

# ***Tax Matters***

*The Newsletter of the New Mexico Tax Research Institute*

Issue No. 2015-04

February 15, 2015

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

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

Views expressed in this publication are those of the editorial staff unless otherwise indicated. They do not necessarily reflect the views of any member or members of the New Mexico Tax Research Institute. Nothing in this publication is intended to be nor should be construed as offering tax advice. No tax planning decision should be made without consulting your professional tax advisor. All rights reserved. No material in this publication may be reproduced or redistributed without the express written permission of the New Mexico Tax Research Institute.

© 2015 NMTRI

## **IN THIS “60-DAY SESSION PRESIDENTS DAY” ISSUE OF *TAX MATTERS*:**



- **Into the Legislative Session**
- **List of Tax Related Introduced Legislation**
- **Don't Forget the Principles - Redux**
- **Tax Quotable**

## INTO THE LEGISLATIVE SESSION – IT BEGAN JANUARY 15, 2015



The 2015 Regular Session of the New Mexico Legislature convened at noon on Tuesday, January 20, and ends at noon (or somewhere thereabouts) on March 21. The deadline for bill introduction is February 19. Legislation not acted on by the governor is pocket vetoed on April 10. The effective date of legislation that's not a general appropriation bill, a bill carrying an emergency clause or other specified effective date takes

effect on June 19. Being a "long" or 60-day session, non-budgetary legislation and items not related to the budget are fair game and not limited by the call of the Governor as they are in short 30-day sessions. It is expected to be a very busy session, as high profile and contentious issues in the wake an election cycle that re-installed Governor Martinez, not to mention the significant turnover in the House membership – not to mention the change in the majority status as Republicans, who are now in the majority, have been the minority for over 60 years – may make things harder but more interesting.

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

For several years now bills could be "pre-filed", or introduced before the start of the session (meaning we have more bills in the hopper in the beginning of the session than we would without pre-filing). House members pre-filed 144 bills, while Senate members pre-filed 207 bills (usually you see more bills from House members but the turnover may well account for apparent shift). With the House and Senate adding a little over 100 bills combined since this time last week, the pace of bill introduction has definitely slowed. There are presently 439 House and 564 Senate bills introduced thus far. They can and will keep coming – until the 19<sup>th</sup> that is. It should be noted with 28 more members than the Senate, the House has been quite restrained with fewer bills introduced than the House. That's not the norm but might be attributable to the large number of new members. The 2015 legislative bill locator, which is a list of all bills, resolutions, and memorials introduced in the House or Senate, can be found [here](#). 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 or office.

### Consensus Revenue Forecast Revised



We've been mentioning that declining oil and natural gas prices were likely to negatively impact the budget, but we utterly forgot to mention last Sunday that the forecast was in fact revised downward. It wasn't all bad news as the forecasts for gross receipts and compensating taxes, motor vehicle excise tax, and corporate and personal income taxes were all revised upward, providing some offset to the hickeys the forecast

was otherwise taking from oil and gas revisions. That said, “new money” available to the legislature beyond prior year levels in FY16 is \$83.2M – less than 1.5% of FY15 levels.

*[NMTRI note that means from a fiscal perspective, the legislature can do little but turn on the lights of the public schools and other state operations, and go home. A few priorities of the governor and legislature will pass, but there’s really no money for tax significant tax proposals to pass if they cost money, and the likelihood of significant tax increases to provide money for tax reductions or other spending is highly unlikely. Our crystal ball – which hasn’t yet turned into shards of glass – suggests a few minor/narrow tax provisions may pass but that will be it.]*

## This Week’s Roundup



Things are continuing to move – although certainly not at would be described a frenetic pace. Bills are steadily moving through committees. There’s been only one bill to pass both houses thus far (and the only bill thus far to pass the Senate at all), House Bill 1, which is known as the “feed bill” and funds the legislative session. There are twelve bills that have passed the house so far, including those on hot button issues like driver’s licenses for illegal aliens and third grade social promotion. Only one tax bill in that twelve is a tax proposal: Rep. Carl Trujillo’s [HB 204](#), which increases liquor tax distribution percentages to the local DWI grant fund from 41.5% to 46% until June 2018, after which it returns to 41.5%.

The House is particular appears to have set out to run more smoothly and on time under their new leadership, and thus far they have managed to do just that. Committee assignments do appear a bit on the inconsistent side, with some tax related proposals being assigned to House Appropriations and Finance that don’t contain appropriations, but most aren’t and it’s hard to find a common thread. Another inconsistency appears to be a more frequent disparity than usual in LFC and TRD FIR’s on tax bills.

We’ve been speaking of the expected array of proposals regarding economic development incentives, general tax increase and decrease proposals, state and local government finance issues, and socially targeted relief such as credits for the working poor or veterans for various sub-groups of veterans. All have been realized of course, and they continue to come.

If we wanted to spend more we’d have to raise more taxes. One of the more interesting proposals to do that that’s not a reread of prior year proposals is Senator Candelaria’s [SB 561](#): ***Corporate Tax for Preschool Programs***. The name is misleading as it is imposed on all business entities in the amount of one dollar per hour of wages paid by the business that when annualized would result in an annual salary that would be below 200% of the federal poverty level for a family of three. It also provides for Qui Tam like and other suits by employees and others.

