

# ***Tax Matters***

*The Newsletter of the New Mexico Tax Research Institute*

Issue No. 2018-04

February 4, 2018

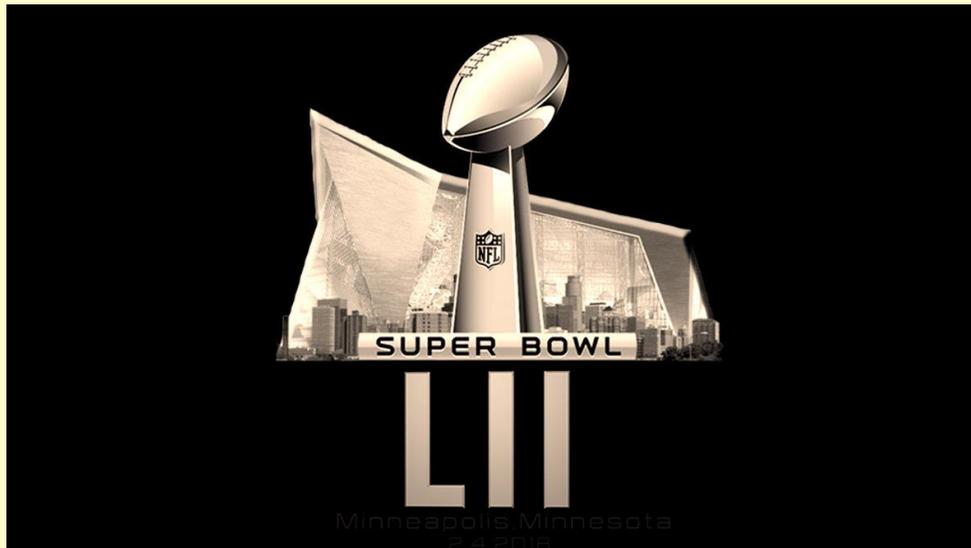
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## **IN THIS SUPER BOWL “LEGISLATIVE SESSION” ISSUE OF TAX MATTERS:**



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- **Tax-pectations for the Session**
- **List of Tax Related Legislation**
- **Don't Forget the Principles**
- **Tax Quotable**

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



The 2018 Regular Session of the New Mexico Legislature convened at noon on Tuesday, January 16, and ends at noon (or somewhere thereabouts) on February 15. The deadline for bill introduction is January 31. Legislation not acted on by the governor is pocket vetoed on March 7. The effective date of legislation that's not a general appropriation bill, a bill carrying an emergency clause or other specified

effective date takes effect on May 16. Being a "short" or 30-day "budget" session, non-budgetary legislation and items not related to the budget are not fair game for open introduction and are limited by the call of the Governor. It is an interesting time. There is still talk of tax reform, and Governor wants to address crime issues, but the fiscal crisis is over for the moment – mostly thanks to very strong oil price/production in the Permian. So, while there's plenty to fight about and money to fight over, it doesn't appear as tense as some and it's possible they'll quietly fund government and go home, without significant other damage or accomplishment.

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

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

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



## **Tax-pectations for the Session**

The 30-day session has arrived. In addition to a new year, we have several new members of both houses, as well as a new Democratic leadership in the House. Being a “budget only” 30-day session, only tax/budget issues and the controversy they bring are fair game, but so are other controversial issues where the Governor chooses to allow them. There are already pre-filed bills such as those we’ve seen from prior sessions (crime, abortion, etc.), and not all is just red meat.

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

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

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

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

## What Happened this Week



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

We're currently tracking 62 tax related proposals (39 House, 23 Senate). More than the 50 or so proposals we had last week, but not the 30 or so new bills we saw last. Not only are there new introductions, but most have received committee assignments, even some that don't appear germane.

Things are speeding up as bills start to move through the process. Not lots of tax bills were added this week, but there's plenty to follow. The pace will only continue to quicken.

