

# ***Tax Matters***

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

- **Into the Legislative Session**
- **Legislative Progress or Regress**
- **List of Tax Related Legislation**
- **HOLD THE DATE – NMTRI Annual Tax Policy Conference April 24 and 25**
- **Tax Quotables**

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## INTO THE LEGISLATIVE SESSION – IT BEGAN JANUARY 21, 2014



The 2014 Regular Session of the New Mexico Legislature convened at noon on Tuesday, January 21, and ends at noon on February 20. The deadline for bill introduction was February 5 (last Wednesday). Legislation not acted on by the governor is pocket vetoed on March 12. The effective date of legislation that's not a general appropriation bill, a bill carrying an emergency clause or other specified effective date is

May 21. Being a “short” or 30-day session, non-budgetary legislation and items not related to the budget are not fair game and are limited by the call of the Governor. It is expected to be a very busy session, as there will be many high profile, contentious and painful issues on top of those dealing with the budget and revenue.

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.

So, there have been 785 bills introduced in this year's 30 –day session. That's all there will be since the deadline for bill introduction passed on February 5. Of the 785, 406 are House bills, and the remaining 379 are from the Senate. Since the bill introduction deadline has passed, it's time to pay closer attention to amendments and other committee actions, as well as those “dummy” bills. Dummy bills are those introduced by committee chairs and other key legislators on the introduction deadline with titles like “For the Public Peace, Health, Safety, & Welfare”. Those bills do effectively nothing when introduced, but are “in the system” and can be used as vehicles for new legislation via amendment and substitution. Both House and Senate have 48 dummy bills introduced, with the House dummy bills being those numbered 358-406, and 331-379 in the Senate. For those who can't wait to see what's been introduced, click [here](#) to see the daily bill locator (the entire list of House and Senate legislation).

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 <http://legis.state.nm.us/lcs/>. The site has become increasingly functional and reliable over time. Information is reasonably up to date and legislation can be easily followed from home.



## Legislative Progress or Regress?

We're almost two weeks into the 30-day session and we're just days away from the bill introduction deadline. So, we've already seen the bulk of tax proposals that we're going to see. From this point it's more of a race while a game of clean-up and find-the-unintended-consequences is played by analysts trying to figure out what all the proposals actually do and cost, and while proponents react accordingly.

It's interesting to note the tax policy conversations during the interim—including--concerns over tax and fiscal policy, including the effectiveness of incentives; accelerated

narrowing of the tax base through a proliferation of exemptions, deductions and credits; raising of rates; exacerbating pyramiding and regressivity; loss of competitiveness and ability to create jobs; fairness and equity. Lawmakers and policy wonks alike engage in the lament and self-flagellation over tax changes that have blown holes in our tax base while doing so little to actually make the structure more reliable, predictable, or less distortive or anti-competitive. The manufacturing consumables deduction is the broadest exception targeted at efficiency and competitiveness, and it was still limited to an industry. Otherwise, pyramiding has been made worse as our tax base has been increasingly focused on business inputs while rates go up and other areas of the base are chipped away. Accordingly, the negative effects of pyramiding on business competitiveness as well as vulnerable households are enhanced and magnified.

Once the interim is over, however, and the session begins, it's Katie bar the door while many different interests try to cut their best deal by cutting themselves out of the tax base and others try to raise taxes for various reasons, good and bad. This being a year with little "new money" to fight over, and no broad based tax reform initiatives under discussion or consideration, bills are generally limited to the nickel and dime approach of turning our tax base into Swiss cheese, or targeting relatively narrow interests for additional taxation.

### *If Tax Bills Were in a Race... the Frontrunners Would Be...*



If the tax related proposals were in a race, there's no question that the winner, for the moment, would be Rep. Jim Trujillo and Sen. Michael Sanchez's [HB 57](#), which provides for an option on personal income tax returns giving taxpayers another opportunity to donate a portion of their refund to a cause (if enacted, this would be the 12<sup>th</sup> as there are currently 11): in this case to the North Central New Mexico Economic Development

District (NCNMEDD), for the purpose of providing supplemental programs for seniors

throughout the state - to be granted by application.

The reason the bill is the current winner is because it's the only tax proposal to leave its house of origin and cross to the other side (the bill is currently awaiting hearing in its first Senate committee). Helping the trajectory was the fact that the bill received only one committee assignment, House Taxation and Revenue, and the proposal carries no fiscal impact.

*[NMTRI note: feel good proposals with little or no cost and no opposition can move quite, quickly. It's gives members a sense of accomplishment and bodes well for proponents whose proposals can make it ahead of likely later logjams of legislation. We say "feel good" not because the proposal is without merit, but because of it lack of opposition and the fact that it's only anticipated to raise \$5-20K – perhaps a start for a needy program or two, but game changing legislation always comes with cost – and the associated contention.]*

Another way to glimpse which proposals are moving early is to look at certain key committee actions to date. We'd mentioned that unlike the prior decade, the House Taxation and Revenue Committee ("HTRC") has become the first stop for most tax proposals (previously it tended to be House Business and Industry). While the committee has apparently lost some influence as a result – it no longer has the ability to determine which proposals reach the House floor, and no longer adheres to a policy of corralling bills with negative fiscal impacts for a period of time – what we do know is that if a tax bill gets out of HTRC it's at least going to make it to the House Appropriations and Finance Committee ("HAFC"). The snapshot below from a locator report from the Legislature's website ([www.nmlegis.gov](http://www.nmlegis.gov)) provides a quick idea of which proposals are living to fight another day:

## Actions by: House Taxation & Revenue Committee

### 2014 Regular Session

Bill Number	TITLE	ACTION
HB 14	AIRCRAFT PARTS & MAINTENANCE GROSS RECEIPTS	DP/a
HB 16	LIQUOR TAX DISTRIBUTION TO DWI GRANT FUND	DNP-CS/DP
HB 16	LIQUOR TAX DISTRIBUTION TO DWI GRANT FUND	DNP-CS/DP
HB 24	COMMERCIAL OR MILITARY CARRIER GROSS RECEIPTS	DP/a
HB 36	TECH RESEARCH INVESTMENT & ADMINISTRATION	DNP-CS/DP
HB 36	TECH RESEARCH INVESTMENT & ADMINISTRATION	DNP-CS/DP
HB 40	AFFORDABLE HOUSING TAX CREDIT ACT DEFINITIONS	DP
HB 56	DURABLE MEDICAL EQUIPMENT GROSS RECEIPTS	DP/a
HB 57	TAX REFUNDS FOR SENIOR SERVICES	DP
HB 98	SCHOOL BUS FUEL GROSS RECEIPTS	DP
HB 131	ITEMIZE GROSS RECEIPT DEDUCTIONS & EXEMPTIONS	w/o rec

HB 132	LOCAL GOVERNMENT HOLD HARMLESS GROSS RECEIPTS	DP/a
HB 144	NO INSURANCE TAX FOR PRC ELECTIONS ACCOUNT	DP
HB 180	INCREASE WORKING FAMILIES TAX CREDIT	DP

The first stop for most tax related Senate bills is Senate Corporations and Transportation Committee (“SCORC”). Its list of bill actions as of today looks like this:

### **Actions by: Senate Corporations & Transportation Committee**

2014 Regular Session

<b>Bill Number</b>	<b>TITLE</b>	<b>ACTION</b>
SB 26	AIRCRAFT PARTS & MAINTENANCE GROSS RECEIPTS	DP/a
SB 28	DIALYSIS FACILITY SERVICE GROSS RECEIPTS	DP
SB 29	GROSS RECEIPTS DEDUCTIONS ITEMIZATION	DNP-CS/DP
SB 29	GROSS RECEIPTS DEDUCTIONS ITEMIZATION	DNP-CS/DP
SB 36	STATE GRADUATE EMPLOYMENT TAX CREDIT & REPORT	DP
SB 41	COMMERCIAL DRIVER'S LICENSE RETESTING	DP
SB 56	UPDATE MODEL ACTS OF INSURANCE CODE	DP/a
SB 59	TECH COMMERCIALIZATION GROSS RECEIPTS	DP
SB 80	EXEMPT HUMATE MINES FROM MINING ACT	DP
SB 106	EXCLUDE NOL CARRYOVER FOR UP TO 20 YEARS	DNP-CS/DP
SB 106	EXCLUDE NOL CARRYOVER FOR UP TO 20 YEARS	DNP-CS/DP
SB 110	REAL ESTATE APPRAISER REQUIREMENTS	DP
SB 114	ANGEL INVESTMENT TAX CREDIT CHANGES	DP/a
SB 117	SOLE MEMBER LLC TAX STATUS	DP
SB 140	TAX INCREMENT DISTRICT BASE-YEARS	DNP-CS/DP
SB 140	TAX INCREMENT DISTRICT BASE-YEARS	DNP-CS/DP
SB 152	LOCAL TELECOMM. REGULATION EQUALIZATION	w/o rec/a
SB 172	SPACEPORT GROSS RECEIPTS TAX USES	DP
SB 184	U.S. DEPT. OF DEFENSE ENERGY GROSS RECEIPTS	DNP-CS/DP
SB 184	U.S. DEPT. OF DEFENSE ENERGY GROSS RECEIPTS	DNP-CS/DP
SB 209	COUNTY ROAD SPEED LIMITS	DP
SB 219	MOTOR VEHICLE LICENSING VIOLATION PENALTIES	DP
SB 252	RACING COMMISSION HEARING PROCEDURE	DP/a

## Tax On, Tax Off...



Last week we bemoaned the degradation of the gross receipts tax and our zeal to destroy incoherently and haphazardly disembowel our retail tax base, while racing to raise taxes rates. While gross receipts tax proposals are the most common, other tax programs get in on the action too.

### *Corporate Income Taxes*

There are a few proposals to alter what or how we pay corporate income tax (“CIT”). Senator Wirth has two CIT proposals that look familiar. One is a “market based sourcing” proposal that essentially would treat services and intangibles like tangible property for purposes of the apportionment as it pertains to the sales factor (see [SB 118](#)). The Senator has also proposed an expansion to the “big box” combined reporting requirement that would extend the mandatory requirement to banks see [SB 17](#)). Another corporate tax player from prior years, Rep. Strickler, has proposed altering the rate phase-down schedule for corporate income tax (remember we’re reducing our top marginal rate from 7.6% to 5.9% as a result of last year’s legislation) resulting in the top ending up at 4.9%, the equivalent to our top present law personal income tax marginal rate (see [HB 210](#)). There are three proposals that would extend the present law carry-forward of net operating losses (“NOLs”) to 20 years (see Rep. Dodge’s [HB 234](#), Sen. Leavell’s [SB 106](#) Senator Clemente Sanchez’s [SB 156](#)).

