Tax Matters

The Newsletter of the New Mexico Tax Research Institute

Issue No. 2016-02 **January 31, 2016**

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IN THIS "SUPERBOWL" ISSUE OF *TAX MATTERS:*

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 536 bills introduced thus far. Of those, 287 are House bills, and the remaining 249 are from the Senate. If you can't wait to see what's already been introduced, click here to the see the daily bill locator.

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.

Tax-pectations for the Session

The 30-day session has arrived. While primarily a budget session, meaning taxes and the controversy they bring are fair game, other controversial issues from prior sessions such as social promotion, driver's licenses for undocumented residents and Real ID, violent crime proposals, DUI proposals and the like are sure to come up and many already have. Still, there are many tax interests and agendas out there. As with last year, we anticipate fewer than normal tax increase proposals since it appears fairly clear that the Governor would not sign one

You don't have to be Nostradamus to get an idea of what sorts of tax legislation will be introduced. We're in an election cycle and there is not a lot of new money on the table.

Of course, tax proposals – particularly bad ones – tend to be regurgitated (so to speak) from year to year. Political pandering continues as always too. 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.

All that said, we entered the session with an expectation that we'd have $232 million in "new money" to spend this year, above and beyond last year according to the December consensus revenue forecast. That number was down from $293 in the August forecast. Concern over falling oil prices has driven the mandate to revise the forecast once more before finalizing the budgets. That new "new money" number is $30M. That's not enough to cover Medicaid without touching the reserves. In any event, the likelihood of any of the items below with a negative fiscal impact passing is very poor at best.

Join us weekly through the session as we try to provide balance policy analysis, commentary and discussions of the tax and budget proposals that implicate tax policy in New Mexico.

Legislative Progress or Regress?

We're almost two weeks into the 30-day session and we're just days away from the bill introduction deadline. So, we've already seen the bulk of tax proposals that we're going to see. From this point it's more of a race while a game of clean-up and find-the-unintended-consequences is played by analysts trying to figure out what all the proposals actually do and cost, and 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. Perhaps it gives them a way to work of their frustrations since there's no new money to spend. Last Wednesday the consensus revenue forecast was negatively revised from $232 million in "new money" to $30 million. They need $80-90 million to cover Medicaid growth and expansion, so we're already effectively in a deficit – and the reserves are not at target levels. Suffice it to say not much is likely to happen with taxes if the proposal carries a negative fiscal impact. Ditto if it's positive.

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

Once the interim is over, however, and the session begins, it's Katie bar the door while many different interests try to cut their best deal by cutting themselves out of the tax base. This being a year with little "new money" to fight over, bills are generally limited to the nickel and dime approach of turning our tax base into Swiss cheese. Senator Sharer did introduce a new broad tax reform proposal in his **SB 136**. Like his previous proposals, it would repeal most exemptions and deductions in the GRT, along with may tax programs including the corporate income tax. It differs from the prior years in that he retains the personal income tax (at a rate of 2.5%) and the proposed new GRT rate is also 2.5%.

Two proposals in the Senate impact business location reporting in the gross receipts tax. Senator Smith's **SB 226** would require sellers of fine art to report all of their sales to their business location. Senator Munoz has proposed a different change to the business location rules that would require some, but not nearly all, service providers report at their client's location. It also requires providers of air ambulance services to report receipts to the location of the patient when picked up (**SB 136**).

*[NMTRI note: this and other tax reform notions are not yet ready for prime time, as the requisite economic tax base analyses have yet to be done. The Senator knows that and is mostly just trying to keep the conversation alive. For that we thank him as it is an important conversation that needs to continue. Senator Sharer also introduced an appropriation in the amount of $500K for just such a study (see **SB 139**). GRT location reporting rules are certainly fodder in a tax reform effort, but piecemeal attempts at micromanaging specific sellers or transactions through location reporting can have serious unforeseen impact, impact compliance not to mention local government revenue, and should be thoughtfully and comprehensively*

considered. Smith appears to be sending a message. The Munoz bill – "Air Ambulance Tax Reporting: SB 136" also provides good example of why you can't rely on bill titles when looking at locators to know what the proposal is. The title, while focusing on the least relevant portion of the bill, it also makes impossible to infer what the bill does*]*.

Taking the Consumption out of the Consumption Tax

The first tax proposals to be introduced are often gross receipts tax deductions. This year was no exception, although we seen more in the past.

Rather than numerous healthcare related GRT carve outs we're used to seeing proposed, there's only two healthcare related proposals introduced so far. Rep. Jim Trujillo's **HB 274**, expands the mother of all healthcare GRT deductions , section 7-9-93 covering payments by insurance companies and HMO's, for an ever-growing laundry list of medical services and providers. It does so by broadening the deduction to include copayments on only certain qualifying services. Similarly, **HB 212** from Rep.'s Powdrell-Culbert and Rodella, amends the other large healthcare deduction: 7-9-77.1 – the Medicare deduction – to include receipts from a compensation program established by the Federal Energy Employees Occupation Illness Compensation Program Act of 2000.

