

# ***Tax Matters***

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

- **The Legislative Session Moves On...**
  - **Ongoing Tax Activity**
  - **List of Tax Related Legislation**
  - **Revised Revenue Forecast Released Friday 13<sup>th</sup>**
- **Knick Knacks**
  - **COST Annual State and Local Tax Burden Study Released**
  - **California Reaches Budget Deal...Almost**
- **Tax Quotable**
- **Don't Forget the Principles-Redux**

## INTO THE LEGISLATIVE SESSION



The 2009 Regular Session of the New Mexico Legislature convened at noon on Tuesday, January 13, and ends at noon on March 21<sup>st</sup>. February 19<sup>th</sup> (this coming Thursday) is the last day that new bills or capital outlay requests can be introduced.

Only five bills have been passed by both houses, including Senator Smith's Senate Bill 80, the corporate income tax measure that restores the first estimated quarterly payment. With the exception of House Bill 75 discussed below, no other tax bills have yet to cross over from House to Senate or vice versa. The last stop for House and Senate bills bound for the House floor is generally the House Taxation and Revenue Committee ("HTRC"), making it the committee to watch with respect to tax proposals. The HTRC has a general policy of tabling bills with negative fiscal impacts. However, the rule is not hard and fast and some bills have started to move.

Speaker Lujan's House Bill 75 was passed out of HTRC even though it was given a fiscal impact of \$16 million per year. It subsequently passed the House floor with a unanimous vote. HB 75 would extend the sunset dates on two provisions of importance to manufacturing operations. The election to count the sales factor twice in apportioning income for corporate income tax purposes would be extended through tax year 2019 rather than ending in tax year 2010. More generous investment credit employment provisions would be extended to June 30, 2020 rather than June 30 2011. The investment credit is seen as important for economic development efforts because to some extent it offsets the gross receipts tax on manufacturing equipment. Similarly, the double weighted sales apportionment measure eases the impact of New Mexico's corporate income tax. HB 75's early release suggests legislators place a high priority on these incentives.

HTRC also passed HB 262, a major re-write of the income tax act sponsored by Representative Sandoval. HB 262 would replace the current system of several different tax rate brackets with a flat 4.9% rate, but the benefits of the lower brackets would be captured through a credit that would be a function of taxable income and family size. The credit would also be designed to capture the benefits of the personal exemption and standard deduction, de-coupling from the federal law amounts for each. Fiscal impacts of the proposal are limited in the short run, but taxes would be reduced in the long run because the credit is indexed for inflation. **NMTRI Comment:** Although indexing is clearly a taxpayer-friendly provision, the taxpayers' gain will come at the expense of slower-growing income tax collections, a potential risk to the adequacy of government funding. The state will place an even greater reliance on the gross receipts tax to finance public services, thus aggravating the regressivity and pyramiding problems associated with the GRT.

HTRC continues its tradition of authorizing more GRT impositions by local governments. HB 135 would extend indefinitely Bernalillo County's authority to impose a 1/16% County Health GRT. HB 376 would reduce the preconditions to imposing capital outlay GRT options for both cities and counties.

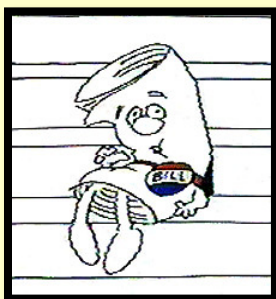
HTRC also gave a "do pass" to two of TRD's bills aimed at streamlining tax administration. HB 257 would re-write the confidentiality provisions of the Tax Administration Act. HB 266 would

require more taxpayers to file returns and payments electronically, as well as making other administrative changes.

In other committees, Speaker Lujan’s House Bill 404 was amended in the House Business and Industry Committee last Thursday to remove new withholding requirements for pass through entities (PTE’s... essentially all business entities except for C-corporations and sole-proprietors). The remaining provisions include film-related withholding and a gross receipts tax exemption for the sale of services amongst film performing artist entities. The PTE provisions, intended to enhance compliance, are still contained in HB 8, along with the broader oil and gas proceeds withholding requirements (the bill also contains the corporate estimated payment provision already signed into law via SB 80, as well as the film provisions moving in HB 404). The PTE proposal is extremely unpopular with tax preparers and businesses interests who consider the proposal costly, unnecessary and over-reaching. Likewise, the oil and gas proceeds withholding provisions are also unwelcome by the impacted residents. Eyes are on Speaker Lujan as to whether he’ll continue to pursue these two controversial provisions, or leave the bill on the table in HTRC.

In addition to our table below, the Legislative Council Service maintains copies of bills, compiles locators, and publishes lists of bill conflicts during the session. Most information, to include Legislative Finance Committee (“LFC”) fiscal impact reports (“FIR’s”), is available in a reasonably timely and electronic fashion from their rather robust website, which can be reached at <http://legis.state.nm.us/lcs/>. If you’re curious what the New Mexico Taxation and Revenue Department thinks about proposed legislation, you can find out from the list of their own FIR’s that they maintain on their website here: <https://ec3.state.nm.us/pdflists09/pdfindex.asp>. The NMTRD maintains a group of analysts dedicated to tax related issues, and their work often serves as a basis or source for other agencies such as the LFC.

**Bills with significant tax or revenue implications introduced in 2009 Legislative Session:**



If no effective date is mentioned, the bill lacks one and would take effect upon enactment, June 19, 2009. Effective date for GRT bills is July 1, 2009 unless otherwise noted. “TYBA” = Tax years beginning on or after. Other notes: CS=committee substitute; A=amended

Bill Number/ Sponsor:	Title: Link to bill language: Description	Assignments -Location:
CS HB 8A B. Lujan	<b>Estimated tax payments and withholding: <a href="#">CS-HB 8</a></b> Effective in tax year 2009, adds a quarterly corporate income tax estimated tax payment by the 15 <sup>th</sup> day of the 4 <sup>th</sup> month of the tax year. A temporary provision applies to tax year 2009, with 1/8 of annual payments	HTRC-H Floor w/drn ref HTRC- HTRC

	due by the fourth month and the remainder of the first quarterly payment due by the sixth month. Defines a “film performing artist entity” as pass-through entities for purposes of withholding tax. Quarterly withholding payments on owner’s net income are required of most pass through entities. The new withholding requirements take effect July 1, 2009 for film entities; January 1, 2010 for most other PTE’s. Exempt from the new requirements are distributions subject to the oil and gas withholding tax and distributions by a publicly traded partnership that is not treated as a corporation.	
HB 27 Rehm	<b>UNM hospitals health care surtax: <a href="#">HB 27</a></b> Creates a new gross receipts tax (“GRT”) surtax of 1/16% imposed statewide to fund UNMH; Eliminates property tax levy in Bernalillo County when surtax takes effect. Effective Jan. 2010	HHGAC/HT RC/HAFC- HHGAC
CS HB 29 Rehm	<b>Motor vehicle insurance violations: <a href="#">HB 29</a></b> Imposes a new \$75 reinstatement fee if vehicle registration lapses due to lack of insurance. Revenue would go to the motor Vehicle Division for enforcement. Changes the fine for lack of insurance from “up to \$300” to a fixed \$75 penalty assessment. Allows removal of license plate for lack of insurance and increases fee for replacing the plate from \$25 to \$100. Effective 7/1/2009.	HTRC/HJC/ HAFC-DNP- CS/DP-HJC DP/a-HAFC w/drn-T
HB 34 Berry	<b>Property tax information disclosure: <a href="#">HB 34</a></b> Title insurance companies would be required to disclose to purchasers of residential property that the assessed value and property tax liability on the property are likely to increase substantially in the first year after purchase.	HBIC/HTRC -DP-HTRC
HB 48 Rehm	<b>UNM health care reimbursement from counties: <a href="#">HB 48</a></b> Counties other than Bernalillo would be required to reimburse UNM hospital for medical services provided to residents of the counties. Bernalillo County Commission would be required to reduce its property tax levy for hospitals to reflect such reimbursement.	HHGAC/HT RC-HHGAC
HB 55 Begaye	<b>Hospital GRT time and uses: <a href="#">HB 55</a></b> Subject to voter approval, San Juan County would be authorized to re-impose the local hospital GRT more than once up to a total of 40 years and to modify the uses to which revenue could be put.	HHGAC/HT RC-DP- HTRC
HB 56 Begaye	<b>Medical recordkeeping tax credit: <a href="#">HB 56</a></b> Creates a new income tax credit for pharmacists or physicians for 100% of the cost of equipment required to maintain electronic records of their patients. Credits could be claimed over a period of five years, with annual credit claims limited to the lesser of (1) 20% of the cost of the equipment; (2) the value of uncompensated care provided in the year and (3) tax liability. Applicable TYBA 1/1/2010.	HHGAC/HT RC- HHGAC- DP-HTRC
HB 57 Begaye	<b>Local liquor surtax and rates: <a href="#">HB 57</a></b> Replaces the present law Local Liquor Excise Tax (which has never been imposed) with a Local Liquor Surtax imposed on wholesalers at the rate of 25% of the amount of Liquor Excise Tax they owe on products distributed to retailers within the imposing county. Allows any county in the state to impose the surtax by a vote of their governing board.	HBIC/HTRC -HBIC