*[NMTRI note: the market based sourcing proposal is consistent with a national trend in apportionment, along with greater reliance on the sales factor. Such a rule needs lots of regulations, makes sense on some levels, but also has the potential to whip-saw taxpayers in states with cost of performance rules- and certainly a few winners and losers would result. Apportionment rules affect “business income”, so their implications are not limited to corporate income tax. The present and proposed combined filing rules are both odd and narrow from a national perspective. The rationale for elective filing groups (we like consolidated but it can’t be forced Constitutionally) tends to disappear as NM trends toward more “normal” and competitive changes, and at some point we should probably be separate or combined, but we should be careful not to vilify taxes and give the impression that are filing methods or other policies are targeted and punitive. Lastly, there is no policy justification for cutting off and arbitrarily limiting NOL deductions to such short periods as NM and four other states do, as NOLs are an intrinsic part of an income tax system (although we believe federal style carrybacks, while fair, are a bad idea for states for fiscal policy/budgetary reasons) - but a fix is not without a cost in the out-year ].*

### *Personal Income Taxes*

There are three proposals to eliminate the capital gains tax deduction. Rep. Christine Trujillo’s proposal simply repeals the entire section (see [HB 321](#)). Senator Tim Keller and Rep. Mimi Stewart propose to also repeal the deduction but they makes an attempt to balance the tax increase with a tax decrease by increasing the Working Families Credit to 17% (see [SB 51](#)). The

third proposal by Majority Leader Michael Sanchez (see [SB 303](#)) repeals the capital gains deduction and makes a \$36 million/yr distribution to the lottery fund.

HTRC chairman Ed Sandoval has a proposal endorsed by the interim Revenue Stabilization and Tax Policy Committee to increase the Working Families Tax Credit, a mirror of the federal Earned Income Tax Credit, from 10% to 15% of the federal benefit (see [HB 180](#)). Lastly, Representative Caballero-Roybal and Senator Wirth have a proposal to essentially create a new top marginal personal income tax bracket tax of 5.9% (see [HB 168](#)).

Then of course there's the feel good stuff that costs a little bit of money, like reducing the age of the senseless exemption for income taxes for those 100 or over - down to 97 (see Sen. Cotter's [SB 200](#)); or the effort to underwrite the federal governments obligations with a credit for armed force retirees (see Rep. Anderson's [HB 332](#)).

*[NMTRI note: it's clear that the capital gains deduction is to some low hanging fruit and we've discussed the question ourselves – what's not clear is if any of the proponents gave consideration to keeping the \$1000 deduction, presumably for moderate income households, since it predated by far the Richardson-era 50% exclusion.]*

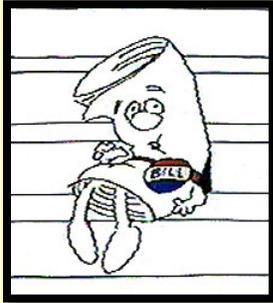
#### *Road Fund Taxes*

There are several proposals to increase gasoline and special fuels taxes (diesel). Senator Pinto in his [SB 147](#) has a proposal to increase the tax statewide to improve a highway in his district. Beginning 7/1/14, it creates a 1 cent/ gallon surtax on gasoline and special fuels for 15 years and sends the money to a fund created by the proposal – the US Highway 491 Project Fund, along with bonding authority up to \$123M for the purpose of funding improvement to Highway 491. More seriously, Senator Smith and Representative Bobby Gonzalez have more realistic proposals. Senator Smith in his [SB 228](#) proposes to increase the gasoline and special fuels taxes \$.13/gallon (from \$.17 to \$.30/gal for gasoline and from \$.21 to \$.33/ gallon for special fuels) from 7/2019 through 7/2023. After 7/2024, the rate is indexed to the CPI. The proposal also reduces the percentage distribution to the local government road fund after 7/1/2019. Rep. Gonzales in his [HB 74](#) proposes for a period of ten years to increase gasoline and special fuels tax taxes by 5 cents per gallon (from \$.17 - .22 and .21-.26/gal, respectively), reduce other road fund distributions, and send the additional proceeds to the Major Road Projects fund created in the same legislation.

*[NMTRI note: the next funding crisis we'll face is for our roads. We have a volume based tax – between higher mileage vehicles and limited growth – the tax base is simply not keeping up, nor will it ever if we don't do something different. The easiest is to simply raise the tax as fuels use is still a good proxy for use and wear and tear – if Wyoming can summon the political courage to do it, let's hope we can before it gets even more expensive to fix – we realize an election year may not be the time right time, but sooner is better than later. It appears Sen. Smith is attempting to do his successors a favor by changing things now that take place in the future].*

Next time we'll focus more on local government issues and economic development ideas. 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.

