

Tax Matters

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

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- **HOLD THE DATE – NMTRI Annual Tax Policy Conference April 24 and 25**
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- **Tax Quotables**

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. 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. As expected, it has been a busy session with 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. “Dummy” bills are those introduced by committee chairs and other key legislators by 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, with the House dummy bills being those numbered 358-406, and, in the Senate, 331-379. 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 Movement...

We're in the last week of the session and things have moved quite slowly. Agreement on a budget is necessary before things like tax expenditures can be decided. Unfortunately, such an agreement has yet to happen. Of course, there are still efforts and conversations behind the scenes as the political theater continues in the committee rooms. Unlike our Congress, they must pass a budget or face the imminent reality of a return to Santa Fe for a Special Session.

[NMTRI note: since the Legislature's only real job in a short session is to pass budget, no fundraising can occur and the

Governor owns the bully pulpit, it's unlikely that failing to craft a budget can work to the advantage to legislators, although the most apathetic would likely be Senate members who are not heading into an election cycle like their brethren in the House.]

We've lamented in the past the curious incongruity of tax policy conversations during the interim - including - concerns over tax and fiscal policy; the effectiveness of incentives; accelerated narrowing of the tax base through a proliferation of exemptions, deductions and credits; raising of rates; provisions exacerbating pyramiding and regressivity; loss of competitiveness and ability to create jobs; and lack of 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 little to actually make the structure more reliable, predictable, or less distortive or anti-competitive. But then they'll set off to dismantle the tax base in strange and inconsistent ways, oftentimes creating additional burdensome requirement on taxpayers and tax collectors without the necessary mechanisms to make them useful. Most proposals will likely make pyramiding worse since they'll put upward pressure on tax rates without significantly addressing the tax on business inputs. Accordingly, the negative effects of pyramiding on business competitiveness as well as the increased load on vulnerable households will likely be magnified.

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



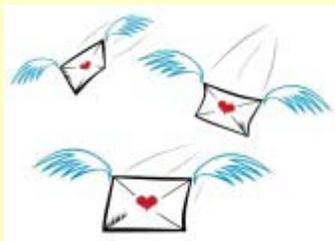
In the race for legislative passage, the new frontrunner is a House bill already on the Senate floor calendar. It's one of the two aircraft related deductions proposed. This one removes the gross receipts tax from those providing parts and maintenance on aircraft. (This expands the "Eclipse" deduction which only applied to the aircraft manufacturing.) See Rep. White and Sen. Cisneros' [HB 14](#) - Sen. Cisneros's [SB 26](#) is in the Senate Finance Committee ("SFC"). The other aircraft related proposal is arguably tied

for second place – sitting in the Senate Finance Committee (SFC) – proposing to remove the gross receipts tax from the sale of commercial or military aircraft. Its purpose appears to be to support the industry efforts in the Roswell area where refurbishment, painting and other aircraft service activities take place. This one is somewhat clumsily crafted—creating a deduction for the sale of something we can’t tax – that is, military aircraft. The proposal, found in Rep. Wooley’s [HB 24](#), received a coveted “no fiscal impact” from the economists, although the analysis of compensating tax implications was, for some reason, absent (although it’s likely to be of minimal impact if any).

The other House bill sitting in SFC and also tied for second is the proposal to eliminate dialysis facilities from the gross receipts tax base as it pertains to sales to Medicare. Rep. Gonzalez’s version of the bill is his [HB 32](#). (Sen. Cisneros’s companion [SB 28](#) is in pretty far along itself, sitting in the House Taxation and Revenue Committee (HTRC)). Rep. Gonzalez also attempts to more directly subsidize private bus contractors - or perhaps more indirectly subsidize public schools - by eliminating the gross receipts and compensating tax on bus fuel. His [HB 98](#) is sitting in the Senate Corporations and Transportation Committee (SCORC).