*[NMTRI note: while likely intended to provoke a conversation of income inequality and minimum wage, as drafted the proposal appears to attempt to measure its tax on all wages paid below the threshold by the “employer corporation” regardless of in the state or not, most certainly rendering it unconstitutional. That may have been unintended. Proposals that provide for such broad and different administration should come with significant appropriations for the*

*Taxation and Revenue Department as the administrative implications are both important and financially significant].*

Of course there are new tax cut proposals out there, and they're also highly unlikely to occur. Representative Little proposes to undo the personal income tax add-back of state and local taxes paid to state and local governments (see [HB 372](#)). This would reverse the 2010 action that imposed it. It would spend half of the state's new money and the benefit would be realized by upper-middle and upper income households, while making the personal income tax less progressive. Representative Crowder proposes to broaden the exception for food with a new gross receipts tax deduction for food sold in coin-operated vending machines by businesses with less than two million in gross revenues. There are other ways to reduce tax burdens, such as tax credits. Representative Maestas-Barnes introduced her [HB 358](#), which would create a personal income tax deduction for taxpayers with "business income" (schedule C or K-1) less than \$350K and for which the underlying business(s) employ at least one full time employee. The credit phases down from in 50K increments from 100% for the first \$50K to 10% for the seventh \$50K.

*[NMTRI note: proposals are good or bad from a policy perspective, it's important to get the details right. Rep. Little's proposal is technically ok but makes New Mexico's system more regressive as a whole. Most states have add-backs but a couple that don't border NM. That said, if the objective is to reduce income taxes, perhaps the state would receive a better PR bang if the same money was used to reduce the rate, as at least that would be noticed by AARP and others.*

*Cons around the repeal of food taxes and the problems created thereby aside, the limitation to small businesses under \$2 million in gross revenue found in Rep. Crowder's deduction for sales of food from coin-operated vending machines can be circumvented so easily it shouldn't be considered anything but aspirational window dressing. It also requires in statute that the vending machine be "coin-operated" to qualify, eliminating the benefit to newer non-coin vending machines. Neither was likely intended.*

*Rep. Maestas-Barnes credit contains an employment requirement in an apparent effort to minimize some of the collateral damage experienced by Kansas and their ill-fated effort to eliminate tax on some pass-through entities – resulting not only in massive distortion but also an embarrassing benefit to non-job creating investment partnerships. The employment requirement in this proposal is quite tepid, one FTE potentially being met by a couple of part-time dependents or other relatives. It also increases the credit base with state and local interest earned – effectively the state is increasing the taxpayer's interest income by up to 25% - the policy for that or giving a credit for interest income at all is unclear. It also potentially allows credit to be earned that will be applied to NM taxes on income earned out of state and not subject to NM income tax – also likely not intended.*

*It's harder to make what you intend happen and avoid the hazard of unintended consequences than most people think, especially when it's the complicated matter of drafting tax legislation. The fact that the process takes time is good in that regard, as it helps to further the objective of passing workable legislation that achieves the intended purpose.]*

## Government In-Fighting Continues



If you've paid attention, there's several bills already that seem to be dealing with municipal and county governments that relate to tax distributions. The reasons are varied and similar efforts failed in the last legislative session. One big reason is that one of the primary funding mechanisms of 2013's "tax package", aka HB 641, was a phase-out of "hold harmless" tax distributions originally implemented to make up for the elimination of

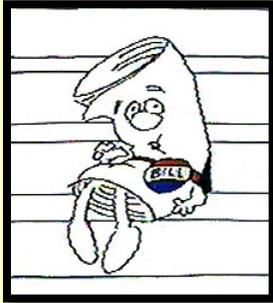
tax on food and medical services by the Richardson administration. The phase-out included additional tax increase authority of up to 6/8% for local governments to offset the hold harmless distributions. Although the phase-out has not yet begun and the phase-out takes 15 years to complete, the provisions were not without technical complications and unintended consequences, including perverse incentives to raise gross receipts taxes sooner rather than later. Sen. Munoz has two different proposals – and different from last year's – to hold Gallup and McKinley County harmless from the 2013 phase-out (see [SB 266](#) and [SB 555](#)). We wouldn't be surprised to see something similar to SB 555 introduced in the House, perhaps again by Rep. Lundstrom. Senator Neville has a new hold harmless "fix" in the hopper again this year ([SB 101](#)), as does again Rep. Harper in his [HB 421](#). Both proposals reduce the incentive for local governments to impose their hold harmless tax increments early, although the Neville proposal is more abrupt. Both are likely evolving works in progress.

*[NMTRI note: to prevent future problems and self-inflicted fiscal wounds of various kinds, the hold harmless legislation should be fixed, although special case exceptions should be well justified. Since the current consensus suggests it's politically unfeasible to simply unwind the mistakes of the past creating the problem, we'll be stuck with some sub-optimal band-aid for a fix as a result. Still, a partial fix if properly designed is better than none at all.]*

### Thanks for Reading!

Join us weekly through the session as we try to provide balanced policy analysis, commentary (occasionally pithy) and discussions of the tax and budget proposals that implicate tax policy in New Mexico. We'll have a lot more of that this year.