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

The substantive tax bill to have moved the furthest so far is Senator Cisnero's [HB 17](#), which has passed the Senate and is sitting in the House. It's the narrow the exemption in the gross receipts tax for non-profits to exclude managers from national laboratories from the exemption. The concern the proposal attempts to address is that Los Alamos, or perhaps Sandia Labs down the road, could be managed by a nonprofit like Los Alamos once was, materially reducing state and local tax revenue. Likewise there's a tax proposal in the House that's moved to the Senate that changes distribution rules and definitions, but it has no fiscal impact and allows money used by National Guardsman and their families who aren't deployed overseas (see Rep. Rodella/Garcia and Sen Cisneros's [HB 47](#)).

On Friday, the House Taxation and Revenue Committee passed two bills that potentially had negative fiscal impacts. The High Wage Jobs Tax Credit “fix” proposal was found in Rep. Sweetser and Carl Trujillo's [HB 200](#), as well as the change to the definition of “construction”

found in Rep. Gentry and Linda Trujillo's [HB 245](#). The former had bi-partisan support as well as that of the Taxation and Revenue Department. It focuses eligibility on Job Training and Incentive Program, lengthens the term of the credit (8 yrs), but reduced the credit percentage by changing it to the top personal income tax rate (4.9% presently). It also makes several changes intended to make the credit easier to predict and administer. The change in the gross receipts tax definition of "construction" is intended to codify in statute present law regulation and practice relative to determining what property isn't construction material (which matters to nonprofits and governments (which includes IRB projects), which can materially reduce the cost of large projects. The regulation in question is long standing but not as clearly supported in statute as some would like. It has a companion bill in the Senate in Chairman Sanchez's [SB 215](#).

Sometime this week after a budget deal is had, we look to see the HTRC's favorite bills come off the table and pass to the House floor for further consideration. Similarly, the Senate Finance Committee will move some bills. Still however, no "deal" is yet done, and it's hard to see any of the broader proposals. Rep Harper's effort to harmonize the compensating and gross receipts tax bases – a vestige of his broader earlier efforts ([HB 206](#)) – was further narrowed with the elimination of the compensating tax portions of the proposal because of fiscal impacts. Repeal of many mostly dead income and gross receipts tax provisions remain, as well as a semi-controversial change to the chemicals and reagent deduction in the gross receipts tax (Senator Cisneros proposes to eliminate it entirely in his [SB 68](#) and [SB 128](#)). Senator's Sharer's proposal [SB 49](#), similar to prior years, is not likely to pass given it's breadth, however one of the better efforts at an FIR on the proposal was undertaken by LFC here.

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

States around the country are trying to get their minds (and revenue forecasts) around the federal impact changes already in effect. It's very difficult to do as the changes are so recent, and flow through to different states personal and corporate income tax programs in different ways and places, and not all federal policies impact state returns at all (i.e. credits and rates). The provisions will have non-intuitive impacts on some NM households. For instances, all married filing joint households with 4 or more "exemptions" (or head of household with 3 or more members) that don't itemize will see a state level tax increase. Those changes can cut both ways (i.e. reduced interest expensing) or create timing differences (i.e. depreciation changes). Most states believe if anything, the base expansion outweighs other changes, resulting in state level positive fiscal impacts (read: tax increases), however the distribution of those changes across households and businesses is hard to pin down. It's lumpy. We haven't seen any real efforts to decouple in any meaningful fashion, although Rep Moe Maestas has an income tax proposal that attempt to retain and provide a personal exemption for everyone (see his [HB 288](#)).