Gross Receipts Tax Deduction Proposals

HB 34 Adkins	Post-Thanksgiving Gross Receipts Deduction: HB 34	HHC/HWMC-HHC
HB 128 Carl Trujillo	Broadband Telecom Facility Gross Receipts: HB 128	HBEC/HWMC-HBEC-DNP-CS/DP-HWMC
HB 152 Maestas Barnes	Water Conservation Product Gross Receipts: HB 152	HAWC/HWMC-HAWC
HB 212 Powdrell-Culbert/Rodella	Federal Energy Employee Health Gross Receipts: HB 212	HHC/HWMC-HHC
HB 264 Rehm	Car Race Purse Gross Receipts: HB 264 .	HBEC/HWMC-HBEC
HB 274 Jim Trujillo	Doctor Copayment Gross Receipts: HB 274	HBEC/HAFC-HBEC
SB 19 Payne	Disaster Response Tax & Licensure Exemptions: SB 19	SCC/SCORC/SJC-germane-SCORC-ref wthdrn-ref SCORC/SFC-SCORC
SB 93 Clemente Sanchez	Energy Employee Health Program Gross Receipts: SB 93	SCC/SCORC/SFC-SCC-germance-SCORC
SB 136 Munoz	Air Ambulance Tax Reporting: SB 136	SCC/SCORC/SPAC-SCC-germane-SCORC
SB 226 Smith	Fine Art Sale Receipts & Revenue: SB 226	SCC/SCORC/SFC-SCC-germane-SCORC
SB 247	Broadband Telecom Facility Gross Receipts:	SCC/SCORC/SFC-SCC

Padilla	SB 247	

[NMTRI note: While we gently mock the approach and overall trajectory of our gross receipts tax policy – particularly as it pertains to healthcare – that's not to say that all deductions are bad or that a changing economy - as well as ever-upward spiraling tax rates – don't create legitimate hardship and need in some areas for changes or relief. The emergency responder proposal makes some sense and follows a national trend – our response would be a quid pro quo to the states that show our responders the same courtesy. It simply precludes the imposition of property or compensating tax on equipment introduced by emergency responders responding to a declared emergency, and doesn't allow that activity alone to force personal or corporate tax filing obligations on the part of the responder and its employees. The broadband proposal was a recommendation of the Legislative Jobs Council who wants to encourage broadband growth for purposes of economic development and quality of life. That said, healthcare for example is one of the largest and most important industries in the state, and our approach to taxation and changes in policy should be coherent, fair, consistent and well thought through. That's not currently the case. The copayment proposal only applies to certain special copayments – that makes no sense (even if the idea did). We'll save you the soapbox lecture on the fallacy of tax holidays for another day. Apparently race car drivers are our new jockeys..]

Holy Tax Credits Batman- where are they all coming from?

It's not clear why or how the trend has come around, but we've seen twice as many tax credit proposals as gross receipts tax proposals introduced thus far (22 vs. 11).

Some are proposal represent new credits, while others are extending/modifying current credits. Most appear done for purposes of economic development purposes, but some are also environmentally motivated or targeted to poorer households. There are several fairly popular and not overly expensive proposals that ordinarily we may have handicapped as having decent chances of passage. The latest budget news and the environment that creates would have us reconsider such thoughts. Many of the credits are VERY generous and deserve a hard look even in fatter times.

The table below illustrates the tax credit we've identified thus far:

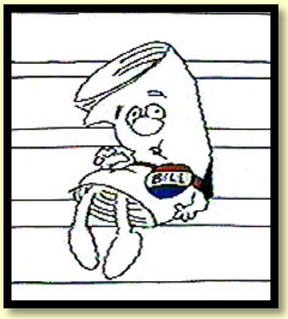
HB 26 Barnes/Stewart	Solar Market Development Tax Credit Changes: HB 26	HEENC/HWMC-HEENC-DP-HWMC
HB 54 Espinoza	Rural Health Tax Credit Rate & Eligibility: HB 54	HHC/HWMC-HHC-DP-HWMC
HB 79 McCamley	Working Families Tax Credit & Gains Deduction: HB 79	HBEC/HWMC-HBEC-w/o rec-HWMC
HB 108 Strickler	Rural Infrastructure Tax Credit: HB 108	not prntd-HRC-w/drn-prntd-ref-HBEC/HWMC-HBEC
HB 163 Carl Trujillo	Home Energy & Water Efficiency Tax Credit: HB 163	HEENC/HWMC-HEENC