**Bills with significant tax or revenue implications introduced in 2015 Legislative Session:**



Note – in the table below, if no effective date is mentioned, the bill lacks one and would take effect upon enactment, June 19, 2015. Effective date for GRT and other non-income tax bills is July 1, 2015 unless otherwise noted. Income Tax bills are effective tax years beginning on or after January 1, 2016 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 16 McCamley	<b>Surtax on Certain Corporations</b> <a href="#">HB 21</a> Imposes a 1% Corporate Income Tax surtax on corporations that pays its chief executive or other senior officers more than 100% of the average annual salary of all other non-upper management employees.	HRPAC/HW MC-HRPAC
HB 18 McCamley	<b>Separate Tax Deductions &amp; Exemptions:</b> <a href="#">HB 18</a> Creates separate reporting requirements for some of the Gross Receipts and Compensating Tax Act exemptions and deductions	HHC/HEENC /HBEC/HTP WC/HWMC- HHC
HB 21 Caballero	<b>Phased-in Supplemental Income Tax:</b> <a href="#">HB 21</a> Imposes an additional 0.3% tax on single individuals, married filing separately, and estates and trusts on taxable income in excess of \$100K in 2016. Married filing joint, surviving spouse and heads of households would be taxed at the same rate on taxable income in excess of \$150K. The tax rate would increase to 0.5% for taxable years beginning on or after January 1, 2017, to 0.8% in 2018, and 1.0% in 2019 and the years thereafter.	HRPAC/HW MC-HRPAC
HB 39 J Trujillo	<b>Tax Refunds for Senior Services:</b> <a href="#">HB 39</a> 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.	HTPWC/HW MC-HTPWC
HB 40 J Trujillo	<b>Electric Vehicle Income Tax Credit:</b> <a href="#">HB 40</a> Until January 1, 2021, 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. The program is capped at \$2M/yr. Also creates for the same period a personal and corporate income tax credit for the purchase and installation of electric vehicle charging units in an amount not to exceed \$3K (\$5K if solar powered). The program is capped at \$1M/yr.	HTPWC/HEE NC/HJC- HTPWC
HB 42 Youngblood	<b>Include E-Cigarette in Tobacco Products Act:</b> <a href="#">HB 42</a> Subjects e-cigarette <i>devices</i> to the Tobacco Products Tax Act.	HHC/HJC- HHC

HB 58 Gonzalez	<b>Increase Gas Tax for State Road Fund: <a href="#">HB 58</a></b> By 1 cent per gallon per year over 5 years, increases gasoline and special fuels tax (diesel) by 5 cents per gallon (from \$.17 - .22 and .21-.26/gal, respectively), adjusts/reduces other road fund distributions.	HTPWC/HW MC/HAFC- HTPWC
HB 64 Carl Trujillo	<b>Home Energy &amp; Water Efficiency Tax Credit: <a href="#">HB 64</a></b> Until 1/1/2022, creates a one-time personal income tax credit (available 2017/2018 for water or energy efficiency. The credit is a sliding scale of fixed dollar benefit (\$1200-\$4000 for energy; \$200-\$1000 for water) for efficiency improvement percentages of 15-35%+.	HEENC/HW MC-w/o rec- HWMC
HB 67 Carl Trujillo	<b>Property Tax Schedule Change Requests: <a href="#">HB 67</a></b> Expands authority of the county treasurers to correct obvious errors made by the assessors (i.e. name, address, description, data entry of values, etc.) <i>Endorsed by the interim Revenue Stabilization and Tax Policy Committee.</i>	HEC/HWMC- HEC-DP- HWMC
HB 70 Williams Stapleton	<b>Extend Solar Market Development Tax Credit: <a href="#">HB 70</a></b> Extends the current sunset of the Solar Market Development Tax Credit from 12/31/2016 to 12/31/2020.	HEENC/HW MC-HEENC- DP-HWMC
HB 72 Christine Trujillo	<b>Long-Term Care Insurance Tax Credit: <a href="#">HB 72</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.	HHC- HWMC-HHC
HB 94 Larranaga	<b>U.S. Dept. of Energy Gross Receipts: <a href="#">HB 94</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.	HGEIC/HW MC-HGEIC- DP-HWMC
HB 110 McCamley	<b>New Tax Bracket &amp; Income Tax Rates: <a href="#">HB 110</a></b> Expands current income tax brackets and creates a new 5.9% bracket for taxable incomes in excess of \$60K (single), \$90K (married, HOH), and \$45K (MFS).	HRPAC/HW MC-HRPAC
HB 112 Gonzales	<b>Define Agricultural Property Tax: <a href="#">HB 112</a></b> Expands the definition of “agricultural use” for property tax purposes to include land used to raise or keep horses and certain resting of land. <i>Endorsed by the interim Revenue Stabilization and Tax Policy Committee</i>	HAWC/HW MC-HAWC- DP/a-HWMC
HB 137 Garcia	<b>Reduce Income Tax &amp; Create New Brackets: <a href="#">HB 137</a></b> Reduces rates in existing income tax brackets and creates three new brackets on higher incomes (with the first new bracket going as high as income of up to \$250K in the case of joint filers) with rates of 4.6, 6, and 7.1% respectively.	HRPAC/HBE C-HRPAC
HB 135 Gallegos	<b>Delinquent Property Tax Electronic Levy: <a href="#">HB 135</a></b> Provides authority for electronic levies to be served on financial institutions.	HBEC/HWM C-HBEC
HB 158 McCamley	<b>Gross Receipts Rate &amp; Deductions: <a href="#">HB 158</a></b> Reduces the GRT statewide rate by 5.125 to 5.025 and repeals several	HRPAC/HW MC-HRPAC

