”

~ *Michael Bloomberg*

The term "tax humor" is no doubt an oxymoron to many people; to the more cynical, it is an apt description of the entire tax code.

~*John F. Iekel*

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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