**Bills with significant tax or revenue implications introduced in 2014 Legislative Session:**



Note – in the table below, if no effective date is mentioned, the bill lacks one and would take effect upon enactment, May 21, 2014. Effective date for GRT and other non-income tax bills is July 1, 2014 unless otherwise noted. Income Tax bills are effective tax years beginning on or after January 1, 2015 unless otherwise noted. “TYBA” = Tax years beginning on or after. 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 14 White/Cisneros	<b>Aircraft Parts &amp; Maintenance Gross Receipts</b> <a href="#">HB 14</a> Expands an existing deduction to provide a gross receipts tax deduction for sales of aircraft parts and services.	HTRC/HAFC -HTRC-DP/a- HAFC
HB 24 Wooley	<b>Commercial or Military Aircraft Gross Receipts:</b> <a href="#">HB 24</a> Expands the present law gross receipts tax deduction for the sale of certain services on certain services on military or commercial aircraft would be expanded to include the sale of the aircraft themselves (currently subject to tax but privy to a 50% deduction).	HTRC/HAFC -DP/a-HAFC
HB 26 Wooley	<b>Real Property Sale Assessor Affidavits:</b> <a href="#">HB 26</a> Expands current real property disclosure to include nonresidential property that isn't used primarily for agricultural purposes.	HROBC
HB 30 Gonzales/Keller	<b>Alternative Fuel Tax Definitions &amp; Payment:</b> <a href="#">HB 30</a> Adds detail to volume definitions of alternative fuels by specifying the associated weight per unit of volume; narrows the category of those that can make lump sum annual payments in lieu of the usage based tax.	HTPWC/HTRC C/HTPWC- DP/a-HTRC
HB 32 Gonzales	<b>Dialysis Facility Gross Receipts:</b> <a href="#">HB 32</a> Adds dialysis centers to the laundry list of “qualified practitioners” eligible for the deduction for the sale of services to Medicare. Endorsed by the interim Revenue Stabilization and Tax Policy Committee.	HHGIC/HTRC C-HHGIC- DP-HTRC
HB 38 Cote	<b>Transfer of Property to State Tax Exemption:</b> <a href="#">HB 38</a> Provides an exception to the property tax rule that owners pay taxes penalty and interest in a year where the property was divided or combined when the owner has entered into an agreement for transfer of the property to the state or its political subdivision.	HTRC
HB 40 Cote	<b>Affordable Housing Act Tax Credit Definitions:</b> <a href="#">HB 40</a> Narrows the definition of who a “person” is for purposes of who the MFA may issue an investment voucher to by excluding county and municipal governments.	HCPAC/HTRC C-DP-HTRC
HB 41 Taylor	<b>Federal EEOIC Program Gross Receipts:</b> <a href="#">HB 41</a> Expands the present law “Medicare/Doctor” GRT deduction to include receipts from established by the federal Energy Employees Occupational Illness Program Act of 2000 for the provision of medical and related	HTRC/HAFC -HTRC

	services by medical doctors and osteopaths.	
HB 45 Larranaga	<b>U.S. Dept. of Energy Gross Receipts: <a href="#">HB 45</a></b> Creates a deduction for the sale of directed energy or satellite related research and development services and related materials to the department of defense, but the deduction, oddly, is limited to the amount of property and sales tax paid by the taxpayer.	HTRC/HAFC -HTRC
HB 56 Jim Trujillo	<b>Durable Medical Equipment Gross Receipts: <a href="#">HB 56</a></b> Creates a new gross receipts tax deduction for the sale of prescription drugs to include the sale or lease of prescribed durable medical equipment and supplies. It requires special/separate reporting on the part of taxpayers and the TRD, and is effective until July 1, 2021. Not all sellers are created equal for purpose of this deduction: taxpayers may not take the deduction if they don't participate in the Medicaid program or received less than 90% of their revenue from the sale or lease of the goods/services made deductible or from the sale of infusion therapy services. Endorsed by the interim Revenue Stabilization and Tax Policy Committee. The amendment only slightly enhanced the special reporting Kellerization language.	HTRC/HAFC -HTRC-DP/a- HAFC
HB 57 Jim Trujillo/M. Sanchez	<b>Tax Refunds for Senior Services: <a href="#">HB 57</a></b> Provides for a another option designate a portion of a refund: in this case to donate all or a specified portion of one's personal income tax refund to the North Central New Mexico Economic Development District for purposes of supplementing statewide senior services.	HTRC-DP- Passed/H- SPAC/SFC- SPAC
HB 74 Gonzales	<b>Gas Tax Increase for Major Road Projects: <a href="#">HB 74</a></b> For a period of ten years, increases gasoline and special fuels tax (diesel) by 5 cents per gallon (from \$.17 - .22 and .21-.26/gal, respectively), reduces other road fund distributions, and sends the proceeds to the Major Road Projects fund created in the same legislation.	HTPWC/HTR C-HTPWC
HB 89 Martinez	<b>Delinquent Property Tax to County Treasurer: <a href="#">HB 89</a></b> Funnels delinquent property tax, penalty and interest through the county treasurers offices and requires them to distribute proceeds monthly to the Department, while retaining current property tax, penalty and interest.	HTRC/HAFC -HTRC
HB 94 Powdrell- Culbert/Kelle r	<b>Angel Investment Tax Credit Changes: <a href="#">HB 94</a></b> Eliminates the 2016 sunset provision and increases the number of investments that can be made per year from 2 to 5, increases the maximum amount of investment subject to the credit from \$100K to \$250K, increases the credit carryforward provision from 3 to five years, and, increases the cap on credits that may be award from \$750K to \$2M, and eliminates the restrictions on partnership investment.	HTRC/HAFC -HTRC
HB 96 C. Trujillo/Padil la	<b>Tech Jobs and Research Development Tax Credit: <a href="#">HB 96</a></b> Combines the present law technology jobs tax credit and research and development small business tax credit increases the basic credit percentage from 4 to 5% and limits the carryforward to three years. Also makes portions of the additional credit refundable.	HTRC/HAFC -HTRC
HB 98 Gonzales	<b>School Bus Fuel Gross Receipts: <a href="#">HB 98</a></b> Provides an exemption from the gross receipts and compensating tax for the receipts/use of "fuel" for school buses.	HTRC/HAFC -HTRC-DP- HAFC

