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TAX NEWS MAKERS: An Interview with New Mexico Secretary of Revenue, Jan Goodwin on March 16, 2006. Secretary Goodwin has a BS from Wesleyan University and an MBA from the New York University Stern School of Business. She was appointed Secretary of Taxation and Revenue by Governor Bill Richardson in December 2003. Goodwin is a C.P.A. and a member of the American Institute of Certified Public Accountants.



NMTRI: *You've been the Secretary of Taxation & Revenue since 2003. What has been your greatest surprise and greatest disappointment during your service? What are the most and least enjoyable parts of the job?*

Goodwin: My most pleasant surprise was finding out how hard working, knowledgeable and dedicated the Tax & Rev people are. Many people have an image of government employees that is unfavorable. All New Mexicans can be proud of their Tax & Rev employees. My greatest disappointment has been the pace of change. It takes a very long time to effectuate major change, due in part to the government budget cycle. The most enjoyable aspect of my job is getting to work with great people.

NMTRI: *If there was one thing you could change about how the Department operates what would that be?*

Goodwin: The state government budget strictures are very confining. Although I recognize the need to closely monitor the spending of the people's money, sometimes the rules get in the way of being a good manager and being able to reward performance, as well as start work on important initiatives.

NMTRI: Apart from the operation of the Department, is the tax system in NM working well? Is voluntary compliance remaining high or slipping?

Goodwin: New Mexico's tax system is working well. We are collecting record amounts of revenue to the benefit of our citizens. Voluntary compliance is alive and well and I think we are comparable to other states in that regard. The Department is taking affirmative steps to improve our administration of the laws to encourage and improve that voluntary compliance.

NMTRI: The Gross Receipts Tax is viewed as "unusual" by many businesses around the country. Should it be changed in any major way?

Goodwin: Although there might be a limited view that it is "unusual", the fact is that New Mexico's Gross Receipts Tax was brilliantly designed and prescient in the fact that it included services in the tax base. That fact has contributed to the stability as well as growth of our revenues.

NMTRI: There has been talk of taking the motor vehicle division out of Taxation & Revenue. What do you think of that idea?

Goodwin: Taking MVD out of Taxation and Revenue is a bad idea. Right after I was appointed, I went to a "new revenue director" orientation sponsored by the Federation of Tax Administrators. A speaker there told us that if we did not have motor vehicle we should be glad and if we did we should rid our department of it as soon as possible. I have not found that to be the case and am glad that we have our Motor Vehicle Division. We are making great strides in customer service and I look forward to continuing to work with our MVD people.

NMTRI: The omnibus tax bill failed in the final hours of the legislative session. Why do you think that happened?

Goodwin: In the end the concern was the budget. The Legislature collectively felt that the bill was too much, too complicated and they just were not ready to pass it.

NMTRI: What is the hardest part of your job day-to-day?

Goodwin: The hardest part of the job is keeping all of the issues, concerns and priorities straight and making progress. It could all grind to a halt if I did not have a tremendous staff.

NMTRI: There has been criticism of the hearing process and calls for more independent hearing officers. What is your view on that?

Goodwin: I am keenly aware of the perception of fairness and have taken the steps that I can to improve that. The hearing officers have been physically removed from our building to avoid day to day contact and to avoid the casual encounters that might compromise impartiality. My greatest concern about removing them from the Department is a loss of subject matter expertise.

NMTRI: Do you think the Secretary should have expanded settlement authority? Why?

Goodwin: I am opposed to more negotiations and settlement authority for the Secretary. There is some history of politics affecting the behavior of the Department in the distant past and I would not want a return of that problem. Voluntary compliance requires that politics not be a part of the tax system.

NMTRI: Your new fraud unit has had some success. Can you comment on that and do you think the problem is growing?

Goodwin: The fraud unit is an important project and has had great success. Enforcement had lapsed in prior years and I am proud that we have brought fraud detection and collection back. The vast majority of taxpayers are honest and pay their share. They want to know that those who are not honest and cheating the system will be found and collection made. This is an important part of the voluntary compliance system.

NMTRI: Apart from collecting the money, what are your biggest plans for the next year?

Goodwin: Regulations, regulations, regulations. We will embark on a major project to update our regulations. We need to make them clearer. We need to get rid of those that are no longer helpful. We need to promulgate new ones so that taxpayer can know what the law requires. In addition to regs we will continue to improve our motor vehicle service and will continue to seek legislation to improve our interest and penalty provisions and our managed audit program.

NMTRI: Apart from participating at the formal hearing on the proposed regulations, how can taxpayers and specific industries provide input into the process at an earlier stage?

Goodwin: There is no formal process for taxpayers to comment on proposed regulations. However, the department is happy to meet with any concerned individuals to discuss proposed regulations.

NMTRI: There have been proposals in each of the last two legislative sessions to require combined reporting for unitary groups of corporate taxpayers. What is the Department's position on that issue?

Goodwin: Requiring related groups of businesses to combine their income for tax purposes would improve fairness of the corporate income tax by providing a better measurement of in-state income than the current practice of allowing groups of firms to report as separate entities or file federal consolidated returns. In addition, we believe it would simplify the corporate income tax system and eliminate some unjustifiable tax minimization strategies. By expanding the corporate income tax base, combined reporting would allow reduction of corporate income tax rates, which contributes directly to improved economic efficiency. Readers interested in this issue may wish to consult our fiscal impact report of House Bill 123 from the 2006 legislative session (<https://ec3.state.nm.us/trd/pdflist06/pdfindex.asp>) as well as *Designing a Combined Reporting Regime for a State Corporate Income Tax: A Case Study of Louisiana* by Michael McIntyre, Paul Mines and Richard Pomp, published in the Louisiana Law Review, http://www.law.wayne.edu/McIntyre/text/mcintyre_articles/Combined_reporting_LSU.pdf) and *Setting the Record Straight on Combined Reporting* published by the Massachusetts Budget and Policy Center (<http://www.massbudget.org/recordoncr.pdf>).

NMTRI: Thank you, Madam Secretary, for your time and courtesy.

Goodwin: It was my pleasure.
