

Tax Matters

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INTO THE LEGISLATIVE SESSION – IT BEGAN JANUARY 19, 2016



The 2016 Regular Session of the New Mexico Legislature convened at noon on Tuesday, January 19, and ends at noon on February 18. The deadline for bill introduction is February 3. Legislation not acted on by the governor is pocket vetoed on March 9. 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 18. Being a

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

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

So far, between “pre-filed” and those introduced in the first week of the session, there have been 722 bills introduced. That's all there will be, as the bill introduction deadline has passed. Of those, 378 are House bills, and the remaining 344 are from the Senate. If you can't wait to see what's been introduced, click [here](#) to see the daily bill locator on the legislative website. We have our list of tax related legislation 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 <http://legis.state.nm.us/lcs/>. The site has become increasingly functional and reliable over time. Information is reasonably up to date and legislation can be easily followed from home.

Legislative Progress or Regress?



We're more than two and half weeks into the 30-day session and past the bill introduction deadline. So, we've already seen the bulk of tax proposals that we're going to see, with the exception of "dummy" bills sitting out there at the disposal of committee chairs (these are bills without real purpose and broad titles introduced to be used as vehicles if necessary, for proposals after the deadline).

From this point it's more of a race while a game of clean-up and find-the-unintended-consequences is played by analysts trying to

figure out what all the proposals actually do and cost, and proponents react accordingly.

It's also easy to see we're in an election cycle given the number of hot button proposals circulating the roundhouse in this 30-day "budget" session. In addition to the smattering of "feel good" proposals aimed at pandering to the electorate, we have controversial crime bills, drivers license proposals, education proposals and the like – all guaranteed to get your partisan juices flowing.

On Saturday the House got a ways towards completing the goal of al 30-day sessions – passing a budget. It was passed mostly on party lines making it a more partisan than the vote House Appropriations. Now it's up to Senator Smith and his Senate Finance Committee work their own magic. There doesn't appear to be great communication between either of the houses or the executive so it will likely get contentious and we'll see some vetoes later. The other fights will come over capital, but that's often the case.

Another phenomenon of late: House Ways and Means has long had a policy of tabling bills with a negative fiscal impact until the budget is done. Then, on "good bill day," the bills the committee most likes get to come off the table and go to the floor once they know how much money they have. Senate Finance sometimes accomplished the same thing by hearing only proposals it wanted to. This year, Senate Corporations is also tabling most bills with fiscal impacts. While that could slow things down, it matters this year not as much since there's no money to spend.

Roads and Money



Last year there was a bit of contention over how to fund the repair and maintenance of New Mexico’s increasingly crumbling roads. Some capital money went to the southeast part of the state as it turned out. In a continuing effort to fund those efforts without raising taxes, several proposals have been introduced this year that would take motor vehicle excise tax dollars for that purpose. Senator Smith has a couple of proposals that increase fuels taxes for the same purpose – one indexing the gasoline tax to CPI. Such proposals are unlikely to pass this year, where

funding the general fund budget is the crisis at hand, and federal progress has reduced the heat on the road fund crisis a bit.

Road Related Tax Proposals

HB 199 Little	Motor Vehicle Tax Fund Distribution: HB 199	Not prntd-HRC-w/drn-prntd-ref-HTPWC/HWMC-HTPWC-DP-HWMC
HB 233 Harper/Brown	Hold Harmless Payments & Tax Distributions: HB 233	HTPWC/HWMC-HTPWC-DP-HWMC
HB 272 Brown/Harper	Motor Tax to Road Fund: HB 272	HTPWC/HWMC-HTPWC-DP-HWMC
SB 7 Leavell	Motor Vehicle Tax to Road Fund over Four Years: SB 7	SCC/SCORC/SFC-germane-SCORC
SB 251 Smith	Increase Gas & Special Fuel Tax: SB 251	SCC/SCORC/SFC-SCC-germane-SCORC
SB 276 Martinez	Car Tax For Road Projects & Projects Fund: SB 276	SCC/SCORC/SFC-SCC-germane-SCORC
SB 284 Smith	Increase Gas Tax & Create New Funds: SB 284	SCC/SCORC/SFC-SCC-germane-SCORC

[NMTRI note: the bills proposing to divert general fund dollars to the road fund or related project funds are not realistic – they can’t happen. The crisis has turned to the general fund, which is going to soak up every dollar in sight. This approach is very “last year”. Proposals to increase MVX or fuel taxes also can’t likely happen either in the current political environment - where both houses are up for re-election. Still, we’ve never been shy in saying raising fuel taxes might be the right answer in the near term and it is an important conversation that must be had soon. Luckily a shocking moment of Congressional productivity resulted in a five year plan and a less dire outlook as a result. Still, it’s the general fund that will get all the attention this year.]

