

# ***Tax Matters***

*The Newsletter of the New Mexico Tax Research Institute*

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## **IN THIS ISSUE OF *TAX MATTERS*:**

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## LEGISLATIVE SESSION BEGAN JANUARY 19, 2010



The 2009 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 10. 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, given the state’s ongoing fiscal crisis, as high profile, contentious and painful budget and revenue issues are center stage.

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.

Again, for the third time, bills could be “pre-filed”, or introduced before the start of the session. This year, 93 bills (28 House bills and 65 Senate bills) were pre-filed. Thus far, 130 House and 148 Senate bills have been introduced. A legislative preview document was distributed at our recent 4th Annual Legislative Outlook Conference (see article below) and can be accessed below for those interested in a flavor of what’s coming. Thus far, there are no surprises as the litany of tax proposals we’ve come to expect have already appeared. There are various income tax increase proposals, as well as those for alcohol and tobacco. So far, no tobacco bill addressing the serious “leakage” problem have been introduced (dealing with the shifting of purchases to non-taxed sellers like tribes and internet sellers). Both Senators Eichenberg and Boitano have introduced property tax legislation in efforts to address “tax lightning”. Mandatory combined reporting for corporate income taxes has been introduced in both houses, as has a measure to increase gross receipts taxes by Speaker Lujan. Lastly, the revised pass-through entity and oil and gas proceed withholding expansion has been revised and introduced by Speaker Lujan. A list of tax related bills is compiled for your information. More will come, of course...

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 good news is that the key-word search function appears to be working again.

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## DON'T FORGET THE PRINCIPLES

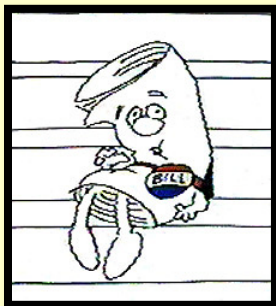


It is important, particularly when dealing with tough economies, tough budget decisions, and the emotionally charged subject of tax increases, to view the world from the framework of sound principles. Taxes serve an important purpose in that they raise the money to pay for the government services we need. But taxes can also create inefficiencies, distortions, and sometimes inequities. It is a better 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. Apart from the debate about how much money our state government should spend and on what, the state has to raise that money in ways which don't harm to the economy, don't get in the way of job creation and that are seen as fair and equitable. 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.

**Bills with significant tax or revenue implications introduced in 2010 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, 2010 unless otherwise noted. Income Tax bills are effective tax years beginning on or after January 1, 2010 unless otherwise noted. “TYBA” = Tax years beginning on or after. Other notes: “CS” indicates committee substitute; “a” indicates amended

<b>Bill Number/ Sponsor:</b>	<b>Title: Link to bill language: Description</b>	<b>Assignments -Location:</b>
HB 8 B. Lujan	<b>Development Training Funds <a href="#">HB 8</a></b> Appropriates \$5 million non-reverting funds for purposes of classroom and in-plant employee development training programs.	HLC/HAFC- HLC
HB 9 Sandoval	<b>Income Tax Surcharge: <a href="#">HB 9</a></b> Imposes a 1% surtax on taxable income in excess of \$133K in taxable income for single filers and in excess of \$200K for married filing joint returns. The provision is effective for tax years 2010-2012.	HTRC
HB 29 Trujillo	<b>Research and Development Business Tax Credit: <a href="#">HB 29</a></b> Reinstates sun-setted R&D Small Business Tax Credit until June 30, 2014.	HBIC/HTRC -HBIC
HB 34 Egolf	<b>Liquor Surtax to School Fun: <a href="#">HB 34</a></b> Imposes a new 2.5% retail “liquor surtax” on the retail price of alcoholic beverages sold, and distributes the net receipts to the public school fund.	HBIC/HTRC -HBIC
HB 35 Egolf	<b>Cigarette Tax Increase Distribution: <a href="#">HB35</a></b> Increases cigarette and tobacco products taxes (\$1/pack; 40% of value respectively) and changes distribution percentages in order to distribute the additional increase to the public school fund.	HBIC/HTRC -HBIC
HB 36 Martinez	<b>Expand Rural Health Practitioner Tax Credit: <a href="#">HB 36</a></b> Would make occupational therapist, physical therapists, social workers and speech-language pathologists eligible for the credit. Effective 1/1/2010.	HBIC/HTRC -HBIC
HB 42 Martinez	<b>Municipal Enviro Service Gross Receipts: <a href="#">HB 42</a></b> Expands a non-voter approved local option tax up to .5% in sixteenth cent increments for the purpose of acquiring, constructing, maintaining, repairing and operating water, wastewater, solid waste, sewer and related systems.	HHGAC/HT RC-HHGAC
HB 50 Chavez	<b>Internet Sales Gross Receipts: <a href="#">HB 50</a></b> Eliminates the exception from “engaging in business” for third party content owners on a world wide web site located in NM for purposes of imposition of the GRT. Also creates a presumption of taxability of non-New Mexico businesses that are referred by potential customers to the seller via agreement with a NM resident and has cumulative gross receipts	HBIC/HTRC -HBIC