HB 114 Lundstrom	<b>Reduction in Hold Harmless Gross Receipts: <a href="#">HB 114</a></b> Make several changes to the hold harmless phase-out provisions enacted in the previous year, as they pertain and for the apparent benefit of Gallup, but could apply to parts of Espanola.	HTRC/HAFC -HTRC
HB 118 Gonzales/Cisneros	<b>Healthcare Practitioner Gross Receipts: <a href="#">HB 118</a></b> Appears to add copayments to the growing laundry list of receipts eligible for the medical gross receipts tax deduction under 7-9-93.	HTRC/HAFC -HTRC
HB 131 Harper/Keller	<b>Itemize Gross Receipts Deductions and Exemptions: <a href="#">HB 131</a></b> Requires the many different gross receipts tax exemptions and deductions to be separately stated and itemized; sunset many exemptions and deductions in 2025.	HTRC/HAFC -HTRC-w/o rec-HAFC
HB 132 Harper	<b>Local Government Hold Harmless Gross Receipts: <a href="#">HB 132</a></b> Make several changes to the hold harmless phase-out provisions enacted in the previous year, as they pertain to municipalities and counties. The proposal limits when and to what extent additional GRT can be imposed, eliminates incentives to impose GRT increments and ensures in certain cases that distributions would not be impaired.	HTRC/HAFC -HARK-DP/a- HAFC
HB 133 Harper	<b>Solar Energy Equipment Tax Valuation: <a href="#">HB 133</a></b> Defines and provides for the valuation of solar generation equipment for property tax purposes to be actual cost less federal credits with a ten year straight line depreciable life.	HENRC- HTRC/HENR C
HB 136 Jim Trujillo	<b>Electronic Vehicle Tax Credit: <a href="#">HB 136</a></b> Until January 2020, creates a refundable personal income tax credit for the sale or lease of an electric vehicle in the amount of \$2500. The proposal also creates credit in the amount of \$3K or 30% of actual cost (whichever is less), for the purchase and installation of charging equipment.	HTPWC/HTR C-HTPWC
HB 155 Lundstrom	<b>Local Gov't Hold Harmless Gross Receipts: <a href="#">HB 155</a></b> Creates an exception to the hold harmless phase outs for a "class B county that does not have in effect a county hold harmless gross receipts tax through ordinance and that has a population of seventy thousand or more.... and a property valuation of more than \$730M and less than \$1B. Hmmm... McKinley maybe?	HTRC/HAFC -HTRC
HB 168 Roybal Caballero/Wirth	<b>Phased-in Supplemental Income Tax: <a href="#">HB 168</a></b> Essentially phases in a new top tax bracket beginning 2015 – in one year increments through 2018 – an additional .3% to .5% to .8% and finally to 1% for years 2018 and after, resulting in a top marginal rate of 5.9%. The upper bracket for income over \$100K in the case of single filers, estates, trusts, and married individuals filing separately; and \$150K for married, head of household or surviving spouse	HTRC/HAFC -HTRC
HB 180 Sandoval	<b>Working Families Tax Credit: <a href="#">HB 180</a></b> Increases the Working Families Tax Credit (a mirror of the federal Earned Income Tax Credit) to a 15% of the federal EITC from the present law 10%. Endorsed by the interim Revenue Stabilization and Tax Policy Committee.	HTRC/HAFC -HTRC-DP- HAFC
HB 204 Gentry	<b>Transfer of Credit Between Taxpayers: <a href="#">HB 204</a></b> Generally provides for a three year statute of limitations and makes	HTRC/HAFC -HTRC

	transferable several present law credits, including the Qualified Business Facility Rehabilitation Credit (personal and corporate income tax versions), the Job Mentorship Tax Credit (personal and corporate income tax versions), and the Angel Investment Tax Credit.	
HB 207 J. Trujillo	<b>Health Care Practitioner Gross Receipts: <a href="#">HB 207</a></b> Expands the gross receipts tax deduction for sales of services by a “health care practitioner”, extends the deduction to copays and deductibles, and pretends to also include fee for service payments.	HHGIC/HTRC
HB 210 Strickler	<b>Reduce Corporate Income Tax: <a href="#">HB 210</a></b> Increase the rate and amount of reduction in the top marginal corporate income tax rate (on net income in excess of \$500K) by reducing the scheduled top rate from 6.2% to 5.4% in 2017; and from 5.9% to 4.9% in years 2018 and after.	HCPAC/HTRC/HAFC-HCPAC
HB 221 Sheryl Williams Stapleton	<b>Property Tax Exemption For Certain Age: <a href="#">HB 221</a></b> Creates a property tax exemption of up to 100% of taxable value for primary residences of New Mexico residents 70 years of age or older who has modified gross income of \$40K or less. The exemption is 50% for those 70-75, 75% for those 75-80, and 100% for those 80 years of age and older.	HTRC/HAFC-HTRC
HB 233 Dodge	<b>Renewable Energy Tax Credit Eligibility: <a href="#">HB 233</a></b> Extends the present law renewable production tax credit to apply to qualified energy generators on or before 1/1/2021 (from 1/1/2018), and increases the cap on the amount of electricity that can be produced by the qualified energy generators from 2 to 4 million MW, and for solar the addition 500MW is increased to 1 million MW.	HENRC/HTRC-HENRC-DP-HTRC
HB 234 Dodge	<b>Exclude NOL Carryover For Up to 20 Years: <a href="#">HB 234</a></b> Provides for an increase in the number of years a net operating loss for corporate income tax may be carried forward from 5 to 20 years.	HTRC/HAFC-HTRC
HB 248 Alcon	<b>Native American Veteran’s Tax Settlement: <a href="#">HB 248</a></b> Revives the already lapsed period of time a Native American veteran or their survivors can claim a refund for income taxes incorrectly withheld while they were domiciled on their own or spouse’s tribal land, from 12/31/2012 to 12/31/2019.	HTRC/HAFC-HTRC
HB 252 Irwin	<b>Pre-K Provider Gross Receipts: <a href="#">HB 252</a></b> Creates a gross receipts tax <i>exemption</i> for the receipts of for profit pre-kindergarten services providers for pre-kindergarten services provided pursuant to the Pre-Kindergarten Act.	HTRC/HAFC-HTRC
HB 262 J. Trujillo	<b>Nonprofit Hospital Services Gross Receipts: <a href="#">HB 262</a></b> Creates a new gross receipts tax deduction for sales of services by a “health care practitioner” to a nonprofit hospital pursuant to a contract with the hospital.	HTRC/HAFC-HTRC
HB 288 Gonzales	<b>Biodiesel Tax Deduction: <a href="#">HB 288</a></b> Creates a deduction from the Petroleum Products Loading Fee for biodiesel that will ultimately be subsequently blended by a rack operator (newly defined in the Act).	HTPWC/HTRC-HTPWC
HB 321	<b>Repeal Capital Gains Deduction: <a href="#">HB 321</a></b>	HTRC/HAFC