Sin Tax Update



The table below identifies the cigarette and tobacco products tax act related proposals that have been introduced. They seem to be the only sin taxes in the crosshairs, as we've not seen any alcohol, gaming, or gun related proposals. As we noted with a different proposal last week regarding bill titles and how one shouldn't rely on them too much for understanding what the bill may do: HB 300 (Increase Cigarette Tax Rates) and SB 77 (Increase Tobacco Products Tax) both do far more than their titles imply as they

both raise rates in both tobacco tax programs and both attempt to pull e-cigarette devices and products into the scope of taxation. Senator McSorley's SB 4 takes the most effort to regulate sales and does not raise tax rates. Senator Pirtle goes in the other direction by proposing subjecting "fine cigars" to preferential unit based tax rates.

HB 300 Johnson	Increase Cigarette Tax Rates: HB 300	HSCAC/HWMC-HSCAC
SB 4 McSorley	Taxation of Nicotine Products: SB 4	SCC/SCORC/SFC-SCC-germane-SCORC
SB 77 Morales	Increase Tobacco Products Tax: SB 77	SCC/SPAC/SFC-SCC-germane-SPAC
SB 178 Pirtle	Fine Cigar Tax Rate: SB 178	SCC/SCORC/SFC-SCC-germane-SCORC

[NMTRI note: While the advent of e-cigarettes had the potential to create some really interesting policy debates, they simply haven't materialized in bill analyses or hallway conversations. It's assumed that e-cigarettes are cigarettes since they have nicotine, but of course they're not. They present a host of differences from a health perspective, don't contain tar, may help cessation or break from real tobacco use, and are believed to present lesser second hand smoke problems. One could make an argument for a favorable tax treatment relative to tobacco, but of course there's a lot we don't know. When playing policy, it's better to know. The proposals attempt to tax e-cigarette devices also, however we don't currently tax tobacco smoking devices with the tobacco products tax and their proposals still would not – so if leveling the playing field is the goal, how do we explain that differential? Lastly since we're not talking about tobacco the state's ability to do much more than constrain our own taxpaying sellers to the benefit of internet, tribal or border region sellers. We don't know what the right answers is but we're still looking forward to the discussion since neither the devices or these proposals are going away soon.]

Love for the Oil Patch?



Representative Strickler, chair of the House Energy, Environment and Natural Resources Committee, has proposed address declining prices and changing the old price triggers for preferential oil and natural gas strippers well tax rates in the oil and gas emergency school tax as well as the severance. The triggers are presently too low to ever allow the use of the incentive. Similarly, Majority Whip Gentry and Senator Kernan have a proposal that would reduce the severance tax price trigger for preferential rate on

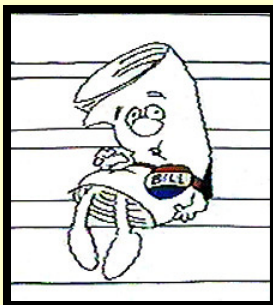
enhanced oil recovery projects that inject carbon dioxide to displace oil. Both appear to be a reaction to low commodity prices and concerns of lost production.

HB 107 Strickler	Reduced Tax Rate for Certain Oil & Gas Wells: HB 107	HEENC/HWMC-HEENC- DP-HWMC
HB 285 Gentry	Tax Rate Differential for Certain Oil: HB 285	HEENC/HWMC-HEENC- w/o rec-HWMC
SB 34 Kernan	Tax Rate Differential for Certain Oil: SB 34	SCC/SCORC/SFC- germane-SCORC

[NMTRI note: Chairman Strickler’s bill is the broader of the two proposals but also carries a significant negative general fund fiscal impact, which means there’s almost no chance it can pass in this budget environment. Both proposals implicate the severance tax, which does not directly impact the state’s ability to balance its budget, but does reduce bonding capacity for capital projects and permanent fund collections.]