Early frontrunner Rep. Jim Trujillo and Sen. Michael Sanchez’s [HB 57](#) is still quite far along, sitting the Senate Public Affairs Committee (SPAC). It 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 12th, as there are currently 11). In this case, the donation would be for the North Central New Mexico Economic Development District, for the purpose of providing supplemental programs for seniors throughout the state.

Besides [SB 28](#) mentioned above, the only other tax related Senate bill in the House is Sen. Ivey-Soto’s [SB 140](#), which provides authority and process to revise the base year of a tax increment development district’s base year once during the life of a district provided that—the year revised is a completed calendar year, no tax increment bonds have been issued, and the revision is reasonable and in the best interest of the state.



House Tax Committee Takes Action

Another way to glimpse which proposals are moving is to look at certain key committee actions to date. We 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 no longer always has the ability to determine which proposals reach the House floor - and no longer strictly adheres to a policy of corraling bills with negative fiscal impacts for a period of time – they still table a lot of bills and have the power to leave them there or send them to House Appropriations and Finance Committee (“HAFC”) – and to do so greatly decreases the odds of survival.

Although the legislative bill locators aren’t updated at the time of this publishing to reflect it, the HTRC on Saturday removed three bills from the table and passed them out of the committee without testimony. That of course significantly improves their likelihood of survival. Those bills were the expansions of the Angel Investment Credit found in Rep. Powdrell-Culbert’s [HB 94](#), which 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 5 years, and increases the cap on credits that may be award from \$750K to \$2M. It also eliminates the restrictions on partnership investment.

Also escaping HTRC was Rep. Carl Trujillo's [HB 124](#), which creates a one-time personal income tax credit for water or energy efficiency. The credit is a sliding scale of fixed dollar benefit (\$1200-\$2500 for energy; \$200-\$500 for water) for efficiency improvement percentages of 20-50% plus.

Rep. Donna Irwin's [HB 252](#) was the third and last bill passed out of HTRC on Saturday. It creates a gross receipts tax *exemption* for the receipts of for profit pre-kindergarten services providers for pre-kindergarten services provided pursuant to the Pre-Kindergarten Act. While there was discussion of making it an exemption with a sunset provision in a previous hearing, no amendment was adopted. The argument was that the for-profit providers compete directly with non-profit providers for fixed contracts that don't necessarily reimburse GRT.

[NMTRI note: Rep. Trujillo's bill does not have an HAFC assignment, although the other two do, and thus will proceed straight to the House floor. Rep. Irwin's proposal is exactly the kind of proposal that should be a deduction rather than an exemption. They ARE NOT the same thing. Exemptions should be used for broad base modifications and exclusion of activities more specifically in other tax programs where you don't want to tax them twice. Such is not the case here.]

What's with all the Government In-fighting?



If you've paid attention, there's a plethora of bills that seem to be dealing with municipal and county governments that relate to tax distributions. The reasons are varied. One of the primary funding mechanisms of last year's "tax package" aka, HB 641, was a phase-out of "hold harmless" tax distributions originally implemented to make up for the elimination of tax on food and medical services by the Richardson administration. The phase-out included additional tax increase authority of up to 6/8% for local governments to offset the hold harmless distributions. Although the phase-out does not begin for another year and takes 15 years to complete, the provisions were not without technical complications and unintended consequences, including perverse incentives to raise gross receipts taxes sooner rather than later. We'd mentioned previously that Rep. Lundstrom and Sen. Munoz had proposals to hold Gallup and (on accident) parts of Espanola as well (see [HB 114](#) and [SB 170](#)) and McKinley County harmless from changes (see [HB 155](#) and [SB 217](#)). Meanwhile, an apparent "compromise" between administration, legislative, and local governments was embodied in Rep. Harper's [HB 132](#), while other approaches could be found, such as Rep. Neville's [SB 87](#). The Harper compromise is now apparently being held up in HAFC, where vice-Chair Lundstrom still wants to see her Gallup/McKinley exceptions included.