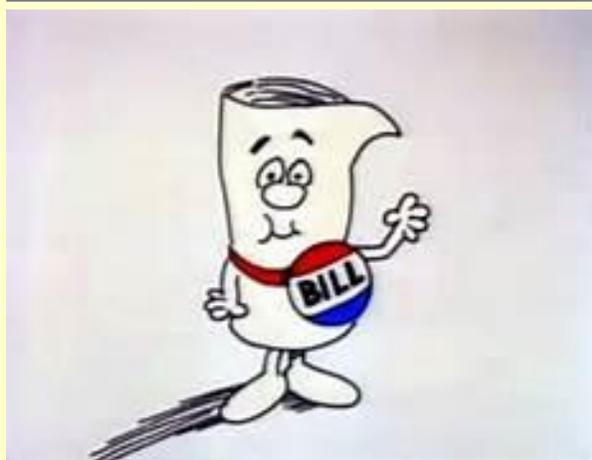
*[It's still not clear what combination of tax increases and favorable changes can pass both houses and get signed into law. The hospital tax measure is the best bet on a standalone basis. No bill with individual income tax increases would likely have a chance of signature. Broad reform still isn't likely. The NTTC reform could happen. The construction definition change is resulting from a real problem, but the devil is in the details. Hopefully the 8<sup>th</sup> time's the charm to fix the poor high wage jobs tax credit. The federal changes will result in more revenue than we currently believe.*

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

## Thanks For Reading

Join us weekly through the session as we try to provide balanced policy analysis, commentary and discussions of the tax and budget proposals that implicate tax policy in New Mexico. Of course, tax proposals – particularly bad ones – tend to be regurgitated (so to speak) from year to year. So, merely recalling what’s been introduced (but failed to pass) in recent years will give you some idea of what will be introduced again. For confirmation of that, all you need do is scroll down to the table of bills already introduced below.

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### Bills with significant tax implications Pre-filed in the 2018 Regular Legislative Session:

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

Bill Number/ Sponsor:	Title: Link to bill language: Description	Assignments- Location:
HB 4 J Trujillo, Gonzales, Egolf	<b>Tax Changes: <a href="#">HB 4</a></b> Increases personal income tax rates, imposes GRT on gov’t and nonprofit hospitals and changes distributions and deductions/credits to treat similarly, changes the definition of modified gross income (to preserve LICTR presumably), contains remote seller tax provisions and changes reporting location for out of state sellers to destination	HTRC
HB 35 C Trujillo/Ruil oba	<b>Liquor Excise Tax Distributions <a href="#">HB 35</a></b> Distributes 45% of revenues to the local DWI grant fund, creates a drug court fund and distributes 5% to the drug court fund, and eliminates the 39% distribution to the lottery fund.	HHHC/HTRC -HHHC-DP- HTRC
HB 36 C Trujillo Maestas Barnes	<b>Reinstate Solar Market Development Credit: <a href="#">HB 36</a></b> Reinstates retroactively the sun-setted credit, bifurcates benefits and program caps between individuals and business/agriculture (annual program caps at \$1.5M for business/ag/\$3.5M for residential, with a 10% credit capped at \$4K/residence and \$9K/business).	HENRC/HTR C-HENRC
HB 47 Rodella/Cisn eros/Garcia	<b>Tax Refund for National Guard Eligibility: <a href="#">HB 47</a></b> Eliminates language in the distribution rules in the TAA as well as in the tax refund designation language in the personal income tax act that limits	HSIVC/HTR C-HSIVC- DP-HTRC- DP-Passed/H-