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 18, 2016. Effective date for GRT and other non-income tax bills is July 1, 2016 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

Bill Number/ Sponsor:	Title: Link to bill language: Description	Assignments- Location:
HB 26 Barnes/Stew	Solar Market Development Tax Credit Changes: HB 26 Amends an existing credit to combine photovoltaic and solar thermal	HEENC/HW MC-HEENC-

art	programs in one with a single cap (\$5M rather than \$2M and \$3M, respectively. It extends the sunset from the end of 2016 to 2025, and phases the credit percentage down from 10% to 5% over time.	DP-HWMC
HB 34 Adkins	Post-Thanksgiving Gross Receipts Deduction: HB 34 Similar to the back to school tax holiday, the proposal creates a new gross receipts tax deduction for the sale at retail of tangible personal property, or receipts of restaurants, from 12:01 a.m. on the first Saturday after Thanksgiving day and ending at midnight of the same Saturday.	HPREF-not prntd-HRC
HB 53 M. Garcia	Certain Taxes for Low-Income Assistance: HB 53 Creates a low income energy assistance fund and diverts 20% of the extraction taxes suspense fund for the purpose of its funding. The proposal requires the fund to distribute 80% to the human services department for purposes of their low income energy assistance program, and the remaining 20% to DFA for MFA's winterization program.	HHC/HWMC -HHC-DP- HAFC
HB 54 Espinoza	Rural Health Tax Credit Rate & Eligibility: HB 54 Expands the existing rural health care practitioner credit to add licensed counselors, pharmacists, and social workers to the list of those eligible for the credit and raises the amount of the credit for non-doctorate level types from \$3K to the \$5K that those with doctorates receive.	HHC/HWMC -HHC-DP- HWMC
HB 79 McCamley	Working Families Tax Credit & Gains Deduction: HB 79 Expands the present law working families' tax credit to 20% of the federal benefit from the current 10%. It also repeals the capital gain deduction.	HBEC/HWM C-HBEC-w/o rec-HWMC
HB 107 Strickler	Reduced Tax Rate for Certain Oil & Gas Wells: HB 107 In the oil and gas severance tax, increases the price triggers where preferential most preferential rates apply to stripper wells from \$1.15 – 3.00/MCM, and from \$1.35 – 3.50/MCM for the next "bracket". Similarly, for oil and other liquid, oil price triggers rise from \$15.00 – 60.00/barrel and from \$18.00 - \$65.00. Similar changes were made in the oil and gas emergency school tax.	HEENC/HW MC-HEENC- DP-HWMC
HB 108 Strickler	Rural Infrastructure Tax Credit: HB 108 Creates a transferrable credit not to exceed \$1M for a qualified investment that is "likely to produce quantifiable benefits." The rate of the credit is 30%, it contains a clawback provision, and be applied to a taxpayers modified combined tax liability, personal income tax, or corporate income tax. It can be carried forward ten years.	not prntd- HRC-w/drn- prntd-ref- HBEC/HWM C-HBEC
HB 119 Jim Trujillo	Estate or Trust Distribution Tax Deduction: HB 119 Creates an income tax deduction for undistributed income from trusts to nonresident beneficiaries, except income from real estate, oil and gas interests, and water rights.	HSCAC/HW MC- HSCACDP- HWMC
HB 126 M. Garcia	Reduce Certain Income Tax Rates: HB 126 Reduces the tax rates in the lower four tax brackets, and creates a new 7.1% bracket for income above \$500K in the case of joint and head of household filer, and in excess of \$250K of income for single filers.	HRPAC/HW MC-HRPAC
HB 128 Carl Trujillo	Broadband Telecom Facility Gross Receipts: HB 128 Provides gross receipts and compensating tax exemption for broadband	HBEC/HWM C-HBEC-