Christine Trujillo	Repeals the capital gains tax deduction in the personal income tax act effective taxable years beginning on or after 1/1/15.	-HTRC
HB 322 Christine Trujillo	<b>Long-Term Care Insurance Tax Credit: <a href="#">HB 322</a></b> Creates a personal income tax credit in an amount equal to premiums paid for a long term care insurance policy. To qualify for the credit, the policy has to be approved through application with the Human Services Department. The credit cannot be transferred or carried over.	HTRC/HAFC -HTRC
HB 332 Anderson	<b>Armed Forces Retainer Pay Tax Credit: <a href="#">HB 332</a></b> Creates a personal income tax credit in an amount “up to \$1000” (but not measured by income, retirement benefits, or any other measure), for armed forces retirees. The credit cannot be transferred or carried over.	HTRC/HAFC -HTRC
HB 339 Dodge	<b>State Tax Revenues &amp; Local Governments: <a href="#">HB 339</a></b>	HTRC/HAFC -HTRC
HB 349 J. Trujillo	<b>Hospital Governmental Gross Receipts: <a href="#">HB 349</a></b> Appears to attempt to tax government and non-profit hospitals by excluding hospitals from the appropriate exemptions – except for UNMH – with a 1% gross receipts tax effective for one year. However, it is imposed on	HTRC/HAFC -HTRC
SB10 Papen/Gentry	<b>New Revenue Income Tax Credit: <a href="#">SB10</a></b> Creates a new refundable personal and corporate income tax credit in the amount of 30% of new revenue created, and contains employment increase and other requirements. Applicants must receive a certificate of eligibility from the Economic Development Department, and cannot use the Investment Credit, High Wage Jobs Tax Credit, Technology Jobs Tax Credit, Rural Jobs Tax Credit, Local Economic Development Act funds, or JTIP incentives in conjunction.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB17 Wirth/Egolf	<b>Unitary Corporate Bank Combined Return: <a href="#">SB 17</a></b> Requires banks subject to corporate income tax and filing a separate company basis to report under a mandatory unitary combined filing basis.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 26 Cisneros	<b>Aircraft Parts and Maintenance Gross Receipts: <a href="#">SB 26</a></b> Expands an existing deduction to provide a deduction for retail sales of aircraft parts and services by FAA certified providers.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 28 Cisneros	<b>Dialysis Facility Gross Receipts: <a href="#">SB 28</a></b> Adds dialysis centers to the laundry list of “qualified practitioners” eligible for the deduction for the sale of services to Medicare. The deduction is phased-in over three years beginning 7/1/14 in 33 1/3% increments.	SCC/SCORC/ SFC-SCC- germane- SCORC-DP- SFC
SB 29 Keller/Harper	<b>Itemize Gross Receipts Deductions and Exemptions: <a href="#">SB 29</a></b> Requires the many different gross receipts tax exemptions and deductions to be separately stated and itemized; sunset many exemptions and deductions in 2025.	SCC/SCORC/ SFC-SCC- germane- SCORC- DNP-CS/DP-

		SFC
SB 30 Keller/McCa mley	<b>Separate Reporting of Tax Expenditures: <a href="#">SB 30</a></b> Amends provisions of the Tax Administration Act to require taxpayers who reduce their tax liability with a tax expenditure to separately report that tax expenditure on the applicable tax return.	SCC/SCORC/ SFC-SCC
SB 36 Keller	<b>State Graduate Employment Tax Credit: <a href="#">SB 36</a></b> Creates a non-refundable personal and corporate income tax credit in the amount of \$5000 for hiring New Mexico graduates within 18 months of graduation from a New Mexico institution. The credit cannot be taken in conjunction with the High Wage Jobs Tax Credit, the Rural Jobs Tax Credit, or the Technology Jobs Tax Credit, and cannot be carried forward. Endorsed by the interim Revenue Stabilization and Tax Policy Committee.	SCC/SCORC/ SFC-SCC- germane- SCORC-DP- SFC
SB 47 Keller/Cook	<b>Business Facility Reinvestment Tax Rebate: <a href="#">SB 47</a></b> Creates a 25% corporate income tax rebate for taxes paid (may be carried forward seven years) for qualified investments new businesses of no less than \$1,000,000, or in existing businesses in excess of \$250,000. The EDD issues a certificate of eligibility.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 51 Keller/Stewa rt	<b>Increase Working Families Tax Credit: <a href="#">SB 51</a></b> Increase the state credit amount from 10 to 17% of the federal earned income tax credit (“EITC”) and repeals the 50% deduction for capital gains for purposes of the personal income tax.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 59 Keller/Smith	<b>Tech Commercialization Gross Receipts: <a href="#">SB 59</a></b> Creates a 50% gross receipts tax credit for “distributions” made by a taxpayer to an eligible endowment fund of a university or nonprofit. The credit can be divided by twelve and taken against gross receipts tax owed over 12 months. The program is capped and \$2M/yr and processed in the order received. A credit cannot exceed \$500K/taxpayer.	SCC/SCORC/ SFC-SCC- germane- SCORC-DP- SFC
SB 87 Neville	<b>Local Gov’t Hold Harmless Gross Receipts: <a href="#">SB 87</a></b> Makes changes to the recent hold harmless phase out provisions limiting municipal and county rate authority to 1/8% in 1/16% increments (from 3.8% in 1/8% increments) and requires entities having passed taxes pursuant to these provisions to conform to the new limitations.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 88 Papen	<b>Infusion Therapy &amp; Med Supply Gross Receipts: <a href="#">SB 88</a></b> Creates a new deduction from gross receipts for the sale of infusion therapy services or for the sale or lease of durable medical equipment. Not all sellers are created equal for purpose of this deduction: taxpayers may not take the deduction if they don’t participate in the Medicaid program or received less than 90% of their revenue from the sale or lease of the goods/services made deductible by this proposal.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 106 Leavell	<b>Exclude NOL Carryover For Up To 20 Years: <a href="#">SB 106</a></b> Provides for an increase in the number of years a net operating loss for corporate income tax may be carried forward from 5 to 20 years.	SCC/SCORC/ SFC-SCC- germane- SCORC- DNP-CS/DP- SFC
SB 114	<b>Angel Investment Tax Credit Changes: <a href="#">SB 114</a></b>	SCC/SCORC/