	contributions and distributions for purposes of assisting NM national guardsmen and their families when deployed overseas.	SPAC/SFC-SPAC
HB 70 Little	<b>Change Motor Vehicle Tax Distribution: <a href="#">HB 70</a></b> Over four years and in 25% increments, redistributes the motor vehicle excise tax from the general fund to the road fund.	HTPWC/HTR C-HTPWC- DP-HTRC
HB 77 Sariñana	<b>Energy Storage Systems Tax Credit: <a href="#">HB 77</a></b> Creates a new tax credit program for qualified energy storage systems, not to lesser of \$5K or 30% of the qualified expenditures in the case of individuals, and 75K/30% in the case of businesses. Owners of some pass through entities would qualify. The overall program is capped at \$750/yr in credit approvals.	HENRC/HTR C-HENRC-
HB 79 Gallegos/Ne ville	<b>Thanksgiving Saturday Gross Receipts: <a href="#">HB 79</a></b> Creates another “tax holiday” (GRT deduction) for any “sale of tangible personal property at retail” by a business on the Saturday after Thanksgiving, but only for those businesses with 25 or fewer employees in NM.	HLEDC/HTR C-HLEDC- DP-HTRC
HB 83 J. Trujillo	<b>Estate or Trust Distribution Tax Deduction: <a href="#">HB 83</a></b> Creates a deduction from trust income for distributions to non-New Mexico beneficiaries. Excluded from the deductions are those things, with the exception of business income, that would otherwise not be subject to NM income tax if earned in NM by a nonresident.	HBIC/HTRC- HBIC-DP- HTRC
HB 87 Trujillo/Rode lla	<b>Solar Market Development Tax Credit: <a href="#">HB 87</a></b> Reinstates retroactively the sun-setted credit. Credits for business, residential and agriculture are limited to \$9000 and establishes an annual program cap of \$5 million.	HENRC/HTR C-w/drn HENRC- HBIC/HTRC- HBIC
HB 88 Fajardo/Bald onado	<b>Tax Delinquent Property Sales: <a href="#">HB 88</a></b> Requires that <i>all</i> delinquent properties be placed for sale by the PTD, rather than at least one, unless the director and country treasurer enter into a written agreement stating reasons, timing of recovery, and with copies sent to the Secretaries of DFA and TRD.	HBIC/HTRC- DP-HTRC
HB 104 M. Garcia	<b>Rural Healthcare Practitioner Credit Changes: <a href="#">HB 104</a></b> Moves the \$3K credit beneficiaries into the category of \$5K beneficiaries (eliminating the \$3K category). Also adds pharmacists, social workers, and anyone licensed pursuant to the counseling and therapy practice act the list of qualified healthcare practitioners that are eligible for the credit.	HHHC/HTRC -HHHC-DP- HTRC
HB 113 Maestas	<b>Remove Film Tax Credit Annual Cap: <a href="#">HB 113</a></b> Eliminates the \$50M annual cap on film credit approvals.	HCPAC/HTR C-DP-HTRC
HB 128 Trujillo	<b>Broadband Gross Receipts: <a href="#">HB 128</a></b> Creates a new gross receipts and compensating tax deduction for “broadband telecommunications network facilities components”, or equipment used by telecommunications companies to supply internet access and related services.	HBIC/HTRC- HBIC-DP- HTRC
HB 143 Little	<b>Income &amp; Sales Tax Deductions: <a href="#">HB 143</a></b>	HCPAC/HTR C-HCPAC