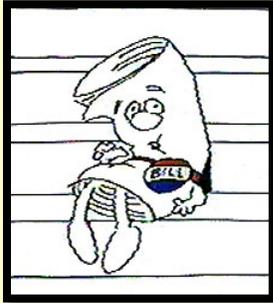
Meanwhile, changes made to the federal Sole Community Provider Act, resulting from implementation of the Affordable Care Act, have created the potential for huge funding problems for some county hospitals that are highly leveraged under the prior funding regime. In theory, ACA mandates coverage for most individual, and when combined with Medicaid expansion should replace the need for general indigent care. Maximizing federal matching dollars now requires running money through the state's coffers. Clawing back county hospital GRT increments has been proposed, but that leaves counties without cash to fund indigent care that they're still under obligation to provide, and won't necessarily be covered by ACA. While the fights have been bloody and negotiators have failed to communicate well, the latest status of that ongoing conversation can be found in Sen Nancy Rodriguez's [SB 268](#), which is now a committee substitute for SB 268, 314, and the SFC committee substitute for SB 368.

Lastly, Rep. Dodge introduced legislation to clarify present law treatment of some distributions to local governments in his [HB 339](#). Apparently, there is some ambiguity in the present law language intended to protect local government coffers against aged negative distributions, and current practice and computer programming don't comport with prior practice and interpretation.

[NMTRI note: to prevent future problems and self inflicted fiscal wounds, the hold harmless legislation should be fixed, although special case exceptions for local governments with higher per capita gross receipts tax collections are a bit self serving and unfair to the other similarly situated local governments. Still, the fixes don't have to happen this year. The county hospital problem is partially self-inflicted, but the solution is complicated by politics and how revenue can be raised. The last issue, negative distributions and who bears the burden of financial risk – is a question that won't likely be answered by legislation this year - even though all sides assert they're willing to compromise. The issue is in the courts currently and will likely get resolved one way or the other, but court settled disputes are often the least desirable as they tend to leave all interests – particularly that of good policy – wanting.]

Next time we'll focus on which bills passed and are on their way to visit the Governor's office... and of course which ones didn't. 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

Bill Number/ Sponsor:	Title: Link to bill language: Description	Assignments- Location:
HB 14 White/Cisneros	Aircraft Parts & Maintenance Gross Receipts HB 14 Expands an existing deduction to provide a gross receipts tax deduction for sales of aircraft parts and services.	HTRC/HAFC -HTRC-DP/a- HAFC-DP- Passed/H- SCORC/SFC- SCORC-DP- SFC-DP
HB 24 Wooley	Commercial or Military Aircraft Gross Receipts: HB 24 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- DP-Passed/H- SCORC/SFC- SCORC-DP- SFC
HB 26 Wooley	Real Property Sale Assessor Affidavits: HB 26 Expands current real property disclosure to include nonresidential property that isn't used primarily for agricultural purposes.	HROBC
HB 30 Gonzales/Keller	Alternative Fuel Tax Definitions & Payment: HB 30 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- DP
HB 32 Gonzales	Dialysis Facility Gross Receipts: HB 32 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- DP-fl/a- Passed/H- SCORC/SFC- SCORC-DP- SFC
HB 38 Cote	Transfer of Property to State Tax Exemption: HB 38 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	HTRC

	the property to the state or its political subdivision.	
HB 40 Cote	Affordable Housing Act Tax Credit Definitions: HB 40 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- DP- Passed/H- SCORC/SFC- SCORC-DP- SFC
HB 41 Taylor	Federal EEOIC Program Gross Receipts: HB 41 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 services by medical doctors and osteopaths.	HTRC/HAFC -HARK
HB 45 Larranaga	U.S. Dept. of Energy Gross Receipts: HB 45 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-DNP- CS/DP-HAFC
HB 56 Jim Trujillo	Durable Medical Equipment Gross Receipts: HB 56 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	Tax Refunds for Senior Services: HB 57 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	Gas Tax Increase for Major Road Projects: HB 74 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- DP-HARK
HB 89 Martinez	Delinquent Property Tax to County Treasurer: HB 89 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 -HARK
HB 94 Powdrell- Culbert/Kelle	Angel Investment Tax Credit Changes: HB 94 Eliminates the 2016 sunset provision and increases the number of investments that can be made per year from 2 to 5, increases the	HTRC/HAFC -HTRC-DP