	tax from such referrers in excess of \$10,000 (so-called “Amazon” proposal).	
HB 52 Kintigh	<b>Repeal Film Production Incentives: <a href="#">HB 52</a></b> Repeals the Film Production Tax Credit and limits the film related investment that can be made from the severance tax permanent fund (no more that 3% of the fund in total), requires market rates, and SIC approval with substantial NM presence.	HLC/HBIC/ HTRC-HLC
HB 62 Begaye/Wir th	<b>Corporate Tax Reporting &amp; Distribution: <a href="#">HB 62</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.	HBIC/HTRC -HBIC
HB 82 Chavez	<b>Develop Tax Expenditure Budget: <a href="#">HB 82</a></b> Requires the TRD to prepare an annual “tax expenditure budget” by October 15 of every year for the three preceding years, the current and upcoming fiscal years. Included are all tax expenditures in excess of \$5 million in the for all “significant general fund revenue sources” – meaning the primary tax programs.	HBIC/HTRC -HBIC
HB 112 A. Lujan	<b>Las Cruces Tax Increment Project: <a href="#">HB 112</a></b> Authorizes the issuance of \$8 million for the Las Cruces main street downtown TIDD.	HBIC/HTRC -HBIC
HB 117 Begaye	<b>Drunk Person Transport Gross Receipts: <a href="#">HB 117</a></b> Creates a gross receipts tax deduction for receipts from transporting intoxicated persons a distance of not more than twenty miles for those holding a commercial license to transport passengers.	HCPAC/HT RC-HCPAC
HB 119 B. Lujan	<b>Temporary Gross Receipts Tax Increase: <a href="#">HB 119</a></b> Increases the gross receipt and compensating tax rate to 5.5% in 2010, and reduces the rate annually in eighth cent increments back to 5% in 2014. Also limits the imposition of certain local option taxes during the five year period if overall rate thresholds are exceeded, and creates and phases out a GRT credit for Medicaid providers providing pediatric dental services to Medicaid state children’s health insurance program.	HBIC/HTRC -HBIC
HB 120 B. Lujan	<b>Withholding Tax Changes: <a href="#">HB 120</a></b> Merges to some extent the pass through entity (“PTE”) and oil and gas proceeds withholding requirements, and further requires quarterly withholding on oil and gas proceeds or share of a PTE owner’s net income unless payments are made to a New Mexico resident. The new withholding requirements take affect January 1, 2011. Definitions and “safe harbor” provisions have been added to the prior year’s proposal, and publicly traded partnerships are excluded.	HBIC/HTRC -HBIC
SB 8 Sharer	<b>No Severance Tax in Certain Counties: <a href="#">SB 8</a></b> Precludes issuance of severance tax bonds for purposes of benefiting a project in municipalities or counties that have imposed ordinances that have an onerous effect on the extractive industries.	SCC/SCON C/SFC-SCC
SB 10	<b>Narrow Food Tax Deduction to Staple Foods: <a href="#">SB 10</a></b>	SCC/SCORC