	Imposition would be for 3 years and could be extended upon approval by the voters.	
HB 61 Taylor	<b>Rural health care tax credit eligibility: <a href="#">HB 61</a></b> Expands the definition of eligible areas to include those with a physician shortage of 15% or more as determined by the NM Dept. of Health. Expands the definition of “rural” to include municipalities less than 50,000. Effective 1/1/2009.	HHGAC/HT RC-DP- HARK
HB 62 A. Lujan	<b>Farm and ranch employee worker’s compensation exemption: <a href="#">HB 62</a></b> Removes the exclusion of employees of family farms from worker’s compensation requirements if the employer has 3 or more employees. Allows employers to exclude family member employees from WC. SB 9 is similar. The amendment provides an effective date of July 1, 2010.	HLC/HBIC- DP/a-HBIC
HB 64 M. Garcia	<b>Restoring income tax progressivity: <a href="#">HB 64</a></b> Increases top individual income tax rate over several years from 4.9% to 8.2%. Also modifies the income levels at which various tax rates would take effect, levels shown would apply to married taxpayers filing joint returns in 2014 and after: Taxable Income above \$24,000 ..... 6% Taxable Income above \$40,000 ..... 7.1% Taxable Income above \$64,000 ..... 7.9% Taxable Income above \$100,000 ..... 8.2% Effective 1/1/2010.	HBIC/HTRC -HBIC
HB 67 J. Campos	<b>Mission transition program gross receipts: <a href="#">HB 67</a></b> Provides a GRT deduction for construction materials used on military installations.	HBIC/HTRC -DP-HTRC
HB 75 B. Lujan	<b>Manufacturing &amp; investment tax credits: <a href="#">HB 75</a></b> Extends corporate income tax double-weighted sales apportionment option sunset date from January 1, 2011 to January 1, 2020. Extends to the same date sunset in the investment tax credit on a higher rate of credit per additional employee. Also postpones to January 1, 2020 the effective date of annual limit on investment credits for one taxpayer of no more than \$2 million.	HBIC/HTRC DP-HTRC- DP-HTRC- DP- PASSED/H (62-0) SCORC/SFC -SCORC
HB 78 Varela	<b>Malt beverages as spirituous liquor: <a href="#">HB 78</a></b> Subjects flavored malt beverages to the liquor excise tax and directs revenue to programs for prevention of underage drinking.	HBIC/HTRC -HBIC
HB 84 Lundstrom	<b>Uranium Legacy Clean-up Act: <a href="#">HB 84</a></b> Imposes a new surtax on uranium severance and processing at a rate of 2% of taxable value under the Resource Excise Tax (the current tax rate is 0.75%). No tax would be imposed on the purification, UF6 conversion, enrichment, deconversion, reprocessing or disposal of uranium. Revenue from the new tax – and 50% of revenue from the existing tax on uranium – would go to a new fund for programs designed to mitigate health effects of uranium mining activities prior to July 1, 2009. Effective 1/1/2010.	HNERC/HT RC/HAFC- HENRC
HB 89 Trujillo	<b>Hybrid vehicle excise tax exemption: <a href="#">HB 89</a></b> Extends – from June 30, 2009 to June 30, 2014 – the motor vehicle excise tax exemption for gasoline-electric hybrid fuel vehicles. Corrects	HBIC/HTRC DP-HTRC

	erroneous references to hybrid vehicles in several other tax statutes.	
HB 98 T. Garcia	<b>Greenhouse gas registry fees: <a href="#">HB 98</a></b> Authorizes the environmental improvement board or a local board to impose fees on emitters of more than 1,000 tons of carbon dioxide emissions. Fees would be set at whatever rate is necessary to cover costs of programs to monitor and inventory carbon dioxide emissions. A maximum of \$200 thousand total fees and \$10,000 per emission source would be collected. Effective July 1, 2009.	HENRC/HT RC/HAFC – DP-HTRC
HB 115 Irwin	<b>Direct wine shipments: <a href="#">HB 115</a></b> Allows direct shipments to customers of limited amounts of wine. The same taxes would be due on the shipments as under wine deliveries under present law.	HBIC/HTRC DP/a-HTRC
HB 116 Heaton	<b>Orthotic and prosthetic device GRT deduction: <a href="#">HB 116</a></b> Makes orthotics and prosthetics practitioners eligible for the income tax credit for rural health practitioners and also eligible for the GRT deductions for reimbursements by Medicare and by managed care. Effective July 1, 2009.	HHGAC/HT RC-DP- HTRC
HB 129 Gutierrez	<b>Expand rural health practitioner tax credit: <a href="#">HB 129</a></b> Would make occupational therapist, physical therapists, social workers and speech-language pathologists eligible for the credit. Effective 1/1/2010.	HHGAC/HT RC-HHGAC
HB 132 Miera	<b>Educational property tax exemptions: <a href="#">HB 132</a></b> Exempts from property tax property that is leased to a public school district for public school purposes. Applies to 2009 and subsequent property tax years.	HEC/HTRC- HEC-DP- HTRC
HB 135 Miera	<b>County health care GRT increment: <a href="#">HB 135</a></b> Authorizes the Bernalillo County Commission to continue to impose a 1/16% GRT option to fund health care for indigent patients after the June 30, 2009 sunset date in present law. The amendment adds an emergency clause which would make the bill effective immediately upon signature of the governor.	HHGAC/HT RC-DP/a- HTRC-DP PASSED/H (62-0) SCORC/SFC -SCORC
HB 160 Park	<b>No revaluation of property upon transfer: <a href="#">HB 160</a></b> Eliminates the requirement that residential property be revalued when sold or transferred. The 3% annual limit on assessed value growth would apply to properties that are transferred. The amendment changes the bills application from property tax years 2009 and subsequent, to 2010 and subsequent.	HBIC/HTRC DP/a-HTRC
HB 174 Roch	<b>School event services GRT deduction: <a href="#">HB 174</a></b> Provides a GRT exemption for receipts from officiating at public school athletic events.	HBIC/HTRC -HBIC-DP- HTRC
HB 178 Crook	<b>Unclaimed property recovery fee limit: <a href="#">HB 178</a></b> Limits the fee that may be collected for aiding in the recovery of unclaimed property to no more than 10% of the value of the property. Effective July 1, 2009.	HCPAC/HT RC-HCPAC
HB 179	<b>Expand rural health care practitioner tax credit: <a href="#">HB 179</a></b>	HBIC/HTRC