	GRT deductions including those for stadium surcharge, space vehicle fuel, publications, newspapers, hospitals, software development services, sales to film producers, and the “sales tax holiday”.	
HB 200 Ezzell	<b>Live Horse Racing Gaming Tax Credit: <a href="#">HB 200</a></b> Creates a credit against gaming tax in the amount of \$12,500 per racing day for small racinos, and 7,500 for those who paid more than \$10M in gaming tax in the prior year.	HAWC/HW MC-HAWC
HB 204 Carl Trujillo	<b>Liquor Excise Tax Distributions: <a href="#">HB 204</a></b> Increases distribution percentage to the local DWI grant fund from 41.5% to 46% until 6/18, after which it returns to 41.5%	HWMC-DP
HB 210 James	<b>Pollution Control Equipment Gross Receipts: <a href="#">HB 210</a></b> Creates a GRT exemption for pollution control equipment.	HGEIC/HW MC-HGEIC
HB 216 J Trujillo	<b>Assignment of Film Production Tax Credits: <a href="#">HB 216</a></b> Provides for the assignment of film credits to financial institutions provides they have a legal tax filing obligation in New Mexico.	HBEC/HWM C
HB 218 Gallegos/C Sanchez	<b>Delinquent Tax Electronic Levy Warrants: <a href="#">HB 218</a></b> Provides authority for electronic levies to be served on financial institutions.	HWMC
HB 219 Zimmerman	<b>Out-of-State Event Gross Receipts: <a href="#">HB 219</a></b> Modifies the imposition of the governmental gross receipts tax to clarify the activities it is imposed upon occur in New Mexico.	HGEIC/HW MC-HGEIC
HB 229 Carl Trujillo	<b>Combat Veterans Income Tax Deduction: <a href="#">HB 229</a></b> Provides a 100% deduction from income tax for all income earned by a combat veteran.	HGEIC/HW MC-HGEIC
HB 230 Carl Trujillo	<b>Tech Jobs &amp; Research &amp; Development Tax Credit: <a href="#">HB 230</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.	HBEC/HWM C-HBEC- DP/a-HWMC
HB 239 Christine Trujillo	<b>Repeal Capital Gains from Net Income: <a href="#">HB 239</a></b> Repeals the 50% deduction from personal income tax for capital gains, effective 2016.	HGEIC/HBE C-HGEIC- w/drn-ref- HWMC/HAF C-HWMC
HB 259 J Trujillo	<b>Certain Physician Gross Receipts: <a href="#">HB 259</a></b> Expands the GRT deduction for healthcare practitioners to include deductibles paid to physicians, osteopaths, and podiatrists (only).	HHC/HWMC /HAF-C-HHC
HB 261 Powdrell- Culbert	<b>Angel Investment Credit Minimum Investments: <a href="#">HB 261</a></b> Increases the amount of qualifying investment from \$100-250K, increases the annual program cap to \$2M, and extends the credits sunset to 2025.	HWMC/HAF C-HWMC
HB 262 Lundstrom	<b>Gas Tax &amp; Road Projects: <a href="#">HB 262</a></b> Rises the gasoline tax from 17 to 19 cents per gallon and then indexes it beginning 2017. Also raises the special fuels tax from 21 to 23 cents per year and indexes future increases. Also reduces distribution percentages to non-road fund beneficiaries.	HTPWC/HW MC/HAF-C- HTPWC