Griego	Eliminates the 2016 sunset provision and increases the number of investments that can be made per year from 2 to 5, increases the maximum amount of investment subject to the credit from \$100K to \$250K, increases the credit carryforward provision from 3 to five years, and, increases the cap on credits that may be award from \$750K to \$2M, and eliminates the restrictions on partnership investment.	SFC-SCC-germane-SCORC-DP/a-SFC
SB 117 Wirth	<b>Sole Member LLC Tax Status: <a href="#">SB 117</a></b> Provides that SMLLC's are treated the same as 501(c)(3) owners for purposes of the gross receipts and compensating tax exemptions.	SCC/SCORC/ SFC-SCC-germane-SCORC-DP-SFC
SB 118 Wirth	<b>Determine Sourcing of Certain Sales &amp; Svcs.: <a href="#">SB 118</a></b> Creates a "market based sourcing" rule (akin to destination rule to tangibles) for sales of services and intangibles for purposes of the sales factor. Creates a throw-out rule for sales who's destination cannot be determined.	SCC/SCORC/ SFC-SCC-germane-SCORC
SB 140 Ivey-Soto	<b>Tax Increment District Base-Years: <a href="#">SB 140</a></b> Provides authority and process to revise the base year of a tax increment development districts base year once during the life of a district if the year revised is a completed calendar year, no tax increment bonds have been issues, and upon finding that the revision is reasonable and in the best interest of the state.	SCC/SCORC/ SFC-SCC-germane-SCORC
SB 142 Munoz	<b>Native American Veterans' Tax Settlements: <a href="#">SB 142</a></b> Revives the already lapsed period of time a Native American veteran or their survivors can claim a refund for income taxes incorrectly withheld while they were domiciled on their own or spouse's tribal land, from 12/31/2012 to 12/31/2019.	SCC/SCORC/ SFC-SCC-germane-SCORC
SB 147 Pinto	<b>Gas Tax For US Highway 491 Project: <a href="#">SB 147</a></b> Beginning 7/1/14, creates a new 1 cent/ gallon surtax on gasoline and special fuels (diesel) for 15 years and sends the money to a fund created by the proposal – the US Highway 491 Project Fund, along with bonding authority up to \$123M for the purpose of funding improvement to Highway 491.	SCC/SCORC/ SFC-SCC-germane-SCORC
SB 156 C Sanchez	<b>Exclude NOL Carryover For Up To 20 Years: <a href="#">SB 156</a></b> Provides for an increase in the number of years a net operating loss for corporate income tax may be carried forward from 5 to 20 years.	SCC/SCORC/ SFC-SCC-germane-SCORC-succeeding entries S. 106
SB 170 Munoz	<b>Reduction in Hold Harmless Gross Receipts: <a href="#">SB 170</a></b> Make several changes to the hold harmless phase-out provisions enacted in the previous year, as they pertain and for the apparent benefit of Gallup, but could apply to parts of Espanola.	SCC/SCORC/ SFC-SCC-germane-SCORC
SB 171 Munoz	<b>Local Gov't Hold Harmless Gross Receipts: <a href="#">SB 171</a></b> Creates an exception to the hold harmless phase outs for a "class B county that does not have in effect a county hold harmless gross receipts tax through ordinance and that has a population of seventy thousand or	SCC/SCORC/ SFC-SCC-germane-SCORC