	telecommunication facilities network components, fuel, and related construction services. Amended to be a deduction rather than exemption.	DNP-CS/DP-HWMC
HB 146 Roybal Caballero	No Income Tax on Social Security Benefits: HB 146 Effectively creates a deduction in the amount of social security benefits included in adjusted gross income beginning effective for tax years beginning on or after 1/1/16.	HRPAC/HW MC-HRPAC- DP-HWMC
HB 152 Maestas Barnes	Water Conservation Product Gross Receipts: HB 152 Until 2027, creates a gross receipts tax deduction for the sale at retail of water saving tangible personal property for sales made beginning at midnight on the third Sunday of every March until midnight on Saturday of that week.	HAWC/HW MC-HAWC- w/o rec- HWMC
HB 163 Carl Trujillo	Home Energy & Water Efficiency Tax Credit: HB 163 Until 1/1/22, creates a refundable personal income tax deduction in the amount of \$1200 for those who increase the energy efficiency of their home by 15% or more, \$2500 for increases of 25% or more, and \$4000 for improvements in excess of 35%. In the case of water efficiency, and the same percentage improvements the credit is \$500, %750, and \$1000, respectively. The maximum credit payout is capped at \$1M/yr until 2020, when it is increased to \$2M.	HEENC/HW MC-HEENC- DP-HWMC
HB 169 Youngblood/ Papen	Capital Gain Reinvestment Tax Credit: HB 169 Creates a nontransferable personal income tax credit in the amount equaling the lesser of the tax on the net capital gain or the amount of the investment, when net capital gains are reinvested in a qualified New Mexico business.	HBEC/HWM C-HBEC-DP- HWMC
HB 174 Egolf	Suspension of Some Property Tax Increases: HB 174 Provides authority for governing bodies to enact an ordinance that allows, for approved applications, ten year suspensions in increases in property valuation for certain commercial enterprise developments.	not prntd- HRC-w/drn- prntd-ref- HBEC/HWM C-HBEC
HB 175 Gallegos/Do dge	Renewable Energy Tax Credit Eligibility: HB 175 Relative to the present law credit, the proposal broadens eligibility, adds geothermal to the list of qualified energy generators, and creates by type credit amounts that reduce over time through 2022.	HEENC/HW MC-HEENC- DP-HWMC
HB 184 Maestas Barnes	Small Business Tax Deduction: HB 184 Creates a new personal income tax deduction calculated as a percentage (up to 50%) of qualified small business income. The credit requires employment (up to 4 for businesses with gross income of \$750K to the cap of \$1M to be a qualified small business.	HBEC/HWM C-DP/a- HWMC
HB 188 Gentry	Hotel and Restaurant Renovation Tax Credit: HB 188 Creates a personal and corporate income tax credit in an amount up to 25% for qualified expenditures on rehabilitation of existing restaurants (claimed within a year) and hotels (claimed within 3 years). Hotel renovation expenses must exceed \$2M while restaurants must exceed \$75K.	HBEC/HWM C-HBEC-DP- HWMC
HB 192 Spence Ezell/Woole	Lodgers Tax For Tourism Services: HB 192 Adds “minimum revenue guarantee” for air service to the list of eligible use of tax proceeds in the occupancy tax.	Not prntd- HRC-w/drn- prntd-ref-