HB 275 Armstrong	<b>Separate Reporting of Tax Expenditures: <a href="#">HB 275</a></b> Requires persons who reduce their tax liabilities with “tax expenditures” to separately state each “expenditure” on the person’s return.	HBEC/HWM C-HBEC
HB 279 Strickler	<b>Reduce Corporate Income Tax Rates: <a href="#">HB 279</a></b> Changes the final CIT rate for incomes above 500K to 4.9% in tax year 2018 (the rates are currently being phased down to 5.9% in 2018)	HBEC/HWM C-HBEC
HB 286 James	<b>Single Sales Factor For Corporate Income: <a href="#">HB 286</a></b> Expands the existing phasing in single sales factor election for manufacturers to include “headquarters” and regional back office operations to qualify for the election.	HBEC/HWM C/HAFC- HBEC
HB 293 Maez	<b>Increase Working Families Tax Credit: <a href="#">HB 293</a></b> Increases the WFTC from 10% of the Federal EITC to 12.5% in 2015 and 15% in taxable years 2106 and beyond.	HWMC/HAF C-HWMC
HB 296 Maestas- Barnes	<b>Solar Energy Installation Lease Tax Credit: <a href="#">HB 296</a></b> Expands the solar market development tax credit to include leases of solar photovoltaic and thermal solar systems, rather than just purchases as provided for in present law.	HEENC/HW MC/HAFC- HEENC
HB 301 Maestas- Barnes	<b>Outdoor Water Conservation Gross Receipts: <a href="#">HB 301</a></b> Creates a new GRT deduction for the sales “water saving tangible personal property” to non-business consumers. The deduction would only be available from March 1 – March 8.	HAWC/HW MC-HAWC
HB 302 Adkins	<b>Uniformed Service Retiree Tax Deduction: <a href="#">HB 302</a></b> Creates a new personal income tax deduction for uniformed military retirement or retainer pay, not to exceed \$50K.	HWMC/HAF C-HWMC
HB 323 Rehm	<b>County Hospital Funding Property Tax Levy: <a href="#">HB 323</a></b> Significantly reduces the maximum mill levy rates that can be imposed my Class A counties (Bernalillo) for county hospital funding (UNMH). Provides authority for a voter imposed levy not to exceed 1 mill for up to eight years for the safety net care pool.	HHC/HJC/H WMC-HHC
HB 325 Egolf	<b>Remove Some TV Shows From Film Tax Credit Cap: <a href="#">HB 325</a></b> Removes the annual \$50M cap for series productions, leaving it solely applicable to stand-alone productions.	HBEC/HWM C-HBEC
HB 326 Gonzales	<b>Lodger’s Tax Audits: <a href="#">HB 326</a></b> Allows municipalities to outsource lodgers’ tax audits and use that contractor to bring actions against taxpayers.	HGEIC/HBE C/HWMC- HGEIC
HB 333 Strickler	<b>Equal Opportunity Scholarship &amp; Tax Credits: <a href="#">HB 333</a></b> Creates a 25% personal and corporate income tax credit for contributions to a 501(c)(3) that is a tuition scholarship organization.	HEC/HWMC- HEC
HB 337 Strickler	<b>Rural Infrastructure Tax Credit: <a href="#">HB 337</a></b> Creates	HTPWC/HW MC-HTPWC
HB 344 Scott	<b>Change Certain Tax Filing Due Dates: <a href="#">HB 344</a></b> Provides for electronic filing of corporate income tax and pass-through entity returns, and extends the return and payment due date to the end of the month for those that do so.	HWMC
HB 358 Maestas-	<b>Small Business Income Tax Deduction: <a href="#">HB 358</a></b> Creates a personal income tax deduction for taxpayers with “business	HWMC/HAF C-HWMC

Barnes	income” less than \$350K and for the underlying business(s) employ at least one full time employee. The credit phases down from in 50K increments from 100% for the first \$50K to 10% for the seventh \$50K	
HB 368 Crowder	<b>Vending Machine Gross Receipts:</b> <a href="#">HB 368</a> Creates a new gross receipts tax deduction for food sold in coin operated vending machines by businesses with less than \$2M in gross annual revenue.	HWMC/HAF C-HWMC
HB 372 Little	<b>Deductions as Tax “Net Income”:</b> <a href="#">HB 372</a> Removes the add back of itemized state and local taxes deducted for federal income tax purposes - to net income for state tax purposes.	HBEC/HWM C-HBEC
HB 396 James	<b>Remittance of Governmental Gross Receipts:</b> <a href="#">HB 396</a> Provides for a pro rata return of unexpended GGRT, based on GGRT paid, to the GGRT taxpayers.	HGEIC/HW MC-HGEIC
HB 406 J Trujillo	<b>Estate or Trust Distribution Tax Deduction:</b> <a href="#">HB 406</a> Creates an income tax deduction for distributions from trusts to nonresident beneficiaries, except income from real estate, oil and gas interests, and water rights.	HSCAC/HW MC-HSCAC
HB 421 Harper	<b>Local Gov’t Gross Receipts &amp; Hold Harmless:</b> <a href="#">HB 421</a> Limits hold harmless distributions to reduce incentive to impose hold harmless increments provided in 2013 earlier than necessary to replace lost revenue and to prevent “double dipping”.	HGEIC/HW MC-HGEIC
SB 7 Cisneros/Car l Trujillo	<b>Hydrogen Fuel Production Tax Credit:</b> <a href="#">SB 7</a> Creates a corporate income tax credit in an amount equal to generation costs, but not to exceed \$1/kilogram for the for the first 4 million kilograms of hydrogen sold by a qualified fuel generator or resource generator.	SCORC/SCO NC/SFC- SCORC-DP- SCONC
SB 9 Cisneros/Go nzales	<b>Electric Vehicle Income Tax Credit:</b> <a href="#">SB 9</a> Until January 1, 2021, 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. The program is capped at \$2M/yr. Also creates for the same period a personal and corporate income tax credit for the purchase and installation of electric vehicle charging units in an amount not to exceed \$3K (\$5K if solar powered). The program is capped at \$1M/yr.	SCONC/SCO RC/SFC- SCONC-DP- SCORC
SB 56 Wirth	<b>Unitary Corporation Combined Tax Reporting:</b> <a href="#">SB 56</a> Deletes recent language requiring retailers to file on a unitary combined basis and requires all corporations to that are unitary to file on a unitary combined basis.	SCORC/SFC- SCORC
SB 57 Wirth	<b>Unitary Corp Restaurant Reporting:</b> <a href="#">SB 57</a> Adds a section similar to the retailer provision requiring corporations that are restaurants and unitary to file corporate income tax on a unitary combined group basis.	SCORC/SFC- SCORC
SB 75 Cotter	<b>Limit Spaceport Bond &amp; Tax Authority:</b> <a href="#">SB 75</a> Effectively reduces the budget of Spaceport America by limiting the use	SCORC/SFC- SCORC-DP-