	Eliminates the “add back” of state income or sales tax itemized/deducted for federal income tax purposes.	
HB 140 Alcon	<b>New Mexico Housing Trust Tax Refund Contributions: <a href="#">HB 140</a></b> Provides for taxpayers with personal income tax refunds to dedicate a portion of their refund to the New Mexico Housing Trust Fund.	HCPAC/HTR C-HCPAC
HB 145 Gomez	<b>Physical Therapist Assistant Gross Receipts: <a href="#">HB 145</a></b> Adds physical therapist assistants to the lists of healthcare practitioners eligible for deduction when not sold to individuals or Medicaid	HHHC/HTRC -HHHC
HB 149 Alcon, Rodella, Johnson	<b>Native American Income Tax Settlement Fund: <a href="#">HB 149</a></b> Eliminates the statute of limitations on refunds that can be paid to native American veterans who had income tax withheld that wasn’t owed or claimed timely.	HSIVC/HTR C-HTRC-DP
HB 163 Gentry/Gonz ales/Wirth/N eville	<b>Unimproved Land Property Tax Valuation: <a href="#">HB 163</a></b> Provides for the valuation certain unimproved land at 5% of current and correct value.	HLELC/HTR C-HLELC
HB 168 Townsend/Sc ott/Wooley	<b>Gas Tax Changes: <a href="#">HB 168</a></b> Changes the structure of the gasoline, special fuels, and petroleum products loading fee to be imposed at the rack rather than the present law distributor based system.	HSIVC/HJC/ STRC-HSIVC
HB 191 Gentry	<b>Food &amp; Healthcare Gross Receipts Offsets: <a href="#">HB 191</a></b> Changes GRT hold harmless distribution rules for those municipalities that have not imposed a hold harmless increments limiting the distributions to 85%.	HLELC/HTR C-HLELC
HB 194 Harper	<b>Alternative Evidence for Tax Deductions: <a href="#">HB 194</a></b> Provides that alternative evidence can be used to substantiate deductions requiring most NTTCs, and eliminates some registrations and penalty provisions rendered less useful as a result of the changes.	HTRC-DNP- CS/DP
HB 198 Gonzales	<b>Tax Code Cleanup: <a href="#">HB 198</a></b> Makes various changes and “fixes to income tax apportionment rules, gross receipts and compensating tax structure, changes distributions and impositions, imposes taxes on out of state sellers	HSIVC/HTR C-HSIVC
HB 200 Trujillo/Swe etster	<b>High Wage Jobs Tax Credit Eligibility: <a href="#">HB 200</a></b> Makes significant changes to the requirements including eligibility requirements (JTIP eligibility only), the cap on a qualifying wages is raised to \$150K, while the credit percentage is reduced to the highest income tax rate in effect (presently 4.9%) and the qualifying job can be eligible for the credit for seven years.	HLEDC/HTR C-HLEDC- DP-HTRC- DP-T
HB 201 C Trujillo/Smal l	<b>Make Angel Investment Credit Refundable: <a href="#">HB 201</a></b> Changes the five year carryforward provision in present law of unused credit balances to allowing unused balances to be refunded to the taxpayer.	HLEDC/HTR C-HLEDC- DP-HTRC
HB 206 Harper/Cisne ros	<b>Compensating &amp; Gross Receipts Tax Changes: <a href="#">HB 206</a></b> Repeals numerous GRT and PIT provisions, harmonizes GRT and compensating tax rules, narrows chemical and reagent deduction (GRT)	HBIC/HTRC- HBIC-DNP- CS/DP-HTRC

HB 216 Ely/Rubio	<b>Working Families Tax Credits &amp; Capital Gains: <a href="#">HB 216</a></b> Repeals doubles the current	HTRC-HTRC
HB 220 Strickler/Alc on/Garcia	<b>Reduce Various Coal Taxes: <a href="#">HB 220</a></b> Phases in a gross receipts tax deduction (to 75% over 3 years) for the sale or processing of coal, and reduces the resource, processor's, and coal severance surtax, coal.	HENRC/HTR C-HENRC
HB 222 Rehm	<b>Property Taxes for Certain Seniors: <a href="#">HB 222</a></b> Creates a valuation freeze for those disabled or over 65 and with modified gross incomes of less than \$125K. The freeze is at 2019 property value or year the person meeting the requirements purchases the home.	HRC
HB 223 J Trujillo/C Trujillo	<b>Insurance Premiums Tax Transfer: <a href="#">HB 223</a></b> Effectively transfers the tax collection and distributions responsibilities relative to the insurance premiums tax and surtax, to the Taxation and Revenue Department.	HRC
HB 225 Dow/Leavell	<b>Correctional Facility Gross Receipts: <a href="#">HB 225</a></b> Would allow counties with funded debt service funds to repurpose receipts from the correctional facility gross receipts tax for whatever purpose they desire.	HRC
HB 228 Maestas/Gon zales	<b>Gas Tax Increases &amp; Road Fund: <a href="#">HB 228</a></b> Increases the gasoline and special fuels taxes by 10 cents/gallon, adjusts distributions and	HTPWC/HTR C-HTPWC
HB 232 Thomson	<b>Cigarette Tax Raise &amp; Distribution: <a href="#">HB 232</a></b> Slightly more than triples the tobacco products tax, and includes e-cigarette and other tobacco smoking <i>devices</i> not currently taxable outside the GRT (i.e. pipes, papers, etc.). Also, the proposal almost doubles the cigarette tax.	HRC
HB 238 C Trujillo	<b>Outdoor Water Conservation Gross Receipts: <a href="#">HB 238</a></b> Creates a new gross receipts tax deduction for sale of certain water saving tangible personal property <i>at retail</i>	HSIVC/HTR C-HSIVC
HB 240 C Trujillo, Roch, Dow	<b>Conform Income Tax Act to Federal Changes: <a href="#">HB 240</a></b> Amends present law definitions of base income to conform with changed provisions of federal law allowing an income tax deduction for transfers to an eligible account pursuant to the Stephen Beck, JR., Achieving a Better Life Experience Act of 2014.	HEC/HTRC- HEC
HB 241 C Trujillo, Roch, Dow	<b>Conform Education Trust Act to Federal Changes: <a href="#">HB 241</a></b> Expands state law to allow changes to the federal law to take effect, broadening the scope of the definition of eligible institutions and qualified educational expenses.	HEC/HTRC- HEC
HB 245	<b>"Construction Material" in Gross Receipts: <a href="#">HB 245</a></b>	HTRC/DP/a