y		HGEIC/HAF C-HGEIC
HB 199 Little	Motor Vehicle Tax Fund Distribution: HB 199 Over four years (in 25% increments), ultimately redirects 100% of motor vehicle excise tax collections from the general fund to the state road fund.	Not prntd- HRC-w/drn- prntd-ref- HTPWC/HW MC-HTPWC- DP-HWMC
HB 212 Powdrell- Culbert/Rode Ila	Federal Energy Employee Health Gross Receipts: HB 212 Proposes a phased in expansion of the GRT healthcare deduction to include receipts from a compensation program by the federal Energy Employees Occupation Illness Program for the provision of medical and other palliative services by a home health agency.	HHC/HWMC -HHC-DP- HWMC
HB 220 Christine Trujillo	Repeal Capital Gains Deduction: HB 220 Repeals the “greater of 50% or \$1000” capital gains deduction effective 2017.	HBEC/HAFC -HBEC
HB 229 Scott	Utility Facility Property Tax Valuation: HB 229 Effectively expands the definition of “other justifiable factors” used in valuation of centrally assessed property intending to clarify obsolescence includes limitations on “use of property based on the available reserves committed to the property.” Also excludes property contributed or property and plant acquired with contributed funds from those power production related activities are centrally assessed by the NMTRD.	HWMC-DP/a
HB 233 Harper/Brow n	Hold Harmless Payments & Tax Distributions: HB 233 Makes changes to the “hold harmless” rules in part by reducing hold harmless distributions by the amount hold harmless gross receipts tax imposed and collected. The bill also provides for a phased-in transfer of tax collections from the motor vehicle excise tax to the state and local government road funds, who ultimately (FY23) get one hundred percent of MVX collections on a 60/40 basis, respectively.	HTPWC/HW MC-HTPWC- DP-HWMC
HB 249 Carl Trujillo	Corporate Income Tax Due Dates with Federal Law: HB 249 Changes personal and corporate income tax filing deadlines to conform to federal deadlines (recently changed) by pointing to the federal due dates rather than a specific month.	Not prntd- HRC-w/drn- prntd-ref- HWMC
HB 255 Maestas	New Higher-Income Tax Bracket: HB 255 Creates an additional higher income tax bracket with a 5.9% rate above income of \$150K for married/joint filers and above \$75K for single filers	HRPAC/HW MC-HRPAC
HB 264 Rehm	Car Race Purse Gross Receipts: HB 264 Creates a gross receipts tax exemption for receipts of racecar drivers from races purses.	HBEC/HWM C-HBEC
HB 272 Brown/Harpe r	Motor Tax to Road Fund: HB 272 Changes present law distribution rules to send 50% of motor vehicle excise tax revenue to the road fund (currently, 100% is distributed to the general fund.	HTPWC/HW MC-HTPWC- DP-HWMC
HB 274 Jim Trujillo	Doctor Copayment Gross Receipts: HB 274 Expands a present law healthcare receipts deduction to include	HBEC/HAFC -HBEC-DP-

	copayments if the payment is made to a physician, osteopath, or podiatrist only. The deduction is phased in over three years and requires separate reporting.	HWMC
HB 276 Youngblood	Qualified Business Facility Rehab Tax Credit: HB 276 Until 1/1/25, effectively expands the existing credit to include qualified facilities in an “economic development zone” as well as enterprise zones, increases from \$50K to \$100K the credit maximum for rehab projects and expands the credit to allow for new construction (\$50K credit max)	HBEC/HWMC C-HBEC
HB 282 Gentry/Stewart	Gender Pay Equity Tax Credit: HB 282 Creates a personal and corporate income tax credit in the amount of \$5K for employers who are certified by the human rights commission to have had one hundred percent gender pay equity in the prior year. Unused credit can be carried forward four years.	HRPAC/HWMC MC-HRPAC
HB 285 Gentry	Tax Rate Differential for Certain Oil: HB 285 Changes the present law exception to the oil tax for enhanced recovery projects to those that don’t employ carbon dioxide, and creates a second category of exception that does use carbon dioxide when the average annual WTI price is below \$60 (versus \$28 for those now without employment of anthropogenic carbon dioxide). Effectively, a \$60 price trigger is created to qualify to qualify for the beneficial treatment of an enhanced recovery projects if the project involves the application of anthropogenic carbon dioxide.	HEENC/HWMC MC-HEENC- w/o rec- HWMC
HB 292 Maestas	Modify Personal Income Tax Brackets: HB 292 Restructures the personal income tax brackets and changes rates to range from 2% to 6% (on single income over \$100K, or married/joint filer income in excess of \$150K).	HRPAC/HWMC MC-HRPAC- w/o rec- HWMC
HB 299 Jim Trujillo	State Paid Day Care & Pre K Gross Receipts: HB 299 Until 1/1/2024, creates a gross receipts tax deduction for receipts derived from providing child daycare services or services per the pre-kindergarten act.	HRPAC/HWMC MC-HRPAC –DP-HWMC
HB 300 Johnson	Increase Cigarette Tax Rates: HB 300 Increases cigarette tax rates as well as rates in the tobacco products tax act (from 25% of product value to 66% of product value, or 133%), while also expanding the scope of the tax to include e-cigarette devices and products (does not attempt to tax real tobacco smoking devices)	HSCAC/HWMC MC-HSCAC
HB 319 Gallegos	Clean-Burning Vehicle Fuel Tax Credit: HB 319 Until 1/1 2024, creates and corporate and personal income tax credit in the amount of 50% until 2018, phasing down to 25% in 2023 (never to exceed \$500K per location/device) for the purchase and installation of a clean burning motor vehicle fuel equipment device. Certificates of eligibility from the EMNRD, and are limited in issuance to \$5M/yr.	HEENC/HWMC MC-HEENC
HB 324 Varela	Repeal Tax Credits, Exemptions & Deductions: HB 324 Repeals certain personal, corporate and gross receipts tax credits and deductions over three years, including the technology jobs tax credit, the facility rehabilitation and job mentorship credits; locomotive and jet fuel	HBEC/HEENC C/HWMC- HBEC