Steinborn	Changes the definition of a medically underserved area for purposes of the tax credit. Also changes the definition of “rural” under the credit so that it would include all areas of the state except for Bernalillo County.	-HBIC
HB 203 R.S. Martinez	<b>Expand rural health care practitioner tax credit: <a href="#">HB 203</a></b> Expands eligibility to occupational therapists, physical therapists, social workers and speech pathologists. Same as HB 129.	HHGAC/HT RC-DP- HTRC
HB 204 Sandoval	<b>Extend horse racing act to 2015: <a href="#">HB 204</a></b> Extends the sunset date on the horse racing act from July 1, 2011 to July 1, 2015.	HHGAC/HT RC- DP-HTRC
HB 241 Cote	<b>Child day care GRT deduction: <a href="#">HB 241</a></b> Provides a GRT deduction for providing child day care services that are reimbursed by the Children, Youth and Families Department. Effective 7/1/2009.	HBIC/HTRC DP-HTRC
HB 251 Park	<b>Updating property value with decreases: <a href="#">HB 251</a></b> Authorizes county assessors to decrease assessed value when necessary to bring property values to current and correct.	HHGAC/HT RC- HHGAC- DP/a-HTRC
HB 257 Varela	<b>Tax administration confidentiality: <a href="#">HB 257</a></b> Section 7-1-8 is re-written to make definitions and requirements clearer for entities that are authorized to receive tax return information under some circumstances. Newly-authorized to receive returns information are U.S. attorneys; Law enforcement agencies conducting joint investigations with TRD; The Alcohol, Tobacco and Firearms division of the U.S.; The Regulation and Licensing Department could receive information if a license holder is delinquent on tax payment or filing; the Human Services Department for purposes of reporting the use of federal funds to pay state credits; and Tax Increment Development Districts could receive the same kinds of information currently shared with local governments.	HTRC/HJC- DP-HJC
HB 258 Sandoval	<b>Graduate gaming tax rate on smaller racetracks: <a href="#">HB 258</a></b> The gaming tax rate would be reduced from 26% for racetracks that had less than \$14 million of net win in the preceding year to 10% on the first \$10 million of net win and 26% thereafter. Effective 7/1/2009.	HBIC/HTRC -HBIC-DP- HTRC
HB 261 Sandoval	<b>Estimated future property tax information to buyers: <a href="#">HB 261</a></b> Potential buyers of residential property would be provided with an estimate of the possible property tax liability on the property calculated by multiplying the prevailing tax rates in the jurisdiction by one-third of the estimated sales price of the home. This information would be provided by real estate brokers, title companies and lending institutions.	HBIC/HTRC -HBIC
HB 262 Sandoval	<b>Income tax credits: <a href="#">HB 262</a></b> The Income Tax Act would be substantially re-written. All tax brackets would be collapsed into one bracket with a 4.9% tax rate. The financial benefits currently provided by the lower rate brackets, the personal exemption, standardized deductions, the low- and middle-income personal exemption and the low-income comprehensive tax rebate would all be captured in a table of credits keyed to the taxpayer’s income and number of exemptions. Taxpayers who itemize would still be able to deduct the excess of itemized over standard deductions. The definition of modified	HCPAC/HT RC-HCPAC DP-HTRC- DP-T

	gross income would be simplified by eliminating some components. The credit amounts would be indexed to increase with inflation, reducing the effects of “bracket creep.”	
HB 266 Trujillo	<b>Tax payments and installment agreements: <a href="#">HB 262</a></b> Lowers annual liability threshold for electronic payments requirement from \$25,000 to \$10,000. Electronic payments can be required for Cigarette tax, tobacco products tax and liquor excise tax. Third party payers would be subject to electronic payment requirements. Monthly filing threshold for CRS would be increased from \$200 to \$300. TRD would be allowed to serve warrants of levy upon financial institutions electronically. TRD could delay accrual of interest for disasters. Minimum penalty is increased from \$5 to \$25. Effective July 1, 2009.	HBIC/HTRC -HBIC- DP- HTRC- DP-T
HB 276 Anderson	<b>Military retirement pay tax exemption: <a href="#">HB 276</a></b> Provides an income tax exemption for 50% of military retirement or retainer pay of an armed services retiree or surviving spouse. Applies to TYBA 1/1/2009.	HCPAC/HT RC-HCPAC
HB 277 Anderson	<b>Uniformed service retirement tax exemption: <a href="#">HB 277</a></b> Provides an income tax exemption for retirement payments and survivor’s benefits payments for service in the uniformed services of the U.S. Applies to TYBA 1/1/2009.	HCPAC/HT RC-HCPAC
HB 297 Heaton	<b>Property tax on mutual domestic associations: <a href="#">HB 297</a></b> Exempts from property taxation commercial water property owned or sold by a nonprofit mutual domestic water association. Applies to TYBA 1/1/2010.	HAGC/HTR C-DP- HARK-DP-T
HB 305 Rehm	<b>Front and rear vehicle license plates: <a href="#">HB 305</a></b> Requires two license plates for most vehicles beginning with their next renewal. Additional fee of up to \$5 is allowed to cover costs. Effective 1/1/2010.	HTPWC/HT RC- HTPWC-DP- HTRC
HB 320 Varela	<b>Require tax expenditure budget: <a href="#">HB 320</a></b> TRD would be required to prepare and present a tax expenditure budget every year on all tax expenditures exceeding \$1 million annual general fund impact.	HBIC/HTRC -HBIC
HB 337 R. Gonzales	<b>Water and sanitation district revenue: <a href="#">HB 337</a></b> TRD could release GRT taxpayer names and ID numbers to a water and sanitation district. Various changes to statutes governing the districts.	HAGC/HTR C-HAGC- DP/a-HTRC- DP-T
HB 344 King	<b>Dependent child day care expenses tax credit: <a href="#">HB 344</a></b> Increases the income threshold determining eligibility for the child care credit. Increases the maximum annual amount of credit that can be claimed by one taxpayer from \$480 to \$2,400. Applies to TYBA 1/1/2009.	HCPAC/HT RC-HCPAC
HB 346 Stewart	<b>Education income tax surtax: <a href="#">HB 346</a></b> In tax years beginning in 2010, the income tax rate on the top brackets would be increased from 4.9% to 6.0%. TRD would estimate how much additional revenue this generates so that amount can be distributed to the public school fund. Beginning July 1, 2009, a surtax of 0.5% of the	HTRC/HAF C-HTRC

	taxable base would be added to both the GRT and Compensating taxes.	
HB 351 Varela	<b>Retiree health care fund distribution <a href="#">HB 351</a></b> Removes the June 30, 2010 sunset date on the \$3 million annual distribution of income tax receipts to the retiree health care fund.	HHGAC/HT RC- HHGAC- DP-HTRC- DP-T
HB 359 J. Trujillo	<b>Child daycare services GRT deduction <a href="#">HB 359</a></b> Provides a credit against GRT from providing child daycare services after June 30, 2009. The credit applies only to the state's share of GRT – i.e. 3.775% times taxable gross receipts in municipal areas and in non-municipal areas.	HBIC/HTRC HBIC-DP- HTRC
HB 374 R. Gonzales	<b>Motor vehicle excise tax to state road fund <a href="#">HB 374</a></b> Beginning July 1, 2009, 16.5% of net receipts attributable to the Motor vehicle excise tax would be distributed to the state road fund. Currently those revenues are distributed to the General Fund.	HTRC/HAF C-HTRC
HB 375 R. Gonzales	<b>Geothermal heat pump tax credits <a href="#">HB 375</a></b> Provides corporate and individual income tax credits for 30% of the cost of installing a geothermal heat pump up to a maximum of \$9,000 per taxpayer. A maximum of \$2 million of credits could be awarded in one year. The credits are non-refundable but could be carried forward for 10 years. The credits sunset in 2020.	HBIC/HTRC -HBIC-DP- HTRC
HB 376 R. Gonzales	<b>Local government capital outlay gross receipts tax <a href="#">HB 376</a></b> Removes the requirements that a municipality have imposed all increments of the municipal GRT, the municipal infrastructure GRT and NOT have imposed the supplemental municipal GRT prior to imposing the capital outlay GRT. Removes the requirements that a county have imposed all increments of the county GRT and the county infrastructure GRT prior to imposing the county capital outlay GRT.	HHGAC/HT RC- HHGAC- DP-HTRC- DP-T
HB 388 Barreras	<b>Property tax treatment of wastewater <a href="#">HB 388</a></b> Creates a special valuation method for wastewater system property. Such property would be valued at \$2.49 per 1,000 gallons of wastewater transmitted.	HBIC/HTRC -HBIC-DP- HTRC
HB 392 Barela	<b>Greenfield tax increment district procedures <a href="#">HB 392</a></b> Defines a Greenfield TID district. Requires additional notice be given to the state of a local government's intention to form a TID. Requires the Secretary of Finance and Administration be a member of the governing body of a TID. Adds food and medical services hold harmless distributions to the amounts distributed to TID's. Limits the share of state GRT revenue that can be distributed to a TID to 50%, or to 20% in a Greenfield TID, but the 20% can increase to as much as 50% if various criteria are met. Revenue distributions to a TID in excess of the amount needed for debt service would revert to the local government that created the TID. A task force would be created to oversee implementation of the TID Act.	HBIC/HTRC /HAF- HBIC