L Trujillo/Gentry	Clarifies the definition of construction for purposes of the gross receipts tax to incorporate long standing regulations distinguishing tangible personal property from construction materials/services.	
HB 272 J Trujillo	<b>Change Income Tax Brackets: <a href="#">HB 272</a></b> Adds two new brackets to the existing income tax system: a 6.2% bracket for incomes above \$160K single/\$240K married or HOH; and 6.5% for those earning \$320K for singles, \$480K for married and HOH.	HTRC
HB 284 Scott	<b>Tax Evasion &amp; Fraud: <a href="#">HB 284</a></b> Makes changes to existing fraud provisions. Makes tight	HJC/HTRC- HJC
HB 288 Maestas	<b>Income Tax Act Change: <a href="#">HB 288</a></b> For tax years after 2018, makes the	HTRC
HB 312 Martinez, McCamley, Rubio, Maestas, Armstrong	<b>The Cannabis Taxation and Regulation Act: <a href="#">HB 312</a></b> Creates a Cannabis Taxation and Regulation Act, and a TRD division, to provide a tax and regulatory scheme for cannabis. Also creates funds and distribution rules.	HTRC
SB 17 Cisneros	<b>Gross Receipt for Certain Nonprofits: <a href="#">SB 17</a></b> Adds operators of federally designated national laboratories to the list of exceptions to the general gross receipts tax exemption for nonprofits.	SCORC/SFC- SCORC
SB 15 Cisneros	<b>Tax Refund for National Guard Eligibility: <a href="#">SB 15</a></b> Eliminates language in the distribution rules in the TAA as well as in the tax refund designation language in the personal income tax act that limits contributions and distributions for purposes of assisting NM national guardsmen and their families when deployed overseas.	SPAC/SFC- SPAC
SB 24 O'Neill	<b>Auto Recycler Purchase Info to Tax &amp; Rev: <a href="#">SB 24</a></b> Requires TRD to maintain and make available to auto recyclers a system whereby recyclers can check the stolen status of a vehicle before purchase. Also requires recyclers to electronically report to TRD within 48 hrs of the sale of a vehicle, notice of the sale and other information.	SCORC/SFC- SCORC
SB 25 Morales	<b>Increase Cigarette &amp; E-Cigarette Taxes: <a href="#">SB 25</a></b> Slightly more than triples the tobacco products tax, and includes e-cigarette and other tobacco smoking <i>devices</i> not currently taxable outside the GRT (i.e. pipes, papers, etc.). Also, the proposal almost doubles the cigarette tax.	SEC/SCORC/ SFC-SEC
SB 32 Stewart	<b>Cider Definition and Tax Rate: <a href="#">SB 32</a></b> Amends the definition of cider in the liquor excise tax act to allow for greater alcohol content, and creates a new preferential \$.08/gal tax rate for small wineries producing cider under 10,000 gallons, and \$.28/gal on the next 5K gallons (regular rate: \$.41/gal).	SCORC/SFC- SCORC
SB 49 Sharer	<b>Tax Reform: <a href="#">SB 49</a></b> Eliminate corporate and personal income tax, motor vehicle excise tax, eliminate most GRT exemptions and deductions.	SCORC/SFC- SCORC