	and spaceport related deductions and numerous others.	
SB 4 McSorley	Taxation of Nicotine Products: SB 4 Makes modifications to the Tobacco Products Tax Act to make a Tobacco and Nicotine Products Tax Act, which would include nicotine products.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 7 Leavell	Motor Vehicle Tax to Road Fund over Four Years: SB 7 Changes distributions from the motor vehicle excise tax to the general fund to the road fund over four years (10% to the RF in FYE 17, 40% in 2018, 70% in 2019, and 100% in 2020 and thereafter).	SCC/SCORC/ SFC- germane- SCORC
SB 13 Stewart/Mae stas Barnes	Solar Market Development Tax Credit Changes: SB 13 Amends an existing credit to combine photovoltaic and solar thermal programs in one with a single cap (\$5M rather than \$2M and \$3M, respectively. It extends the sunset from the end of 2016 to 2025, and phases the credit percentage down from 10% to 5% over time.	SCC/SCONC/ SCORC/SFC- germane- SCONC-DP- SCORC
SB 16 Burt/Adkins	Uniformed Service Retiree Tax Credit: SB 16 Creates a phased in personal income tax deduction computed as a percentage of military retirement income with a cap. For 2017, the credit percentage would be 25% and capped at a maximum of \$6250. By 2020 the deduction is 100% and capped at \$25K.	SCC/SCORC/ SFC- germane-ref w/drn-ref SFC- SCORC/SFC- SCORC
SB 19 Payne	Disaster Response Tax & Licensure Exemptions: SB 19 Amends the personal income tax act to add certain emergency responders to the list of those allowed to allocate certain NM earned income to their state of domicile. Also creates a new section of the tax administration act designed to define certain declared emergencies and exempt from tax those in the state, and their assets, for only that purpose.	SCC/SCORC/ SJC-germane- SCORC-ref wthdrn-ref SCORC/SFC- SCORC
SB 22 Wirth/Harper	Taxation of In-State Sales of Intangible: SB 22 Strikes present law language providing that services and intangibles be sourced for sales, factor purposes, on a greater of cost of performance basis and inserts language requiring apportionment on a destination basis, creating a “market based sourcing” rule.	SCC/SCORC/ SFC- germane- SCORC
SB 31 Cisneros	Technology Readiness Gross Receipts Credit: SB 31 Creates a seemingly unintelligible gross receipts tax credit and a revolving fund initially funded from other sources, limited to \$2.5M per national laboratory for the purpose of promoting maturation of technology developed at the national labs.	SCC/SCORC/ SFC- germane- SCORC
SB 34 Kernan	Tax Rate Differential for Certain Oil: SB 34 Changes the present law exception to the oil tax for enhanced recovery projects to those that don’t employ carbon dioxide, and creates a second category of exception that does use carbon dioxide when the average annual WTI price is below \$60 (versus \$28 for those now without employment of anthropogenic carbon dioxide). Effectively, a \$60 price trigger is created to qualify to qualify for the beneficial treatment of an enhanced recovery projects if the project involves the application of anthropogenic carbon dioxide.	SCC/SCORC/ SFC- germane- SCORC