HB 404 Lujan	<b>Clarify film production tax credit <a href="#">HB 404</a></b> Defines a “film performing artist entity” as a company that accepts payments on behalf of performing artists as eligible for film credits as long as the entity pays withholding tax. Such entities are defined as pass-through entities for purposes of withholding tax. Quarterly withholding payments on owner’s net income are required of all pass through entities. The new withholding requirements take effect July 1, 2009 for film entities; January 1, 2010 for most other PTE’s. Exempt from the new requirements are distributions subject to the oil and gas withholding tax and distributions by a publicly traded partnership that is not treated as a corporation. Provides a GRT exemption for receipts of a film entity from another film entity. HBIC amendment removes non-film PTE requirements.	HBIC/HTRC -HBIC-DP/a- HTRC
HB 405 Lujan	<b>Renewable energy production tax credit caps <a href="#">HB 405</a></b> Increases cap on production from solar-powered facilities from 500,000 megawatt-hours (MWh) to 1 million MWh. Creates new credit authority of up to 200,000 MWh for dairy or feedlot waste biomass facilities.	HBIC/HTRC -HBIC
HB 407 T. Garcia	<b>Tax contribution to Vietnam veteran’s memorial <a href="#">HB 407</a></b> Creates a new income tax check-off for donations to a veteran’s memorial fund.	HBPAC/HT RC-HCPAC
HB 415 Arnold- Jones	<b>5-year old small business GRT credit <a href="#">HB 415</a></b> Creates a new non-refundable credit against GRT liability for businesses with fewer than 50 employees. The credit rate would start at 0.25% for businesses operating for at least 5 years, and increase to 1% for those operating for at least 20 years.	HBIC/HTRC -HBIC
HB 429 Cote	<b>Federal employee property tax income credit <a href="#">HB 429</a></b> Provides a non-refundable income tax credit for the lesser of property tax paid to another state or \$1,975 for non-resident taxpayers in the first three years they are employed at federal law enforcement facilities within 20 miles of the international border.	HLC/HTRC- HLC-DP- HTRC
HB 430 Cote	<b>Border business employee tax credit <a href="#">HB 430</a></b> Provides a non-refundable income tax credit for the lesser of property tax paid to another state or \$1,975 for non-resident taxpayers in the first three years they are employed at certain business facilities within 20 miles of the international border. Present law language allocating income of non-resident employees at certain border businesses to their state of residence is repealed.	HBIC/HTRC -HBIC
HB 451 Lundstrom	<b>Tax increment development district oversight <a href="#">HB 451</a></b> Local governments voting to establish a tax increment development district (“TIDD”) would be required to provide notice to the state. The Secretary of Finance and Administration would be a member of the governing board of any TIDD. Food and medical deductions would be added to the base for determining GRT distributions to a TIDD. GRT amounts distributed to a TID in excess of amounts needed to cover debt service obligations would revert to the taxing authority creating the TIDD.	HBIC/HTRC -HBIC
HB 460 Arnold-	<b>Net income deduction of capital gain income <a href="#">HB 460</a></b> Increases the income tax deduction for capital gains income from 50% to	HBIC/NTRC -HBIC

Jones	100%. Applies to TYBA 1/1/2010.	
HB 463 Miera	<b>Tax revenue to certain charter schools <a href="#">HB 463</a></b> Ballot measures in Bernalillo County on property taxes for public school improvements would not be required to contain funding for charter schools. Such schools would instead be funded as part of the school district's facilities master plan.	HEC/HTRC- HEC
HB 466 Miera	<b>Public school lease purchase <a href="#">HB 466</a></b> Exempts from property tax property that is leased to a public school district for public school purposes. Makes several other changes to requirements for property tax impositions for public school capital purposes.	HEC/HTRC- HEC
HB 470 Sandoval	<b>Westland tax increment project bonds <a href="#">HB 470</a></b> Authorizes the issuance of \$408 million of bonds for the Westland upper petroglyphs development to be paid with GRT increment financing.	HBIC/HTRC -HBIC
HB 480 Stewart	<b>Economic development fiscal accountability <a href="#">HB 480</a></b> Requires the Economic Development Department to prepare a biennial report documenting economic development tax and spending initiatives.	HBIC/HTRC -HBIC
HB 490 Taylor	<b>Taxation and revenue department agreements with IRS <a href="#">HB 490</a></b> TRD would be allowed to enter the state income tax levy program which requires acceptance of electronic levies from IRS (which carry a fee) and allows TRD to charge IRS a comparable fee for levies.	HTRC/HAF C-DP-HAFC
HB505 Trujillo	<b>Retail Communication Gross Receipts <a href="#">HB505</a></b> Creates a five year phased in gross receipts and compensating tax deduction for the sale, lease, or use of most communications equipments and services by communications providers. Begins "fiscal year 2010".	HBIC/HTRC -HBIC
HB509 B. Lujan	<b>Health care practitioner gross receipts <a href="#">HB509</a></b> Expands the existing gross receipts tax deduction for certain healthcare services by certain healthcare practitioners to include receipts from co-payments and adding and broadening definitions. Effective July 1, 2009.	HHGAC/HT RC- HHGFAC- DP-HTRC
HB510 B. Lujan	<b>Clinical nonprofit lab service gross receipts <a href="#">HB510</a></b> Creates a credit against gross receipts for unpaid clinical laboratory services performed by a not-for-profit clinical laboratory. The credit is phased-in over three years beginning July 1, 2009.	HHGAC/HT RC- HHGAC- DP-HTRC
HB528 Vigil	<b>Increase liquor excise tax <a href="#">HB528</a></b> Increases liquor excise tax from: \$1.60 to \$4.98 per liter of spirituous liquors; \$.41 to \$1.85 per gallon of beer; \$1.50 to \$2.77 per liter of fortified wine. The bill does not propose to increase the \$.08/gallon and \$.10/liter taxes on locally brewed beer or local small wine growers, respectively. Effective July 1, 2009	HBIC/HTRC -HBIC
HB554 R. Gonzales	<b>Special fuel from vegetable oil tax deduction <a href="#">HB554</a></b> Creates a new deduction from gross receipts and special fuels ("diesel") tax fuel consisting of ninety percent or more vegetable or animal fat. Effective July 1, 2009.	HBIC/HTRC -HBIC
HB556 R. Gonzales	<b>Local option hospitality excise tax <a href="#">HB556</a></b> Authorizes a new local option tax ("hospitality liquor excise tax") to be voter imposed by municipalities with populations of 15,000 or fewer	HBIC/HTRC /HAFC- HBIC