r	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.	
HB 96 C. Trujillo/Padilla	Tech Jobs and Research Development Tax Credit: HB 96 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 -HARK
HB 98 Gonzales	School Bus Fuel Gross Receipts: HB 98 Provides an exemption from the gross receipts and compensating tax for the receipts/use of “fuel” for school buses.	HTRC/HAFC -HTRC-DP- HAFC-DP- fl/a-Passed/H- SCORC/SFC- SCORC
HB 114 Lundstrom	Reduction in Hold Harmless Gross Receipts: HB 114 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 -HARK
HB 118 Gonzales/Cisneros	Healthcare Practitioner Gross Receipts: HB 118 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 -HARK
HB 124 Carl Trujillo	Home Energy and Water Efficiency Tax Credit: HB 124 Creates a one-time personal income tax credit for water or energy efficiency. The credit is a sliding scale of fixed dollar benefit (\$1200-\$2500 for energy; \$200-\$500 for water) for efficiency improvement percentages of 20-50+.	HENRC/HTRC C-DP-HTRC- DP
HB 131 Harper/Keller	Itemize Gross Receipts Deductions and Exemptions: HB 131 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	Local Government Hold Harmless Gross Receipts: HB 132 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 -HTRC-DP/a- HAFC
HB 133 Harper	Solar Energy Equipment Tax Valuation: HB 133 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/HENRC
HB 136 Jim Trujillo	Electronic Vehicle Tax Credit: HB 136 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/HTRC C-HTPWC- DP-HTRC- DP/a

HB 155 Lundstrom	Local Gov't Hold Harmless Gross Receipts: HB 155 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 maybe?	HTRC/HAFC -HTRC
HB 168 Roybal Caballero/Wirth	Phased-in Supplemental Income Tax: HB 168 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 -HARK
HB 180 Sandoval	Working Families Tax Credit: HB 180 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	Transfer of Credit Between Taxpayers: HB 204 Generally provides for a three year statute of limitations and makes 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.	HTRC/HAFC -HTRC-DP- HAFC
HB 207 J. Trujillo	Health Care Practitioner Gross Receipts: HB 207 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 -HHGIC- DP-HTRC- DP
HB 210 Strickler	Reduce Corporate Income Tax: HB 210 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	Property Tax Exemption For Certain Age: HB 221 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 -HARK
HB 233 Dodge	Renewable Energy Tax Credit Eligibility: HB 233 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-HARK
HB 234 Dodge	Exclude NOL Carryover For Up to 20 Years: HB 234 Provides for an increase in the number of years a net operating loss for	HTRC/HAFC -HTRC-DP-

	personal and corporate income tax may be carried forward and claimed from 5 to 20 years, beginning with losses incurred in tax years beginning 1/1/2013 or after only	HAFC
HB 248 Alcon	Native American Veteran’s Tax Settlement: HB 248 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-DP- HAFC
HB 252 Irwin	Pre-K Provider Gross Receipts: HB 252 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-DP
HB 262 J. Trujillo	Nonprofit Hospital Services Gross Receipts: HB 262 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 -HARK
HB 288 Gonzales	Biodiesel Tax Deduction: HB 288 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/HTR C-HTPWC- DP/a-HTRC- DP
HB 321 Christine Trujillo	Repeal Capital Gains Deduction: HB 321 Repeals the capital gains tax deduction in the personal income tax act effective taxable years beginning on or after 1/1/15.	HTRC/HAFC -HARK
HB 322 Christine Trujillo	Long-Term Care Insurance Tax Credit: HB 322 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 -HARK
HB 332 Anderson	Armed Forces Retainer Pay Tax Credit: HB 332 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 -HARK
HB 339 Dodge	State Tax Revenues & Local Governments: HB 339 Mirrors unobserved present law requirements to limit certain distributions to local governments within certain timeframes.	HTRC/HAFC -HARK
HB 349 J. Trujillo	Hospital Governmental Gross Receipts: HB 349 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 -HARK
SB10 Papen/Gentr y	New Revenue Income Tax Credit: SB10 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	SCC/SCORC/ SFC-SCC- germane- SCORC-