SB 47 Clemente Sanchez	Utility Facility Property Tax Valuation: SB 47 Effectively expands the definition of “other justifiable factors” used in valuation of centrally assessed property intending to clarify obsolescence includes limitations on “use of property based on the available reserves committed to the property.” Also excludes property contributed or property and plant acquired with contributed funds from those power production related activities are centrally assessed by the NMTRD.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 77 Morales	Increase Tobacco Products Tax: SB 77 Increases the tobacco products tax from 25% of product value to 66%, adds electronic smoking devices to the list of tobacco products, and significantly increases the cigarette tax.	SCC/SPAC/S FC-SCC- germance- SPAC
SB 90 Stewart	Delay Corporate Income Tax Rate Reduction: SB 90 Delays by a year the scheduled corporate income tax rate reductions beginning with the reduction scheduled for 2016 from 7.3-6.9% (which would happen in 2017 under the proposal).	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 93 Clemente Sanchez	Energy Employee Health Program Gross Receipts: SB 93 Proposes an expansion of the GRT healthcare deduction, to include receipts from a compensation program by the federal Energy Employees Occupation Illness Program for the provision of medical and other palliative services by a home health agency.	SCC/SCORC/ SFC-SCC- germance- SCORC
SB 104 Clemente Sanchez	Renewable Energy Tax Credit Eligibility: SB 104 Amends the renewable energy production tax credit to effectively extend the credit to qualified energy generators first producing electricity before 1/1/2022. The rate of the credit is reduced over time so benefit varies with completion date. Retroactively effective to 1/1/2015	SCC/SCONC/ SFC-SCC- germance- SCONC-DP- SCORC
SB 133 Clemente Sanchez	Small Business Investment Tax Credit: SB 133 Creates personal income tax credit not to exceed 25% of no more than \$250K of a qualified investment by an accredited investor. Investors would be limited to five investments per year, would have to seek a certificate of eligibility from the EDD, who would be capped at \$2M with respect to the certificates they could issue annually. Qualifying investments could be repeated for no more than 3 year.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 136 Munoz	Air Ambulance Tax Reporting: SB 136 Changes gross receipts tax sourcing rules for professional and air ambulance services to the location of the ultimate consumer (in the case of the professional services) to where the patient is picked up in the case of air ambulances.	SCC/SCORC/ SPAC-SCC- germane- SCORC
SB 139 Sharer	Gross Receipts Tax Professional Studies: SB 139 Appropriates \$500K to the Legislative Council Service to fund economic tax base studies with a professional economic consulting firm, the Arrowhead Institute and BBER.	SCC/SCORC/ SFC-SCC- germane- SCORC
Sharer SB 145	Tax Reform: SB 145 Reduces the GRT and personal income tax rates to 2.5%, repeals numerous exemptions and deductions, the compensating tax and many other tax programs.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 151 Ivey-Soto	High-Wage Jobs Tax Credit Eligibility: SB 151 Effective 7/1/16, reduces recently increased wage requirements for credit	SCC/SCORC/ SFC-SCC-