	according to the 2000 census. The tax would be 2% of the retail value of alcoholic beverages served. Half the proceeds must be dedicated exclusively to economic development projects within the municipality, and the other half to that or certain other uses such as transportation, tax administration, and tourism.	
HB571 Mary Helen Garcia	<b>Chile production income tax credit <a href="#">HB571</a></b> Creates a personal and corporate income tax credit for chile producers, in the amount of \$200 per acre of planted chile. Applicable TYBA 1/1/2009 but prior to January 1, 2012.	HBIC/HTRC -HBIC
HB626 Sandoval	<b>Investment credit time period <a href="#">HB626</a></b> Extends to July 1, 2016 a higher rate of credit per additional employee. Also postpones to June 30, 2016 the effective date of annual limit on investment credits for one taxpayer of no more than \$2 million	HBIC/HTRC -HBIC
HB627 Maestas	<b>Albuquerque route 66 tax increment district <a href="#">HB627</a></b> Appropriates \$100,000 to the local government division of the DFA for the purpose of a study of the feasibility of establishing a tax increment district along the Central Avenue Route 66 corridor in Albuquerque. Unencumbered funds revert to the general fund at the end of fiscal year 2010.	HTRC/HAF C-HTRC- DP-HAFC
HB632 Lundstrom	<b>Increase weight distance tax rate <a href="#">HB632</a></b> Weight determined tax rates for buses and non-buses are increased approximately 5% across the board. Effective July1, 2009.	HTPWC/HT RC-HTPWC
HB649 R. Gonzales	<b>Increase motor vehicle excise tax &amp; create fund <a href="#">HB649</a></b> Increases the MVX to 4% from the current 3%. Creates “state transit fund” and distributes the additional tax to the fund, primarily for the purpose of supporting transportation services and districts. Effective July 1, 2009.	HTRC/HAF C-HTRC
HB655 Cote	<b>Military retiree rural health care tax credit <a href="#">HB655</a></b> Effectively exempting taxable income up to \$100,000, the proposal creates a new \$5,000 and 3,000 personal income tax credit. To be eligible, one must be an eligible military retiree healthcare practitioner providing health care services in an underserved rural area. Applicable TYBA 1/1/2009.	HCPAC/HT RC-HCPAC
HB657 MH Garcia	<b>Substitute teaching tax deduction <a href="#">HB657</a></b> Provides a personal income tax deduction of up to \$50,000 in income earned from substitute teaching by a retired full time teacher with 20 or more years of experience. TYBA 1/1/2009.	HEC/HTRC- HEC
HB680 Taylor	<b>Health practitioner gross receipts definition <a href="#">HB680</a></b> Expands healthcare practitioner gross receipts tax deduction to include copayments and other patient payments made in connection with a healthcare insurer or managed health care provider. Effective July 1, 2009.	HHGAC/HT RC-HHGAC
HB682 Rehm	<b>Motor vehicle tax as actual price paid <a href="#">HB682</a></b> Strikes current law provision that requires value for purposes of the motor vehicle excise tax be the “reasonable value” if the price paid does not reflect that, essentially limiting taxable value to the price paid.	HCPAC/HT RC-HCPAC

HB725 Kintigh	<b>Repeal film production tax credit <a href="#">HB725</a></b> Repeals the film production tax credit and limits the amount and type of film related investments that can be made from the severance tax permanent fund. Effective July 1, 2008	HBIC/HTRC -HBIC
HB742	<b>Cigarette tax rated &amp; distribution <a href="#">HB742</a></b> More than doubles the current cigarette tax rates (approx. 209% increase) while decreasing distribution percentages to specific beneficiaries by an average 31% (the general fund is the remaining beneficiary). The proposal also increases the tobacco products tax by 60% (25% to 40% of retail value) and reduces discounts for cigarette stamps. Effective July 1, 2009.	HBIC/HTRC -HBIC w/drn - ref HHGAC/HT RC-HHGAC
HB764 Begaye	<b>Local hospital gross receipts imposition <a href="#">HB764</a></b> Relaxes eligibility for the local hospital gross receipts tax local option. Newly eligible counties can impose a quarter percent in eighth percent increments but must dedicate the revenue as matching funds for federal state programs benefitting a hospital in the county that is designated a sole community provider. Voter approval is not required to enact the increases. Effective July 1, 2009.	HBIC/HTRC -HBIC
HB783 Martinez	<b>Occupancy tax rates &amp; uses <a href="#">HB783</a></b> Allows an increase in the occupancy (“lodgers”) tax a governing body can impose from 5% to 7%, but only municipalities that have a state-designated arts and cultural district within its boundaries. The additional revenue must be used for cultural development and heritage tourism activities located within the arts and cultural district.	HBIC/HTRC -HBIC
HB784 Gardner	<b>Biogas fuel production facility tax credit <a href="#">HB784</a></b> Creates personal and corporate income tax credits for the production o biogas (>=50% methane and produced from qualified energy source) in the amount of \$2.92/million BTU’s produced. The credit is non-refundable and can be carried forward for five years.	HBIC/HTRC -HBIC
HJM 34 Taylor	<b>Tax &amp; rev business advisory committee: <a href="#">HJM 34</a></b> Calls for the Taxation and Revenue Department to establish a business tax advisory committee.	HBIC
HJR 1 Steinborn	<b>Veteran’s organization property tax exemption <a href="#">HJR 1</a></b> Proposed constitutional amendment would provide a property tax exemption for property of a veteran’s organization chartered by Congress.	HVEC/HTR C-DP-HTRC
HJR 3 Park	<b>Head of family property tax exemption <a href="#">HJR 3</a></b> Proposes a constitutional amendment to increase the head of household property tax exemption from \$2,000 to \$20,000.	HVEC/HTR C-HVEC
HJR 4 E. Barela	<b>National guard property tax exemption <a href="#">HJR 4</a></b> Proposes a CA to make national guard veterans eligible for the \$4,000 property tax exemption for veterans.	HVEC/HTR C-DP-HTRC
HJR 9 Taylor	<b>Limit state expenditure increases <a href="#">HJR 9</a></b> Proposes a constitutional amendment to limit annual increases in expenditures to no more than 3.6% plus the rate of population growth.	HVEC/HTR C/HAFC- HVEC

CS/SB 19 Papen	<b>Las Cruces downtown tax increment district: <a href="#">SB 19</a></b> Would authorize the issuance of \$8.0 million in bonds to be paid with GRT increment revenue. [TRD notes that approval of the bonds is not required for the Board of Finance to authorize dedication of a portion of the State's GRT.]	SCORC/SFC -SFC
SB 32 Cisneros	<b>Land grant property conveyance tax credit: <a href="#">SB 32</a></b> Would make land grants which are treated as a subdivision of the state eligible for the present law tax credit for land donations. The credit is for 50% of the value of donated land and can be transferred to a third party.	SCONC/SC ORC/SFC- SFC
SB 35/a Harden	<b>Renewable energy transmission project bonds: <a href="#">SB 35</a></b> New Mexico Finance Authority could issue bonds on behalf of the Renewable Energy Transmission Authority (RETA). Property leased from or purchased from RETA would be exempt from property tax. State Investment Council and the State Treasurer would be authorized to purchase debt issued by RETA. In addition to the present law tax exemption for bonds issued by RETA, exemption from tax would apply to any mortgages used as security for the bonds, to any personal or real property acquired with bond funding, and to any lease agreements entered into by the RETA. Effective 7/1/2009.	SCONC/SC ORC/SFC- SCORC
SB 45 B. Sanchez	<b>Extend research and development tax credit: <a href="#">SB 45</a></b> Sunset date on the R&D Small Business Tax Credit would be extended from June 30, 2009 to June 30, 2013.	SCORC/SFC -SFC
SB 58 R. Martinez	<b>Expand rural health care tax credit: <a href="#">SB 58</a></b> Health care providers eligible for the credit would be expanded to include occupational therapists, physical therapists, social workers and speech and language pathologists. Effective 1/1/2010.	SCORC/SFC -SCORC
SB 69 Ortiz y Pino	<b>No soft drink GRT deduction: <a href="#">SB 69</a></b> Soft drinks would be excluded from eligibility for the GRT deduction for food for home consumption. Effective 7/1/2009.	SCORC/SFC -SCORC
SB 80/aa Smith	<b>Corporate income tax reporting dates: <a href="#">SB 80</a></b> As amended, adds a quarterly estimated tax payment on the 15 <sup>th</sup> day of the fourth month of the tax year. Temporary provisions reduce the quarterly payment otherwise due by April 15, 2009 to 1/8 of annual estimated payments. The remainder of the 25 percent first quarterly payment is due June 15. Applied to TYBA 1/1/2009.	SCORC/SFC /HTRC- Signed Feb. 6, Ch. 4 Laws 2009
SB 88 Neville	<b>Expand definition of retail food store: <a href="#">SB 88</a></b> Expands definition of a food store for the GRT food deduction to include a store 75% of the gross revenue of which comes from ice, water and coffee.	SCORC/SFC -SFC
SB 89 Neville	<b>Local hospital GRT changes: <a href="#">SB 89</a></b> Subject to voter approval, San Juan County would be authorized to re-impose the local hospital GRT more than once up to a total of 40 years and to modify the uses to which revenue could be put.	SCORC/SFC -SFC
SB 108 Beffort	<b>Temporary tax amnesty program: <a href="#">SB 108</a></b> Authorizes TRD to conduct a 90-day tax amnesty program for taxes covered by the Tax Administration Act during FY 2010. Appropriates \$500,000 to the Department for the purpose.	SCORC/SFC -SFC