	of 75% of Spaceport GRT revenue for payment of bonds and interest only, limits the ability to issue new bonds, and eliminates the ability to impose Spaceport GRT increments anywhere in NM.	SFC
SB 77 Cotter	<b>Income Tax Exemption Requirements: <a href="#">SB 77</a></b> Reduces the present law threshold for the exemption from personal income tax for those 100 years of age and over, to 97 years of age and over.	SCORC/SFC- SCORC
SB 99 Cisneros/Go nzales	<b>Cybersecurity Device Gross Receipts: <a href="#">SB 99</a></b> Creates a GRT deduction until June 30, 2025 for the sale of cybersecurity device that is a port locking device, a port monitoring device, or port monitoring software. <i>Endorsed by the interim Revenue Stabilization and Tax Policy Committee.</i>	SCORC/SFC- SCORC
SB 101 Neville	<b>Gross Receipts &amp; Hold Harmless Tax Changes: <a href="#">SB 101</a></b> Reduces the statewide GRT rate by one quarter percent and authorizes additional rate authority (and in smaller increments) for local governments.	SCORC/SFC- SCORC
SB 104 Sharer	<b>Installments for Delinquent Property Taxes: <a href="#">SB 104</a></b> Allows county treasurers to act as agents for the states in collecting delinquent property tax payments from installment agreements. <i>Endorsed by the interim Revenue Stabilization and Tax Policy Committee.</i>	SCORC/SPA C-SCORC
SB 105 Martinez	<b>County Gross Receipts for School Improvements: <a href="#">SB 105</a></b> Allows Class B counties (counties besides the largest five, De Baca, Harding and Los Alamos), with populations less than 45K to impose a 3/4% GRT increment for the purpose of paying penalty and interest on revenue bonds issues for purposes of funding certain public and charter school capital spending. The increment would be subject to voter approval.	SEC/SFC- SEC
SB 112 Cisneros	<b>Define Agricultural Use for Property Tax: <a href="#">SB 112</a></b> Expands the definition of “agricultural use” for property tax purposes to include land used to raise or keep horses and certain resting of land. <i>Endorsed by the interim Revenue Stabilization and Tax Policy Committee.</i>	SCORC/SFC- SCORC
SB 114 Griggs	<b>Local Gov’t Special Fuels Taxes: <a href="#">SB 114</a></b> Would allow counties that can imposes a municipal gasoline tax to also impose a municipal special fuels (diesel) tax in 1 cent increments up to 2 cents.	SCORC/SFC- SCORC
SB 117 Rodriquez	<b>Sunset County Gross Receipts Safety Pool: <a href="#">SB 117</a></b> Eliminates the GRT transfer from counties GRT to the state’s safety net care pool in 12/2018.	SPAC/SFC- SPAC
SB 131 Stewart	<b>Local Gov’t IRB Notices &amp; Impacts: <a href="#">SB 131</a></b> Changes and adds notification requirements for Industrial Revenue Bond project proposals to include all property tax beneficiaries (entities with taxing authority), requires taxpayer funded studies of impacts to school districts, and requires payments in lieu of taxes be negotiated to the satisfaction of the school district for those projects deemed to have a	SEC/SFC- SEC