HB 169 Youngblood/Papen	Capital Gain Reinvestment Tax Credit: HB 169	HBEC/HWMC-HBEC
HB 175 Gallegos/Dodge	Renewable Energy Tax Credit Eligibility: HB 175	HEENC/HWMC-HEENC
HB 188 Gentry	Hotel and Restaurant Renovation Tax Credit: HB 188	HBEC/HWMC-HBEC-DP-HWMC
HB 276 Youngblood	Qualified Business Facility Rehab Tax Credit: HB 276	HBEC/HWMC-HBEC
HB 282 Gentry/Stewart	Gender Pay Equity Tax Credit: HB 282	HBEC/HWMC-HBEC
SB 13 Stewart/Maestas Barnes	Solar Market Development Tax Credit Changes: SB 13	SCC/SCONC/SCORC/SFC-germane-SCONC-DP-SCORC
SB 16 Burt/Adkins	Uniformed Service Retiree Tax Credit: SB 16	SCC/SCORC/SFC-germane-ref w/drn-ref SFC- SCORC/SFC-SCORC
SB 31 Cisneros	Technology Readiness Gross Receipts Credit: SB 31	SCC/SCORC/SFC-germane-SCORC
SB 104 Clemente Sanchez	Renewable Energy Tax Credit Eligibility: SB 104	SCC/SCONC/SFC-SCC-germance-SCONC-DP-SCORC
HB 108 Strickler	Rural Infrastructure Tax Credit: HB 108	HB 108 Strickler
SB 151 Ivey-Soto	High-Wage Jobs Tax Credit Eligibility: SB 151	SCC/SCORC/SFC-SCC-germane-SCORC
SB 166 Wilson Beffort	Clawback Repayment Tax Credit: SB 166	SCC/SCORC/SFC-SCC-germane-SCORC
SB 167 Wilson Beffort	Ponzi Clawback Repayment Tax Credit: SB 167	SCC/SCORC/SFC-SCC-germane-SCORC
SB 199 Ryan	Cultural Property Tax Credit Provisions: SB 199	SCC/SCORC/SFC-SCC-germane-SCORC
SB 206 Campos	Frontier Community Tax Credits: SB 206	SCC/SCORC/SFC-SCC-germane-SCORC
SB 225 Kernan	Livable Home Tax Credit: SB 225	SCC/SCORC/SFC-SCC-germane-SCORC

Next time we'll focus more on local government issues, tax increases and reductions, the road fund proposals, and economic development ideas.

Join us weekly through the session as we try to provide balanced policy analysis, commentary and discussions of the tax and budget proposals that implicate tax policy in New Mexico.

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



Note – in the table below, if no effective date is mentioned, the bill lacks one and would take effect upon enactment, May 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/Stewart	**Solar Market Development Tax Credit Changes: HB 26** 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.	HEENC/HWMC-HEENC-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.	HHC/HWMC-HHC
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/HWMC-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	HEENC/HWMC-HEENC-DP-HWMC

	the oil and gas emergency school tax.	
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/HWMC-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/HWMC-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/HWMC-HRPAC
HB 128 Carl Trujillo	**Broadband Telecom Facility Gross Receipts: HB 128** Provides gross receipts and compensating tax exemption for broadband telecommunication facilities network components, fuel, and related construction services. Amended to be a deduction rather than exemption.	HBEC/HWMC-HBEC-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/HWMC-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/HWMC-HAWC
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/HWMC-HEENC
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/HWMC-HBEC
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/HWMC-HBEC

HB 175 Gallegos/Dodge	**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/HWMC-HEENC
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/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/HWMC-HBEC-DP-HWMC
HB 192 Spence Ezell/Wooley	**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-HGEIC/HAFC-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/HAFC-HTPWC
HB 212 Powdrell-Culbert/Rodella	**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
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
HB 233 Harper/Brown	**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/HWMC-HTPWC-DP-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/HWMC-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/HWMC-HBEC
HB 272 Brown/Harper	**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/HWMC-HTPWC
HB 274 Jim Trujillo	**Doctor Copayment Gross Receipts: HB 274** Expands a present law healthcare receipts deduction to include 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.	HBEC/HAFC-HBEC
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-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.	HBEC/HWMC-HBEC
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-HEENC
SB 4 McSorley	**Motor vehicle Tax to Road fund for 4 Years: 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	**Taxation of Nicotine Products: 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	**Solar Market Development Tax Credit Changes: SB 13**	SCC/SCONC/

Stewart/Maestas Barnes	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.	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/SFC-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- germane- 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 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.	SCC/SCORC/ SFC-SCC- 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	**Ponzi Clawback Repayment Tax Credit: SB 167** Creates a refundable personal income tax credit for those who made	SCC/SCORC/ SFC-SCC-

Beffort	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.	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 to 5 cents per qualified investment (business must create 3 jobs) in a business in a designated frontier community. Taxpayers are limited to two qualified investments per yeart	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

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.

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

"Tax reform means, 'Don't tax you, don't tax me. Tax that fellow behind the tree.'"

~Russell Long

"All taxes discourage something. Why not discourage bad things like pollution rather than good things like working or investment?"

~Lawrence Summers

"In 1790, the nation which had fought a revolution against taxation *without* representation discovered that some of its citizens weren't much happier about taxation *with* representation."

~Lyndon B. Johnson

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.

NEW MEXICO TAX RESEARCH INSTITUTE

"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" Campañía General de Tabacos v. Collector, 275 U.S. 87, 100 (1927), Justice Oliver Wendell Holmes, dissenting.

Join NMTRI today!