	eligibility from \$60K to \$45K for jobs within 10 miles of the exterior boundaries of muni's with populations in excess of 60K, and from \$40K to \$35K the more rural areas.	germane- SCORC
SB 166 Wilson Beffort	Clawback Repayment Tax Credit: SB 166 Creates a refundable personal income tax credit for those who made federal clawback repayments of amounts previously reported pursuant to IRC Sec. 1341 as income can tax a refundable credit in an amount computed as the difference between the amount of tax due when including and not including the amount of the payment in income.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 167 Wilson Beffort	Ponzi Clawback Repayment Tax Credit: SB 167 Creates a refundable personal income tax credit for those who made federal clawback repayments of amounts previously reported pursuant to IRC Sec. 1341 as income from a Ponzi scheme can tax a refundable credit in an amount computed as the difference between the amount of tax due when including and not including the amount of the payment in income.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 178 Pirtle	Fine Cigar Tax Rate: SB 178 Adds a definition of "fine cigar" (roll of tobacco wrapped in 100% leaf tobacco) to the tobacco products tax act, and reduces the rate on fine cigars from the general 25% tax on product value to 5 cents per cigar (individual) and 3 cents when sold in packages.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 199 Ryan	Cultural Property Tax Credit Provisions: SB 199 Creates a refundable sliding scale personal income tax credit of 50% for the first \$100K of qualified expenditures, 35% of the next \$100K, and 25% of up to another \$800K in qualified expenditures for improving cultural properties located within an arts and cultural district, frontier community, or located in an area subject to the provisions of the main street act. The program is capped at \$1.5M/year, and credits are limited to \$25K/project, or \$50K/project in the case of quailed residential renocations.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 206 Campos	Frontier Community Tax Credits: SB 206 Until 1/1/2026, creates a personal and corporate income tax credit of 25% of qualified investment of up to \$100K Makes minor technical changes to the tax administration act and the film production tax credit act, the two credits are each capped at \$750K/yr.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 211 Ryan	Conform Tax Language to References in Law: SB 211 Makes minor technical changes to the tax administration act and the film production tax credit act.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 225 Kernan	Livable Home Tax Credit: SB 225 Creates a non-transferable personal income tax credit of 50% (not to exceed \$5K) of qualified expenditures associated with renovating or retrofitting existing residences to improve accessibility. It may be carried forward 7 years.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 226 Smith	Fine Art Sale Receipts & Revenue: SB 226 Changes GRT locational reporting rules to require that sellers of fine art report all of their receipts to their business location.	SCC/SCORC/ SFC-SCC- germane-

		SCORC
SB 238 Torraco	Film Production Tax Credit for Distribution: SB 238 Expands the film production tax credit to include distribution costs (e.g. salaries) of distribution services. It requires that the claimant have a physical address in New Mexico	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 247 Padilla	Broadband Telecom Facility Gross Receipts: SB 247 Until 7/1/2026, creates a gross receipts and compensating tax deduction for broadband telecommunication equipment	SCC/SCORC/ SFC-SCC
SB 251 Smith	Increase Gas & Special Fuel Tax: SB 251 Beginning 7/1/16, increases by 5 cents the gasoline tax (from 17 to 21 cents) and special fuels tax (diesel – from 21 to 26 cents/gal).	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 252 Smith	Delay Corporate Income Tax Reductions: SB 252 Delays for two years the presently phasing in reduction of corporate income tax rates (meaning the 2016 present law rate of 6.9% will remain in effect through 2018, and the tax reduction to 5.9% won't be achieved until 2020.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 276 Martinez	Car Tax For Road Projects & Projects Fund: SB 276 From July 1, 2016 until 1/1/2020, increases the motor vehicle excise tax from 3% to 5% redirects 40% of tax collections to a new “highway district project fund) for purposes of servicing bond debt the proceeds of which are used for state transportation infrastructure projects.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 281 Smith	Repeal Food Gross Receipts Deduction: SB 281 Repeals the deduction for the sale of food (7-9-93) and eliminates the associated local government hold harmless distributions.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 284 Smith	Increase Gas Tax & Create New Funds: SB 284 Beginning 7/1/2019 through 6/30/25 incrementally raises the gasoline tax from 17 to 25 cents/gallon. Beginning 7/1/25 and every year thereafter the rate will be indexed to the CPI. The proposal also adjusts distributions to various fund beneficiaries and creates a Carlsbad brine well remediation fund.	SCC/SCORC/ SFC-SCC- germane- SCORC
SB 294 Cisneros	Private Hunting Land Sale Gross Receipts: SB 294 Effective 7/1/16, creates a new exemption from the gross receipts tax for land access charges received by a landowner when for purposes of hunting and fishing.	SCC/SCORC/ SFC-SCC- germane- SCORC

**HOLD THE DATE AND MARK YOUR CALENDARS NOW –
13TH ANNUAL NMTRI TAX POLICY CONFERENCE IS
COMING!**

The Thirteenth (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 28-29th. You will be inundated with details shortly! We look forward to seeing you there!

TAX QUOTABLES

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

~Jean-Baptiste Colbert

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

~ Michael Bloomberg

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

~John F. Iekel

It's tax time. I know this because I'm staring at documents that make no sense to me, no matter how many beers I drink.

~ Dave Barry

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.



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!