SB 115/a Boitano	<b>Leased school property tax exemptions: <a href="#">SB 115</a></b> Exempts from property tax property that is leased to a public school district for public school purposes. Applies to 2010 and subsequent property tax years.	SEC/SJC/SF C-SJC
SB 181 Boitano	<b>No property revaluation upon sale: <a href="#">SB 181</a></b> Eliminates the requirement that residential property be revalued when sold or transferred. The 3% annual limit on assessed value growth would apply to properties that are transferred. Applies to property tax years 2009 and subsequent.	SCORC/SFC -SCORC
SB 201 B. Sanchez	<b>Tax increment for development districts amendments: <a href="#">SB 201</a></b> Tax base for TIDD increments would include food and medical deductions. Modifies formulas for determining base and incremental GRT. Adds more local option GRT that can be dedicated to a TIDD. Any GRT increment dedicated to a TIDD in excess of the amounts needed for debt service would be distributed to the dedicating government entity.	SCORC/SFC -SCORC
SB 209 Rodriguez	<b>Expand affordable housing tax credits: <a href="#">SB 209</a></b> Removes the limitation making the credits available only in counties with population less than 100,000.	SCORC/SFC -SCORC
SB 213 Beffort	<b>Weight distance tax underreporting penalties: <a href="#">SB 213</a></b> Imposes new civil penalties for failure to report mileage or for underreporting either mileage or weight. Effective 7/1/2009.	SJC/SFC- SFC
SB 219 Morales	<b>Cigarette tax act changes: <a href="#">SB 219</a></b> Conforms cigarette tax act definitions with those in the Master Settlement Agreement. Prohibits sale of cigarettes by manufacturers not in the MSA. Allows the Department to revoke or suspend licenses for violations of the tax escrow requirements. Exempts tribal sales from the tobacco products tax.	SCORC/SFC -SCORC
CS/SB 237 SCONC	<b>Renewable energy production tax credit: <a href="#">SB 237</a></b> Creates new personal and corporate income tax credits equal to 6% of investments in certain power generating facilities. The credits are non-refundable but may be carried forward for 10 years. The same investments are eligible for a GRT credit under present law Section 7-9G-2 but not for other GRT credits. Criteria for the present law credit are modified to include geothermal facilities and solar facilities linked to a conventional power plant.	SCONC/SC ORC- SCORC
SB 249 Lopez	<b>Tax increment development projects: <a href="#">SB 249</a></b> Authorizes the issuance of \$408 million of bonds for the Westland Upper Petroglyphs project.	SCORC/SFC -SFC
SB 257 Keller	<b>Solar market development tax credit <a href="#">SB 257</a></b> The income tax credit for solar equipment would be 10% of the system cost without reference to any federal credit for which the equipment is also eligible. Under present law, the credit rate is 30%, but any federal credits must be subtracted from the 30%. Applies to TYBA 1/1/2009.	SCORC/SFC -SCORC
SB 272 Nava	<b>Federal employee property tax income credit <a href="#">SB 272</a></b> Provides a non-refundable income tax credit for the lesser of property tax paid to another state or \$1,975 for non-resident taxpayers in the first three years they are employed at federal law enforcement facilities within 20	SCORC/SFC -SCORC

	miles of the international border.	
SB 291 Feldman	<b>Sustainable building tax credit <a href="#">SB 291</a></b> Credits could be applied to manufactured housing that otherwise meets the requirements. Credit cap earmarked for commercial buildings could be used for multi-family housing if all current cap for residential housing has been allocated.	SCORC/SFC -SCORC
SB 324 Jennings	<b>Municipal environmental GRT rate <a href="#">SB 324</a></b> This local option tax rate would be increased from 1/16% to 1%. No voter approval is required to impose the tax.	SCORC/SFC -SCORC
SB 327 B. Sanchez	<b>Chile production income tax credit <a href="#">SB 327</a></b> New non-refundable individual and corporate income tax credits would be provided equal to \$200 per acre of chile planted.	SCORC/SFC -SCORC
SB 333 Boitano	<b>Reduce undeveloped property tax ratio <a href="#">SB 333</a></b> Reduces the assessment ratio for property tax purposes from 1/3 to 1/6.	SCORC/SFC -SCORC
SB 340 Morales	<b>Tax refund anticipation loan act <a href="#">SB 340</a></b> Companies offering refund anticipation loans would be required to be licensed and pay a \$1,000 fee. Imposes disclosure requirements and prohibits a variety of activities. Establishes fines for violations of the act.	SCORC/SFC -SCORC
SB 355 Campos	<b>Nonpublic school scholarship tax credit <a href="#">SB 355</a></b> Creates non-refundable corporate and individual income tax credits for donations to certain scholarship-granting organizations. Maximum annual credit amounts are \$500 (single), \$1,000 (Joint) and \$50,000 (corporate).	SEC/SFC- SEC
SB 366 Smith	<b>Tax distribution to retiree health care <a href="#">SB 366</a></b> Deletes the sunset date on the annual distribution of \$3 million of net individual income tax revenue to the retiree health care fund. Increases employer contribution to the fund.	SCORC/SFC -SCORC
SB 374 Ortiz y Pino	<b>Expand rural health care tax credit <a href="#">SB 374</a></b> Expands eligibility for the rural health care practitioners tax credit to include pharmacists and pharmacy technicians.	SCORC/SFC -SCORC
SB 384 Griego	<b>Water and sanitation districts <a href="#">SB 384</a></b> Districts could receive the same kinds of tax return information about taxpayers within their district as is currently granted to local governments. Other changes are made to the sanitation district act.	SCONC/SJC -SCONC
SB 389 Wirth	<b>Corporate tax to public school fund <a href="#">SB 389</a></b> Earmarks to the public school fund 1/6 of net revenue attributable to the corporate income tax. Mandates that all unitary corporations report as a combined group for corporate income tax purposes. Repeals the option for a corporation to report on a federal consolidated basis.	SCORC/SFC -SCORC
SB 412 Nava	<b>Education GRT surtax: <a href="#">SB 412</a></b> Adds a 0.75% surtax to both the GRT and the Compensating tax with revenue earmarked to public school funding. Implementation is contingent on passage by the current legislature of revisions to the public school funding formula.	SEC/SFC- SEC
SB 430 Nava	<b>Border business income tax credit: <a href="#">SB 430</a></b> Provides a non-refundable income tax credit for the lesser of property tax paid to another state or \$1,975 for non-resident taxpayers in the first three	SPAC/SCOR C-SPAC