SB 68 Cisneros	<b>Tax Code Cleanup and Reporting: <a href="#">SB 68</a></b> Proposes to eliminate some unused GRT and income tax deductions and credits, repeal the chemicals and reagents GRT deduction found in 7-9-65, and require certain taxpayers to separately state deductions or in some cases forego confidentiality, and weaken taxpayer confidentiality provisions to allow for taxpayer confidential information to be shared outside the TRD to certain economists.	SCC
SB 79 Stewart	<b>Solar Market Development Tax Credit: <a href="#">SB 79</a></b> Reinstates retroactively the sun-setted credit and changes program, caps the overall credit program at \$5M, and individual credits are limited to \$9K. Benefits are determined on a phased-in sliding scale of 10% of allowable costs if the system is installed prior to 1/1/21, and is reduced over time to 6% through 2033.	SCORC/SFC- SCORC
SB 99 Burt/Griggs	<b>Aircraft Training Construction Gross Receipts: <a href="#">SB 99</a></b> Creates a new gross receipts tax deduction for construction services performed to implement a fighter aircraft training mission in a Class B county (read: Holloman AFB).	SCORC/SFC- SCORC
SB 109 Baca	<b>Tax Delinquent Property Sales: <a href="#">SB 109</a></b> Requires that <i>all</i> delinquent properties be placed for sale by the PTD, rather than at least one, unless the director and country treasurer enter into a written agreement stating reasons, timing of recovery, and with copies sent to the Secretaries of DFA and TRD.	SCORC/SJC- SCORC
SB 129 Pirtle	<b>Tax Definition of “Food” and SNAP Program: <a href="#">SB 129</a></b> Narrow the definition of food for purposes of the gross receipts tax deduction and SNAP benefits to that which is approved for the federal supplemental nutrition program or woman, infants, and children, plus tortillas and unprocessed meat, poultry and fish.	SCORC/SFC- SCORC
SB 128 Cisneros	<b>Tax Code Cleanup &amp; Reporting: <a href="#">SB 128</a></b> Proposes to eliminate some unused GRT and income tax deductions and credits, repeal the chemicals and reagents GRT deduction found in 7-9-65, and require certain taxpayers to separately state deductions or in some cases forego confidentiality, and weaken taxpayer confidentiality provisions to allow for taxpayer confidential information to be shared outside the TRD to certain economists.	SCORC/SFC- SCORC
SB 154 Morales	<b>Food Gross Receipts Hold Harmless Changes: <a href="#">SB 154</a></b> Changes GRT hold harmless distribution rules for those municipalities that have not imposed a hold harmless increments limiting the distributions to 85%	SCORC/SFC- SCORC
SB 162 Cisneros	<b>Gross Receipts Tax Reporting: <a href="#">SB 162</a></b> Creates a new remote seller/referrer requirement with destination based reporting requirements, imposes gross receipts tax (in new/different ways) on various classes of hospitals, increases the motor vehicle excise tax and amends/narrows the premiums tax in lieu provision	SCORC/SFC- SCORC
SB 177 Smith/Gonzales	<b>Gas Tax, Road Fund &amp; Carlsbad Brine Well: <a href="#">SB 177</a></b>	SCORC/SFC- SCORC