	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.	DNP-CS/DP-SFC-DP/a
SB17 Wirth/Egolf	Unitary Corporate Bank Combined Return: SB 17 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	Aircraft Parts and Maintenance Gross Receipts: SB 26 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- DP/a-SFC
SB 28 Cisneros	Dialysis Facility Gross Receipts: SB 28 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-DP/a- Passed/S- HTRC/HAFC -HARK
SB 29 Keller/Harper	Itemize Gross Receipts Deductions and Exemptions: SB 29 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/McCamley	Separate Reporting of Tax Expenditures: SB 30 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	State Graduate Employment Tax Credit: SB 36 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-DP
SB 47 Keller/Cook	Business Facility Reinvestment Tax Rebate: SB 47 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/Stewart	Increase Working Families Tax Credit: SB 51 Increase the state credit amount from 10 to 17% of the federal earned income tax credit (“EITC”) and repeals the 50% deduction for capital	SCC/SCORC/ SFC-SCC- germane-

	gains for purposes of the personal income tax.	SCORC
SB 59 Keller/Smith	Tech Commercialization Gross Receipts: SB 59 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	Local Gov’t Hold Harmless Gross Receipts: SB 87 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-w/o rec-SFC
SB 88 Papen	Infusion Therapy & Med Supply Gross Receipts: SB 88 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- DP/a-SFC
SB 106 Leavell	Exclude NOL Carryover For Up To 20 Years: SB 106 Provides for an increase in the number of years a net operating loss for personal and corporate income tax may be carried forward and claimed from 5 to 20 years, beginning with losses incurred in tax years beginning 1/1/2013 or after only.	SCC/SCORC/ SFC-SCC- germane- SCORC- DNP-CS/DP- SFC-DP
SB 114 Griego	Angel Investment Tax Credit Changes: SB 114 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.	SCC/SCORC/ SFC-SCC- germane- SCORC- DP/a-SFC
SB 117 Wirth	Sole Member LLC Tax Status: SB 117 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	Determine Sourcing of Certain Sales & Svcs.: SB 118 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-DP- SFC
SB 140 Ivey-Soto	Tax Increment District Base-Years: SB 140 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	SCC/SCORC/ SFC-SCC- germane- SCORC- DNP-CS/DP-

	best interest of the state.	SFC-DP/a- Passed/S- HBIC/HJC- HBIC
SB 142 Munoz	Native American Veterans' Tax Settlements: SB 142 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-DP- SFC
SB 147 Pinto	Gas Tax For US Highway 491 Project: SB 147 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	Exclude NOL Carryover For Up To 20 Years: SB 156 Provides for an increase in the number of years a net operating loss for personal and corporate income tax may be carried forward and claimed from 5 to 20 years, beginning with losses incurred in tax years beginning 1/1/2013 or after only. Combined with SB 106.	SCC/SCORC/ SFC-SCC- germane- SCORC- succeeding entries S. 106
SB 170 Munoz	Reduction in Hold Harmless Gross Receipts: SB 170 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-w/o rec-SFC
SB 171 Munoz	Local Gov't Hold Harmless Gross Receipts: SB 171 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 maybe?"	SCC/SCORC/ SFC-SCC- germane- SCORC-w/o rec-SFC
SB 172 Cotter	Spaceport Gross Receipts Tax Uses: SB 172 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	Software Development Gross Receipts: SB 175 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- DP/a-SFC- DP/a
SB 184 Munoz	U.S. Dept. of Defense Energy Gross Receipts: SB 184 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	SCC/SCORC/ SFC-SCC- germane- SCORC-