	years they are employed at certain business facilities within 20 miles of the international border. Present law language allocating income of non-resident employees at certain border businesses to their state of residence is repealed.	
SB 438 Harden	<b>Dyed special fuel GRT: <a href="#">SB 438</a></b> A new GRT deduction would be created for special fuel that is dyed under federal regulations. Dyed fuel is also deductible for purposes of the special fuels excise tax. Effective July 1, 2009.	SCORC/SFC -SCORC
SB 440 Wirth	<b>Cultural property transfer income tax credit: <a href="#">SB 440</a></b> Increases the maximum cultural property income tax credit from \$25,000 to \$50,000 and from \$50,000 to \$75,000 if the property is in an arts and cultural district. Reduces the rate of the corporate income tax credit from 50% to 20% of property value. Increases the maximum amount of corporate income tax credit that may be claimed for one property from \$25,000 to \$125,000 or \$250,000 if in an arts and cultural district. Makes both tax credits transferable. Applies to properties receiving approval on or after 1/1/2010.	SPAC/SFC- SPAC
SB 442 Cisneros	<b>Geothermal heat pump tax credit: <a href="#">SB 442</a></b> Provides new income tax and corporate income tax credits for 30% of the cost of installing “ground-coupled” heat pumps in residential or commercial buildings. Total credits claimed by one taxpayer are limited to \$9,000. Unused credits could be carried forward for ten years. A maximum of \$2 million per year in tax credits may be allowed to all taxpayers. Applies to tax years between 1/1/2010 and 12/31/2020.	SCORC/SFC -SCORC
SB 452 M.J. Garcia	<b>Retail communications services GRT: <a href="#">SB 452</a></b> Creates new GRT and compensating tax deductions for the sale or lease of communications equipment to a provider of retail communications services who provides an NTT. The deductions are phased in over five years beginning in fiscal year 2010.	SCORC/SFC -SCORC
SB 455 Ortiz y Pino	<b>Special fuel from vegetable oil tax deduction: <a href="#">SB 455</a></b> Provides deductions from special fuels tax and GRT for fuel made from vegetable oil or animal fat that is used in an auxiliary fuel system. Effective 7/1/2009.	SCORC/SFC -SCORC
SB 457 Boitano	<b>2005 value for certain transferred properties: <a href="#">SB 457</a></b> Residential property transferred between January 1, 2005 and December 31, 2009 would be re-valued at its 2005 value for property tax purposes. Effective 1/1/2010.	SCORC/SFC -SCORC
SB 458 Boitano	<b>Valuation of new residential construction: <a href="#">SB 458</a></b> Newly constructed residential property would be valued at 80% of its price for property tax purposes. Applies to TYBA 1/1/2010.	SCORC/SFC -SCORC
SB 467 Ortiz y Pino	<b>Winrock tax increment development project: <a href="#">SB 467</a></b> Authorizes the issuance of \$137 million for the first two portions of the Winrock TIDD and another \$27 million for the third stage.	SCORC/SFC -SCORC
SB 483 McSorley	<b>Tax increment development district moratorium: <a href="#">SB 483</a></b> For a period from the effective date through March 31, 2011, prevents the approval or formation of new Greenfield TIDD’s. Creates a task force to evaluate the TIDD program and to report to the Legislature by June 30,	SCORC/SFC -SCORC

	2010. \$100,000 is appropriated to the Legislative Council Service to support the task force.	
SB 487 Munoz	<b>Local liquor excise tax authority and limits: <a href="#">SB 487</a></b> Extends authority to impose a local liquor excise tax to any county. Newly eligible counties would be able to impose tax at new rates: \$0.99 per liter of spirituous liquors, \$0.25 per gallon of beer, \$0.28 per liter of wine, and \$0.93 per liter of fortified wine. Reduced tax rates are provided for micro-breweries and small winers. Effective 7/1/2009.	SCORC/SFC -SCORC
SB 501 Ortiz y Pino	<b>Transit district tax distribution: <a href="#">SB 501</a></b> Provides for distribution to regional transit districts of amounts collected from the county regional transit GRT. Provides an exemption from confidentiality requirements for regional transit districts to receive information pursuant to the tax.	SCORC/SFC -SCORC
SB 505 Payne	<b>Communication system property taxes: <a href="#">SB 505</a></b> Exempts from the special valuations methods for communications systems those systems used for one-way communications.	SCONC/SC ORC- SCONC
SB 508 Lopez	<b>Return income tax to pre-2004 rates: <a href="#">SB 508</a></b> Beginning in tax year 2010, income tax rates and brackets would revert to those that prevailed prior to the recent phase-in of reduced tax rates. Thus for example, married taxpayers filing joint returns would pay 6.0% on taxable income between \$24,000 and \$40,000, 7.1% between \$40,000 and \$64,000, 7.9% between \$64,000 and \$100,000 and 8.2% on amounts above \$100,000.	SCORC/SFC -SCORC
SB 509 McSorley	<b>Tax increment development district formation: <a href="#">SB 509</a></b> Applies an inflation factor to the calculation of base gross receipts tax for purposes of calculating incremental GRT for distribution to a TIDD. Imposes additional reporting requirements on TIDD's. Restricts the approval of TIDD's for Greenfield developments. Limits to 50% the share of GRT that can be earmarked to a TIDD. Requires annual reports to the legislature on the status of TIDD's.	SCORC/SFC -SCORC
SB 523 Ortiz y Pino	<b>Federal income deductions as state income: <a href="#">SB 523</a></b> Individual income taxpayers who itemize deductions on their federal return would be required to add back any state and local taxes included in their itemized deductions in determining taxable income for state income tax purposes. Applies to TYBA 1/1/2009.	SCORC/SFC -SCORC
SB 530 Campos	<b>Energy generators renewable tax credit: <a href="#">SB 530</a></b> Increases the annual amount of renewable energy production tax credits from 2.5 million megawatt hours to 3.2 million MWh. Imposes new limits on total credits according to the source of the power. Applies to TYBA 1/1/2009.	SCONC/SFC -SCONC
SB 537 Boitano	<b>Property taxation &amp; valuation upon sale: <a href="#">SB 537</a></b> Requires re-valuation of residential property in tax year 2010 to bring all counties up to at least 92% of current and correct market value. The 3% annual limit on residential property value increases would be reinstated beginning in tax year 2011. The 3% limit would continue to apply when a property is sold.	SCORC/SFC -SCORC
SB 541	<b>Native American veterans' tax settlement fund: <a href="#">SB 541</a></b>	SIAC/SFC-

Lovejoy	Makes several administrative changes to the management of the fund. Appropriates \$2 million from the General Fund to the fund for its purposes.	SIAC
SB 552 Martinez	<b>County correctional facility taxes: <a href="#">SB 552</a></b> Increases the county correctional facilities GRT option from 1/8% to 1/4%. Voter approval would be required prior to imposing the additional 1/8%.	SCORC/SFC -SCORC
SB 554 Ulibarri	<b>County gross receipts tax for bond repayment: <a href="#">SB 554</a></b> Authorizes counties to use an additional 1/16% of their county local option GRT for bond debt service repayment.	SFC-SFC
SB 558 Beffort	<b>Retired military medical practitioner tax deduction: <a href="#">SB 558</a></b> Allows an income tax deduction for the retirement pay of a retired military medical practitioner who provides at least 2,080 hours per year of medical services in a medically underserved area. Applies to TYBA 2009.	SPAC/SFC- SPAC
SB 559 McSorley	<b>Employer family medical leave tax credit: <a href="#">SB 559</a></b> Allows employers an individual or corporate income tax credit for 25% of the wage cost of providing family medical leave. The credit is non-refundable and no carryover is provided. Applies TYBA 1/1/2009.	SCORC/SFC -SCORC
SB 564 Duran	<b>Property tax increase disclosure info: <a href="#">SB 564</a></b> County assessors would be required to provide a good faith estimate of the potential increase in property taxes after a home is sold. Property owners would be required to provide the information to any prospective purchaser.	SCONC/SC ORC- SCONC
SB 576 Fischmann	<b>Tax increment defined: <a href="#">SB 576</a></b> Narrows the definition of GRT increment revenue to the GRT paid by new companies or companies newly-located in New Mexico.	SCORC/SFC -SCORC
SB 578 Cisneros	<b>Local option hospitality liquor tax act: <a href="#">SB 578</a></b> Authorizes municipalities of less than 15,000 population to impose a 2% tax on the retail value of alcoholic beverages. Imposition would be subject to voter approval and funds would be used for economic development projects.	SCORC/SFC -SCORC
SJR 3 Payne	<b>Limit real property taxes to one percent: <a href="#">SJR 3</a></b> Proposes a constitutional amendment to limit total property taxes levied on a property to no more than 1% of the current and correct value of the property.	SRC/SJC- SRC
SJR 9 Campos	<b>Double statewide debt limit: <a href="#">SJR 9</a></b> Increases the limit on total General Obligation debt outstanding from one percent to two percent of the total value of taxable property. Additional proceeds are earmarked for health care facilities and higher education facilities.	SRC/SJC/SF C-SRC