	“significant impact” on the school district.	
SB 201 Sapien	<b>School Bus Fuel Gross Receipts: <a href="#">SB 201</a></b> Creates an exemption from gross receipts and compensating tax for fuel used in school buses.	SEC/SFC- SEC
SB 214 Leavell	<b>Motor Vehicle Tax to Road Fund: <a href="#">SB 214</a></b> Phases in over four years a redirection of motor vehicle excise tax revenues from the general fund to the road fund.	SCORC/SFC- SCORC
SB 240 Griego	<b>Live Horse Race Gaming Tax Credit: <a href="#">SB 240</a></b> Creates a credit against gaming tax in the amount of \$12,500 per racing day for small racinos, and 7,500 for those who paid more than \$10M in gaming tax in the prior year.	SCORC/SFC- SCORC
SB 242 Griego	<b>Renewable Energy Tax Credit Changes: <a href="#">SB 242</a></b> Makes changes to rates of credit, amount allowed, other technical changes, adds geothermal as a qualifying generator.	SCONC/SCO RC/SFC- SCONC
SB 261 Candelaria	<b>Increase Working Families Tax Credit: <a href="#">SB 261</a></b> Increases the rate of the working families tax credit from 10 to 12.5% of the federal EITC in 2015, and 15% in 2016 and thereafter.	SPAC/SFC- SPAC
SB 265 Munoz	<b>Liquor Tax Proceeds For Homeless: <a href="#">SB 265</a></b> Allows local governments to amend or create ordinances that provide no less than \$100K in local liquor excise tax revenues for winter homeless shelters.	SPAC/SFC- SPAC
SB 266 Munoz	<b>Exclude Certain Counties from Hold Harmless: <a href="#">SB 266</a></b> Creates an exception to the county hold harmless distribution reductions in the case of counties who have not imposed hold harmless increments and seen tax base growth below 11.7%	SPAC/SFC- SPAC
SB 271 Munoz	<b>Out-of-State Event Gross Receipts: <a href="#">SB271</a></b> Modifies the imposition of the governmental gross receipts tax to clarify the activities it is imposed upon occur in New Mexico.	SCORC/SFC- SCORC
SB 274 Smith	<b>Hold Harmless &amp; Fund Deduction Changes: <a href="#">SB 274</a></b> Reduces the statewide GRT and compensating tax rate to 5%, increases the working families, repeals the hold harmless distribution, changes the GRT deduction for food to a credit, and increase local government GRT rate authority.	SCORC/SFC- SCORC
SB 279 Wirth	<b>Sustainable Building Tax Credits: <a href="#">SB 279</a></b> Increases aggregate cap amounts and changes/adds categories for purposes of the credit. The proposal also reduces the amount of the credit in the residential category and creates a credit with water conservation requirements.	SCORC/SFC- SCORC
SB 280 Wirth	<b>Water Harvesting Income Tax Credit: <a href="#">SB 280</a></b> Creates a personal income tax credit for the purchase of qualified water harvesting equipment not to exceed \$5K. The program is capped at \$2M/yr and claims are to be processed when received.	SCONC/SCO RC/SFC- SCONC
SB 281 Wirth	<b>Income for Tax Purposes Act Changes: <a href="#">SB 281</a></b> Strikes present law language providing that services and intangibles be sourced on a greater of cost of performance basis and inserts language	SCORC/SFC- SCORC

	requiring apportionment on a destination basis, creating a “market based sourcing” rule.	
SB 302 Munoz	<b>Admin &amp; Accounting Svc Gross Receipts: <a href="#">SB 302</a></b> Slightly expands the control test for purposes of the GRT deduction for the sale of administrative services to affiliates allowing a to take the deduction if they are 50% controlled OR owned. Both are required under present law.	SCORC/SFC- no rec – SFC
SB 316 Burt	<b>Uniformed Service Retiree Tax Deduction: <a href="#">SB 316</a></b> Creates a personal income tax deduction in an amount not to exceed \$50K for military pension income received by a uniformed service retiree or his/her spouse.	SCORC/SFC- SCORC
SB 332 Cervantes	<b>Border Zone Trade-Support Gross Receipts: <a href="#">SB 332</a></b> Resurrects (from 7/15-7/21) the GRT deduction for trade support services that locate open/locate and employee at least two people. A taxpayer may take the deduction for five years.	SCORC/SFC- SCORC
SB 337 Campos	<b>Small Business Investment Tax Credit: <a href="#">SB 337</a></b> Creates a personal income tax credit for small business investments not to exceed \$250K. A taxpayer may make up to five qualified investments in different businesses per yer. The program is capped at \$2M annually, and claims are processed and approved in the order received by the Economic Development Department.	SCORC/SFC- SCORC
SB 346 Sharer	<b>Tax Reform: <a href="#">SB 346</a></b> Reduces the GRT rate, repeals numerous exemptions and deductions, the compensating tax and many other tax programs.	SCORC/SFC- SCORC
SB 347 Moores	<b>Natural Gas Motor Vehicle Tax Credits: <a href="#">SB 347</a></b> Creates and new GRT deduction for the purchase and installation of natural gas equipment on a vehicle. Creates personal and corporate income tax credits for the purchase or lease of qualified natural gas vehicles, and exempts natural gas vehicles from the motor vehicle excise tax.	SCORC/SFC- SCORC
SB 349 Cervantes	<b>Student Loan Interest Tax Deduction: <a href="#">SB 349</a></b> Creates a personal income tax deduction not to exceed \$2000 for student loan interest that is deductible for federal income tax purposes.	SCORC/SFC- SCORC
SB 356 Candelaria	<b>Tax Administrative Hearings Office: <a href="#">SB 356</a></b> Moves the Taxation and Revenue Hearings Bureau to the Department of Finance and administration. Provides for a bi-partisan nomination process to provide names to the governor, who would appoint the chief hearing officer for a period of six years.	SPAC/SJC- SPAC
SB 373 Candelaria	<b>Student Loan Interest Income Deduction: <a href="#">SB 373</a></b> Creates a personal income tax deduction not to exceed \$2000 for student loan interest that is deductible for federal income tax purposes.	SCORC/SFC- SCORC
SB 386 Ingle	<b>Prevent Double Taxing of Certain Gas: <a href="#">SB 386</a></b> Expands existing refund authority in the Special Fuels and Gasoline Tax Acts to include situations where rack terminals	SCORC/SFC- SCORC
SB 391 Stewart	<b>Extend Solar Market Development Tax Credit: <a href="#">SB 391</a></b> Extends the sunset provision in the solar market development tax credit	SCONC/SCO RC/SFC