	more.... and a property valuation of more than \$730M and less than \$1B. Hmm... McKinley maybe?	
SB 172 Cotter	<b>Spaceport Gross Receipts Tax Uses: <a href="#">SB 172</a></b> Amends present law to limit the use of proceeds from the county regional spaceport gross receipts tax to debt retirement and service (precluding use for purposes of operational expenses).	SCC/SCORC/ SFC-SCC- germane- SCORC-DP- SFC
SB 175 Beffort	<b>Software Development Gross Receipts: <a href="#">SB 175</a></b> Creates a new gross receipts tax deduction for the sale of “software development services”, defined to include “activities such as design, development, programming testing, or the deployment of nontangible custom software or the adaption of commercially available software...”.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 184 Munoz	<b>U.S. Dept. of Defense Energy Gross Receipts: <a href="#">SB 184</a></b> Creates a deduction for the sale of directed energy or satellite related research and development services and related materials to the department of defense, but the deduction, oddly, is limited to the amount of property and sales tax paid by the taxpayer.	SCC/SCORC/ SFC-SCC- germane- SCORC- DNP-CS-DP
SB 191 Griego	<b>Renewable Energy Tax Credit Changes: <a href="#">SB 191</a></b> Make several changes to the hold harmless phase-out provisions enacted in the previous year, as they pertain to Gallup and parts of Espanola.	SCC/SCONC/ SCORC/SFC- SCC- germane- SCONC-DP- SCORC
SB 200 Cotter	<b>Income Tax Age Exemption: <a href="#">SB 200</a></b> Expands the present law personal income tax exemption for persons 100 years or older to persons 97 years old or older.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 217 Munoz	<b>County Hold Harmless Gross Receipts: <a href="#">SB 217</a></b> Creates an exception to the hold harmless phase outs for a “class B county that does not have in effect a county hold harmless gross receipts tax through ordinance and that has a population of seventy thousand or more.... and a property valuation of more than \$730M and less than \$1B. Hmm... McKinley perhaps?	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 222 Smith	<b>Pre-K Provider Gross Receipts: <a href="#">SB 222</a></b> Creates a gross receipts tax <i>exemption</i> for the receipts of for profit pre-kindergarten services providers for prekindergarten services provided pursuant to the Pre-Kindergarten Act.	SCC/SEC/SF C-SCC- germane-SEC
SB 228 Smith	<b>Gas Tax Increase, Index, &amp; Distribution: <a href="#">SB 228</a></b> From 7/2019 through 7/2023 increases gasoline and special fuels (diesel) taxes \$.13/gallon (from \$.17 to \$.30/gal for gasoline and from \$.21 to \$.33/ gallon for special fuels). After 7/2024, the rate is indexed to the CPI. The proposal also reduces the percentage distribution to the local government road fund after 7/1/2019.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 233 Ingle	<b>Biodiesel Tax Deduction: <a href="#">SB 233</a></b> Creates a deduction from the Petroleum Products Loading Fee for biodiesel that will ultimately be subsequently blended by a rack operator (newly defined in the Act).	SCC/SCORC/ SFC-SCC- germane- SCORC

SB 235 Ingle	<b>Vending Machine Gross Receipts: <a href="#">SB 235</a></b> Creates an exemption “from payment” from the gross receipts tax for the sale of food or beverages from a coin-operated vending machine.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 248 Cisneros/Go nzales	<b>Agricultural Land Valuation: <a href="#">SB 248</a></b> Imposes a 3% valuation limitation on certain agricultural land (i.e. valued as agricultural for 9 of last 10 years and hasn’t changed ownership except to family members...) that no longer qualifies for agricultural valuation (meaning its being developed for commercial or residential use).	SCC/SCORC/ SFC-SCC
SB 263 M. Sanchez	<b>Allow Local Liquor Tax &amp; Limit Rates: <a href="#">SB 263</a></b> Expands the applicability of the Local Liquor Excise Tax (removes limitation to Class B counties), specifies rates by type of alcoholic beverage, changes the activity the tax revenue must be dedicated to, and eliminates the administrative fee collected by the Taxation and Revenue Department.	SCC/SPAC/S FC-SCC-DP- SFC
SB 275 Campos	<b>Cigarette Tax for Dept. of Health Facilities: <a href="#">SB 275</a></b> Authorizes MFA to sell bonds (not to exceed \$5M), secured by cigarette tax revenues, for the purposes of acquiring constructing priority facilities as certified by the Secretary of the Department of Health.	SCC/SPAC/S FC- SCCgermane- SPAC
SB 303 M. Sanchez	<b>Motor Vehicle Tax to Lottery Tuition: <a href="#">SB 303</a></b> Increases the motor vehicle excise tax by .75% (from 3-3.75%) and distributes 20% (the added .75%) to the lottery tuition fund.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 323 Campos	<b>Small Business Investment Tax Credit: <a href="#">SB 323</a></b> Creates a personal income tax credit not to exceed 25% of not more than \$250K in not more than 5 qualified investments by an accredited investor. The credit must be within one year following the end of the year the investment was made. Additional investments in the qualified business or successor for no more than the subsequent three years can be claimed for credit. The credit cannot be claimed for periods for which the taxpayer also claims the Investment Credit, the Technology Jobs Tax Credit, or the Research and Development Small Business Tax Credit.	SCC/SCORC/ SFC-SCC

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**HOLD THE DATE AND MARK YOUR CALENDARS NOW – 11<sup>TH</sup>  
ANNUAL NMTRI TAX POLICY CONFERENCE IS COMING!**

The ELEVENTH (can you believe it?) Annual NMTRI Tax Policy Conference and annual members meeting will be held at the Sandia Resort and Casino in Albuquerque April 24-25<sup>th</sup>. You will be inundated with details shortly! We look forward to seeing you there!

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*[NMTRI note: the website host for the NMTRI website has been acquired, necessitating a migration of our site to a different provider platform. While the URL will remain the same, there may be some periods where the website will be inaccessible or only partially accessible, links may fail, or the like. We apologize for any inconvenience. Please bear with us- any problems or interruptions should be very temporary].*

## TAX QUOTABLES

“There may be liberty and justice for all, but there are tax breaks only for some.”

*~Martin A. Sullivan*

"We stand today at a crossroads:  
One path leads to despair and utter hopelessness.  
The other leads to total extinction.  
Let us hope we have the wisdom to make the right choice."

*~Woody Allen*

“Tax complexity itself is a kind of tax.”

*~Max Baucus*



**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.



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

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

Wendell Holmes, dissenting.  
Join NMTRI today!