



***IMPROVING ACCESS TO STATE AND LOCAL
TAX INFORMATION***

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Revenue Stabilization and Tax Policy Committee
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Why It Matters

“Robust statistical systems produce products that are important to understanding the changing state of the economy and to formulating sound policy. But statistical systems, like physical infrastructures, become obsolete or depreciate with time if they are not maintained.”

-- Economic Report of the President, February 2008

NMTRI Principles of Good Tax Policy

- Adequacy
 - Revenues should be sufficient to fund needed services
- Efficiency
 - Interference with the private economy should be minimized
- Equity
 - Taxpayers should be treated fairly
- Simplicity
 - Laws, regulations, forms and procedures should be as simple as possible
- Comprehensiveness
 - All taxes should be considered when evaluating the system
- **Accountability**
 - Exceptions should be rare and should be carefully evaluated and justified

Tax Policy Formation in New Mexico

- Revenue tracking and forecasting:
 - General Fund: Consensus between Legislative and Executive analysts
 - Bonding funds: DFA
 - Local Governments:
 - Other agencies: e.g. DOT
- Fiscal Impact Reports:
 - LFC lead, TRD main source of information
 - Almost all work is done during the legislative session
- Interim Committees:
 - RSTP
 - Other committees: Economic Development
- Periodic Tax Reform initiatives
- Local Government Budget process

Information Needs Not Currently Being Met: Revenue Tracking and Forecasting

- Monthly revenue collections and distributions are available only for the General Fund and then only on a delayed basis.
- DFA no longer publishes General Fund report.
- TRD does not publish a schedule of Collections and Distributions.
- Information on Other State Funds – Road Fund, Bonding Funds – is not regularly published.
- Local governments:
 - Property tax data is not compiled in a systematic manner (need for CAMA systems);
 - Not receiving all available information for their budget needs;
 - Perennial concerns about accuracy of revenue distributions.

Information Needs Not Currently Being Met: Fiscal Impact Reports

- Information presented in FIR's in support of financial estimates is of highly variable detail and quality:
 - Most detailed information is not available outside TRD.
- Analysts provide whatever information is available, but – partly due to the complexity of proposals and partly due to time and staff limitations – hard information in support of an estimate is often quite limited.
- Analysts are usually objective, but they work largely in isolation. Result is a lack of valuable external input and a lack of confidence in estimates.
- Feedback and follow-up on FIR's is very limited.
 - No clear process exists for setting priorities to develop better information.
 - Staff have other responsibilities so little time remains for improving estimates.
 - E.g. Need for an independent evaluation of viability of “dynamic scoring.”

Information Needs Not Currently Being Met: Tax Policy Evaluation

- Very little information from tax returns is available to the public. This information is needed for tax policy evaluation. Examples include:
 - Gallons of motor fuel – taxable and non-taxable -- sold at wholesale by location
 - Volume of mineral products severed
 - Packs of cigarettes sold – taxable and non-taxable
 - Motor vehicle data
- Evaluating tax policy without this information is almost impossible.
- Industry representatives do not have access to tax return information and the Department does not have access to industry information. Different information leads to different conclusions, lack of consensus.

Examples of Tax Policy Issues Not Being Analyzed

- **Pyramiding of the GRT:**
 - Tax data deficiencies not addressed; Need for data from other sources
- **Streamlined Sales Tax Agreement participation**
 - Sales tax base erosion; GRT/Compensating Tax disparities
- **Corporate income tax reporting requirements:**
 - Data limitations make accurate estimates impossible
- **Competitiveness of the State's tax system**
 - Underlies all proposals to increase economic development.
 - Alternatives to current system?
- **Local government revenue adequacy**
 - Lack of information on distribution of revenue per capita
 - Adequacy of state/local revenue sharing programs?

Resource Needs

- **Current State resources:**
 - Economists (approx. 12 fte): TRD (4); DFA (2); LFC (3); LCS (1); DOT (2);
 - Systems: Lack of information reports; Lack of reconciliation between different reports
 - Local government division
- **Local governments:**
 - Smaller jurisdictions need support that TRD/LGD cannot currently provide
- **Need for additional resources**
 - Web-based data dissemination
 - Review/documentation to establish accuracy of the data
 - Economic analysis including periodic reports

Example: NM DoH's I.B.I.S. Website

- “Indicator-Based Information System for Public Health”
- Public/Private resources
- *“The Department is working to standardize health status and health system indicators across programs, and to publish those indicators. Goals:*
 - *Track and evaluate progress toward goals.*
 - *Guide policy decisions, priorities and long-range strategic plans.*
 - *Develop, focus, and streamline data collection and reporting capacity.*
 - *Provide comprehensive information of New Mexico's health and health care system*
- Publications (through links), Indicator data reports and Custom Query functions enable access to data on public health measures
- For more information see <http://ibis.health.state.nm.us/home/ContentUsage.html>

Conclusions

- Tax policy development in New Mexico is severely hampered by the lack of thoroughness and transparency in financial reporting
- Consequences include:
 - Difficulty in budgeting for Local Governments;
 - Lack of confidence in revenue forecasts and in FIR's;
 - Inability to address major longstanding policy issues like pyramiding, Streamlined Sales Tax participation and property tax reform
- Solutions should incorporate:
 - More data availability,
 - Better review and oversight and
 - External involvement to increase confidence

Solutions

1. *NewMexicoTaxFacts.org*

- a) Website with downloadable data on revenue collections and distributions; Documentation & technical support
- b) Reports on state's revenue, economy
- c) Links to other economic, demographic data

2. Office of Financial Accountability

- a) Independent office for conducting tax and economic policy research
- b) Annual reports, Monthly revenue tracking, FIR review

3. Business Tax Advisory Committee

- a) Review revenue forecasts, FIR's , regulations, statutes
- b) TRD Secretary Chairs, members include tax experts, legislators, business and community representatives, Local Government representatives
- c) Review economic effects of the tax system; recommend reforms to improve efficiency/transparency

Recommended Legislative Actions

- **Appropriation:**
 - \$250 thousand (non-recurring) to the Legislative Council Service for contractual services related to establishing a web site with downloadable databases containing revenue and distribution information, as well as reports and links on related subjects.
- **Memorial:**
 - Requesting the creation of a Business Tax Advisory Committee to be jointly appointed by the Secretary of Taxation and Revenue with input from the Governor and the Legislature, outlining duties.
- **Statute:**
 - Establishing an Office of Fiscal Accountability.
- **Goals:**
 - Expand public availability of tax data.
 - Increase public participation in tax policy.
 - Improve accountability in the crafting and administration of tax policy.