	from 12/2016 to 12/2020.	
SB 394 Smith	<b>Increase &amp; Index Gas Tax for Road Fund: <a href="#">SB 394</a></b> Rises the gasoline tax from 17 to 19 cents per gallon and then indexes it beginning 2017. Also raises the special fuels tax from 21 to 23 cents per year and indexes future increases. Also reduces distribution percentages to non-road fund beneficiaries.	SCORC/SFC- SCORC
SB 402 Griego	<b>Delete Some Occupancy Tax Exemptions: <a href="#">SB 402</a></b> Removes the exception for vendors who don't offer at least three rooms on the premises or three other premises or any combination thereof within the taxing jurisdiction.	SCORC/SFC- SCORC
SB 413 Clemente Sanchez	<b>Angel Investment Minimum &amp; Sunset: <a href="#">SB 413</a></b> Extends the 2016 sunset provision to 2025 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 awarded from \$750K to \$2M, and eliminates the restrictions on partnership investment.	SCORC/SFC- SCORC
SB 414 Clemente Sanchez	<b>Cultural Property Tax Credit Changes: <a href="#">SB 414</a></b> Repeals and re-enacts sections of the property tax credit related to use, cost and benefit (typically 50%).	SCORC/SFC- SCORC
SB 433 Ryan	<b>Include E-Cigarettes in Tobacco Products Act: <a href="#">SB 433</a></b> Subjects e-cigarette <i>devices</i> to the Tobacco Products Tax Act.	SPAC/SJC- SPAC
SB 448 Munoz	<b>Military Acquisition Gross Receipts End Dates: <a href="#">SB 448</a></b> Removes the 2016 sunset on the present law GRT deduction (7-9-94) from certain military program R&D, tests, and evaluations.	SCORC/SFC- SCORC
SB 464 Cisneros	<b>Lodgers' Tax Audits: <a href="#">SB 464</a></b> Allows municipalities to outsource lodgers' tax audits and use that contractor to bring actions against taxpayers.	SCORC/SFC- SCORC
SB 477 Campos	<b>Frontier Community Investment Tax Credit: <a href="#">SB 477</a></b> Creates a transferable credit (program capped at \$750K/yr). The total amount of credit that can be claimed by a taxpayer or aggregate members in a partnership is 25% of a qualified investment not to exceed \$25K. The investment must be made in a qualified business that hires three new FTE's. The investments are to be certified by the EDD. Also weakens taxpayer confidentiality provisions.	SCORC/SFC -SCORC
SB 502	<b>U.S. Department of Energy Gross Receipts: <a href="#">SB 502</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.	SCORC/SFC- SCORC
SB 506 Payne	<b>Disabled Veteran Property Tax Exemption: <a href="#">SB 506</a></b> Provides that a disabled veteran or surviving spouse may extend may upon transfer leave the exemption in place or transfer it at any time to a new property regardless of present law rules/time limits.	SPAC/SJC- SPAC
SB 508	<b>Change Tax Evasion Penalties: <a href="#">SB 508</a></b>	SCORC/SJC-

Torraco	Amends present law felony and fine imposition for willful attempts to evade or defeat tax to a graduated hierarchy of felonies (4 <sup>th</sup> -2 <sup>nd</sup> ) based on the amount of tax owed, as well as making the taxpayer responsible for costs of prosecution.	SCORC
SB 555 Munoz	<b>Exclude Some Local Gov'ts From Hold Harmless: <a href="#">SB 555</a></b> Make several changes to the hold harmless phase-out provisions limiting their application to counties and municipalities when their gross receipts tax bases grow less than 2% per year in counties with poverty rates in excess of 30% (Gallup/McKinley).	SCORC/SFC- SCORC
SB 561 Candelaria	<b>Corporate Tax for Preschool Programs: <a href="#">SB561</a></b> Creates a "corporate low wage tax" imposed on business entities (not just corporations) with "global gross income" in excess of \$1B, at the rate of \$1 for every low wage hour paid (defined as an amount when multiplied by 2080 results in an amount more than 200% below the federal poverty level).	SCORC/SJC/ SFC-SCORC

---

## 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.

---

## TAX QUOTABLES

"To tax and to please, no more than to love and to be wise, is not given to men."

*~Edmund Burke, 18th Century Irish political philosopher and British statesman*

"The Government that robs Peter to pay Paul can always depend upon the support of Paul."

*~George Bernard Shaw*

---



**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!