	Increases the gasoline tax by 10 cents, the special fuels tax by 5 cents, adjusts distributions to hold most harmless, sends \$5M to the new state road maintenance fund	
SB 198 Campos	<b>Frontier Communities Investment Tax Credits <a href="#">SB 198</a></b> Creates a new corporate and personal income tax credit for qualified investments in frontier communities. The credit cannot exceed more than \$25K per qualified investment and a taxpayer is limited to \$100K in claims. The credit may be carried forward for up to 3 years, and both tax programs require a certificate of eligibility from the Economic Development Department which is limited to issuing no more than \$750K per year.	SCORC/SFC- SCORC
SB 209 Kernan	<b>Conform 529 Programs to IRS Code: <a href="#">SB 209</a></b> Amends present law definitions of base income to conform with changed provisions of federal law allowing an income tax deduction for transfers to an eligible account pursuant to the Stephen Beck, JR., Achieving a Better Life Experience Act of 2014.	SCC/SEC/SC ORC-SCC
SB 210 Kernan	<b>Conform Education Trust Act to Federal Change: <a href="#">SB 210</a></b> Expands state law to allow changes to the federal law to take effect, broadening the scope of the definition of eligible institutions and qualified educational expenses.	SCC/SEC/SC ORC-SCC
SB 215 Sanchez	<b>Construction Material In Gross Receipts Act: <a href="#">SB 215</a></b>	SCORC/SFC- SCORC
SB 227 Martinez/Cisneros	<b>Insurance Tax for Substance Use Disorder: <a href="#">SB 227</a></b> Adds one hundredth percent to the health insurances premiums surtax to fund substance abuse treatment programs, creates a fund, makes an appropriation and requires the state to produce a plan to address substance use disorders through the healthcare system.	SCORC/SFC- SCORC
SB 231 Munoz	<b>Foster Youth Employment Tax Credits: <a href="#">SB 231</a></b> Creates a new personal and corporate income tax credit for employing qualified foster youths. The credit is \$1/K per job time the fraction of the year worked (20+ hrs/week). The credit may be carried forward up to 3 yrs.	SCORC/SFC- SCORC
SB 257 Campos	<b>Increase Film Credit Aggregate Cap: <a href="#">SB 257</a></b> Increases the present law annual aggregate film credit cap from \$50M to \$60M	SCORC/SFC- SCORC
SB 263 Cisneros	<b>Hospital Gross Receipts: <a href="#">SB 263</a></b> Provides a 50% deduction for hospital receipts and subjects them to state only gross receipts tax, imposes the GGRT on government hospitals, and amends the GRT exemption for nonprofits to exclude hospitals. Also amends tax revenue distribution rules to conform to the changes.	SCORC/SC- SCORC

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## DON'T FORGET THE PRINCIPLES



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

State and local taxes should be adequate to provide an appropriate level of those goods and services best provided by the public sector, such as education, public safety, law enforcement, streets and highways, and the courts.

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

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## TAX QUOTABLES

“For every tax problem there is a solution which is straightforward, uncomplicated-and wrong.”

~ *anonymous*

“The peasant is the foundation of the state and must be governed with care. He must be allowed neither too much, nor too little, but just enough rice to live on and keep for seed in the following year. The remainder must be taken from him in tax.”

~ *Honda Masanobu*

“What is needed is a form of tax which not only spares the small man at the expense of his wealthier rival, but actually subsidizes the small man where subsidy is necessary.”

~ *Hilaire Belloc, The Crisis Of Civilization*

“I hate paying taxes. But I love the civilization they give me”

~ *Oliver Wendell Holmes Sr.*

“An unlimited power to tax involves, necessarily, a power to destroy; because there is a limit beyond which no institution and no property can bear taxation.”

~ *John Marshall*

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



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

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

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