	of property and sales tax paid by the taxpayer.	DNP-CS-DP-SFC-DP
SB 191 Griego	Renewable Energy Tax Credit Changes: SB 191 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-DP- SFC
SB 200 Cotter	Income Tax Age Exemption: SB 200 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-DP- SFC
SB 217 Munoz	County Hold Harmless Gross Receipts: SB 217 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-w/o rec-SFC
SB 222 Smith	Pre-K Provider Gross Receipts: SB 222 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	Gas Tax Increase, Index, & Distribution: SB 228 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	Biodiesel Tax Deduction: SB 233 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- DP/a-SFC
SB 235 Ingle	Vending Machine Gross Receipts: SB 235 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/ Gonzales	Agricultural Land Valuation: SB 248 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	Allow Local Liquor Tax & Limit Rates: SB 263 Expands the applicability of the Local Liquor Excise Tax (removes	SCC/SPAC/S FC-SCC-DP-

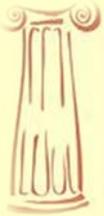
	limitation to Class B counties), specifies rates by type of alcoholic beverage, changes the activity the tax revenue must be dedicated to, and eliminates the administrative fee collected by the Taxation and Revenue Department.	SFC-DP/a
SB 268 Rodriguez	Sole Community Provider Federal Compliance: SB 268 The bill attempts to amend several sections of law to bring NM into compliance with respect to federal changes to the Sole Community Provider Act. It creates a “Safety Net Care Pool” to make payments to hospitals for a period of three years. Gives counties an additional rate authority of up to 1/8%. Excludes Sandoval (and Bernallilo) Counties.	SCC/SPAC/S FC-SCC- germane- SPAC-DNP- CS/DP-SFC- DP/a
SB 275 Campos	Cigarette Tax for Dept. of Health Facilities: SB 275 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-SCC- germane- SPAC-DP- SFC
SB 303 M. Sanchez	Motor Vehicle Tax to Lottery Tuition: SB 303 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 314 Smith	Indigent Hospital & County Health Care Change SB 314 The bill attempts to amend several sections of law to bring NM into compliance with respect to federal changes to the Sole Community Provider Act.	SCC/SPAC/S FC-SCC- germane- SPAC- Succeeding entries S 268
SB 323 Campos	Small Business Investment Tax Credit: SB 323 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- DP-SFC
SB 368 Munoz	Public Peace Safety and Welfare Sole Community Provider Compliance: SB 368 The bill attempts to amend several sections of law to bring NM into compliance with respect to federal changes to the Sole Community Provider Act.	SCC/SPAC/S FC-SCC- germane- SPAC- Succeeding entries S 268

HOLD THE DATE AND MARK YOUR CALENDARS NOW – 11TH 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 24-25th. It looks like we'll have Tax Analyst's Deputy Publisher David Brunori, COST President Doug Lindholm, and perhaps even Prof. Rick Pomp in the lineup. You will be inundated with details shortly! We look forward to seeing you there!

[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].

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 rationale 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.

TAX QUOTABLES

“Taxes, after all, are dues that we pay for the privileges of membership in an organized society.”

-Franklin D. Roosevelt

“The same prudence which in private life would forbid our paying our own money for unexplained projects, forbids it in the dispensation of the public monies.”

~Thomas Jefferson

“The nation should have a tax system that looks like someone designed it on purpose.”

~William Simo

[NMTRI note: the same is true of the states...]



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



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

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

Wendell Holmes, dissenting.
Join NMTRI today!