## Revised General Fund Revenue Outlook Deteriorates Further – Is the Bottom in View?



The Legislature received more bad news about the state's revenue outlook on Friday, as the consensus estimating group presented its latest revisions. Revenue in the current year was actually revised upward slightly, mainly due to one-time accounting corrections, but in FY 2010 the forecast was reduced by \$282 million. The resulting forecast of \$5.45 billion, is almost \$600 million, or 10%, below the \$6.03 billion originally budgeted for

FY 2009. The following table summarizes the current forecast, along with the legislative changes already adopted to help meet the budget shortfall in the current fiscal year. The revised revenue forecast is highlighted, along with FY 2010 appropriations recommended by the executive. The executive recommendations call for building up reserves this year but drawing them down next year by maintain spending at a level well above predicted revenue collections. These recommendations do not yet reflect the uses of federal stimulus money, since the guidelines for administering those amounts are not yet determined.

### General Fund Financial Summary -- February 2009 Update (Million dollars)

	2008	2009	2010
Beginning Balance	651	735	645
<b>Revenue:</b>			
Recurring revenue	6,063	5,725	5,487
Nonrecurring revenue		172	
<u>Other</u>	50	7	48
Total	6,112	5,904	5,534
<b>Appropriations:</b>			
Recurring	5,675	6,027	5,884
Reductions -- 2009 Legislative Session		(284)	
Non-recurring	295	80	
<u>Other</u>	58	171	63
Total	6,028	5,994	5,947
<b>Net Change in Reserves</b>	<b>84</b>	<b>(90)</b>	<b>(413)</b>
Ending Reserves	735	645	232
Ending balance as % of appropriations	12%	11%	4%

Most of the revenue revisions were due to falling crude oil and natural gas prices. The new outlook assumes oil will average \$62 this year and \$47 next year, while gas will average \$5.60 and \$4.80, respectively. Prices are expected to begin rising again after 2010, with oil eventually reaching \$65 and gas about \$7.00. Current year price assumptions are higher than current spot prices in part because prices were much higher in the first few months of the fiscal year. Next year's prices are based on an assumed recovery in demand. Also, the industry is cutting back sharply on drilling activity, which should eventually limit supplies and contribute to upward price pressure. This outlook depends upon improvements in the U.S. and world economies. If the economic recovery is delayed, prices may be slower in coming up.

The other significant revisions in the revenue outlook were a reduction of motor vehicle excise tax and of corporate income tax. Corporate income tax was revised downward by \$45 million in both 2009 and 2010, a reflection of the downward revisions in the outlook for the U.S. economy. The resulting forecast for each major revenue group is shown in the following table. Despite the revisions, the forecast for the two largest General Fund revenues is flat or up slightly. This suggests that revenues could fall even more if the U.S. economy is slow to recover from the recession.

#### February 2009 General Fund Consensus Forecast

	2009		2010	
	(\$ million)	Change from Prior Year	(\$ million)	Change from Prior Year
Gross receipts & Comp	1,973	2.6%	1,980	0.4%
Selective sales taxes	405	1.2%	419	3.4%
Income tax	1,214	0.0%	1,230	1.4%
Corporate income tax	293	-17.4%	275	-6.1%
Oil and gas taxes	411	-34.3%	335	-18.6%
Investment Income	685	3.5%	676	-1.2%
Oil & gas royalty	541	-11.4%	332	-38.5%
Other	198	-12.4%	204	2.8%
<b>Total</b>	<b>5,719</b>		<b>5,451</b>	

FY 2009 Income tax amount is not reduced for 2008 rebates of \$55.7 million.

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## Knick Knacks

### COST Releases 2008 Business Tax Study

The Council on State Taxation (“COST”) commissions an annual multi-state tax and tax burden study. Some of the key findings as noted in the executive summary of the report include:

- State and local business tax growth is slowing in line with state and local taxes in general.
- Business taxes increased by 2.7% in FY2008 compared to 5.7% in FY2007. The slowing in growth was due to slowing sales and property taxes, reductions in corporate income taxes (-7.1%) due to falling profits and lower unemployment taxes (-9.0%), a trend that will be reversed in the current recession.
- In FY2008, business taxes accounted for 44.1% of total state and local taxes, the same share reported for 2007. However, over the last five years, state and local taxes on business have risen faster than total state and local taxes. As a result, the share of

state and local taxes paid by business increased from 43.4% in FY2002 to 44.1% in FY2008.

- The total state and local business tax burden is 83% higher than the estimated value of public services directly benefiting businesses.
- Property taxes on business property totaled \$209 billion in FY2008, equal to almost 36% of total state and local business taxes. Sales tax on business inputs and capital equipment totaled \$131 billion, 22% of business taxes. The property tax and a significant portion of sales taxes paid by business are taxes on capital invested within a state.
- Although the corporate income tax has been the focus of significant debate in a number of state legislatures during recent years, FY2008 collections were \$56.9 billion, less than 10% of total state and local business taxes or 16% of state taxes on business.
- The composition of total state and local business taxes paid varies by industry, with manufacturing and transportation continuing to face significant property taxes and sales taxes on purchases. Traditionally regulated businesses are subject to significant industry-specific excise and gross-receipts taxes.

COST is a non-profit trade association focused on business tax issues. The study can be accessed on COST's website by clicking [here](#).

### **California Struggles to Find Budget Compromise**

California's executive and legislature continue to struggle to reach a compromise on closing a massive shortfall, although some reports suggest a deal may be within reach. Days ago it was revealed that the group of four legislators meeting behind closed doors had reached an accord. Today it was reported that Governor Schwarzenegger needs only one more vote to pass the measure that includes tax increases, spending cuts, and stimulus/economic development oriented tax preferences. According to the California Taxpayer's Association, the proposals revenue raisers would last for either two or five years, depending on whether voters approved a spending limit at a special election (in which case the tax lasts for five years). Cal-Tax says the list includes:

- Increasing the state sales tax 1 percent.
- Increase the state's annual car tax (the in-lieu property tax officially dubbed the Vehicle License Fee) to 1.15 percent of a vehicle's value, up from the current rate of 0.65 percent. (Car tax payments are deductible from federal income taxes, so the tax bite would be mitigated slightly.)
- Enact 2.5% surtax on state income taxes, with an additional 2.5 percent surtax to be added if the federal government does not provide California with at least \$9.2 billion in economic stimulus funds.
- Reduce the personal income tax dependent credit from \$309 to \$99.
- A unitary tax change that will benefit corporate taxpayers – reportedly a single sales factor measure.

- Enact a tax credit for motion picture production, in the amount of \$100 million a year for five years (starting in 2011), to encourage film production in California.
- Provide nearly \$700 million in tax incentives, beginning in 2011, for companies that build facilities and hire employees in California.
- Set aside \$200 million to provide \$3,000 tax credits, starting in July, for each new worker hired.

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## TAX QUOTABLE:

“Congress shall also create a tax code weighing more than the combined poundage of the largest member of the House and the largest member of the Senate, plus a standard musk ox.”

~ *Dave Barry*

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## DON'T FORGET THE PRINCIPLES-REDUX



It's important, particularly when dealing with tough economies, tough decisions, and the emotionally charged subject of tax, to view the world in the context of principles. We've taken the opportunity again to reprint ours, 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](mailto:richard.anklam@nmtri.org), call 505-269-6791 or mail them to P.O. Box 91657, Albuquerque, New Mexico 87199-1657. You may also e-mail them to [tom.clifford@nmtri.org](mailto:tom.clifford@nmtri.org) or call him at 505-228-7129. 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.

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