B. Sanchez	Narrows the scope of the deduction for food by defining “staple foods” more narrowly than “food” under current law, with the former meaning poultry, fish, bread, cereal, vegetables, fruit and dairy products as defined in the federal supplemental nutrition assistance program, rather the present definition which looks to the federal food stamp program definition.	/SFC-SCC
SB 23 Keller	<b>Tax &amp; Rev Dept. Tax Expenditure Budget: <a href="#">SB 23</a></b> Requires the TRD to prepare an annual “tax expenditure budget” by October 15 of every year for the three preceding years, the current and upcoming fiscal years. Included are all tax expenditures in excess of \$5 million in the for all “significant general fund revenue sources” – meaning the primary tax programs.	SCC/SCORC /SFC-SCC
SB 25 Ortiz Y Pino	<b>Federal Deduction as State Taxable Income: <a href="#">SB 25</a></b> Requires the add-back of state taxes itemized and deducted for purposes of computing federal taxable income when computing New Mexico taxable income.	SCC/SCORC /SFC-SCC
SB 29 Feldman	<b>Untaxed Insurance Service Gross Receipts: <a href="#">SB 29</a></b> Amends the gross receipts tax act and insurance code to make currently nontaxable receipts from “administrative services only contracts” taxable gross receipts.	SCC/SCORC /SFC-SCC
SB 30 Feldman/Pic raux	<b>Cigarette Tax Increase &amp; Distribution: <a href="#">SB 30</a></b> Increases cigarette and tobacco products taxes (\$1/pack; 40% of value respectively) and changes distribution percentages in order to distribute the additional increase to the county-supported Medicaid fund.	SCC/SCORC /SFC-SCC
SB 31 Feldman/Pci raux	<b>No Soft Drink Gross Receipts Tax: <a href="#">SB 31</a></b> Narrows the current food deduction by excluding from the food stamp definition of “food” soft drinks or other sweetened beverages and distributes the additional revenue to the county supported Medicaid fund.	SCC/SCORC /SFC-SCC
SB 38 Cisneros	<b>Renewable Energy Tax Credit Generators: <a href="#">SB 38</a></b> Expands definitions and increases the cap on credits eligibility for solar-light-derived or solar-heat-derived qualified energy resources from 500K megawatt hours to \$1 million megawatt hours.	SCC/SCORC /SFC- SCORC
SB 39 Cisneros	<b>Change Gaming tax on Certain Racetracks: <a href="#">SB 39</a></b> Reduces the gaming tax on gaming operators with a net take in the prior year under \$14 million (\$10 million in subsequent years) from 26% to 10% (phased-in over three years).	SCC/SCORC /SFC-SCC
SB 45 Eichenberg	<b>Property Tax Limit on Certain Homes: <a href="#">SB 45</a></b> Creates a new means for valuing newly acquired residential property of those over 65 who sold a home within the same year by creating a sales ratio of the old and new property and applying that ratio to the real value of the new property.	SCC/SJC/SF C-SCC
SB 46	<b>Property Tax Valuation Limit on Some Homes: <a href="#">SB 46</a></b>	SCC/SJC/SF

Eichenberg	Eliminates the exception to the current 3% limitation on residential property valuation increases when a change of ownership occurs.	C-SCC
SB 47 Keller	<b>Economic Development Tax Incentive Changes: <a href="#">SB 47</a></b> Creates guidelines for the creation and review of economic development incentives.	SCC/SCORC /SFC-SCC
SB 50 E. Griego	<b>Create Tax Expenditure Study Commission: <a href="#">SB 50</a></b> Creates a seventeen-member commission to quantify and study the benefit of tax expenditures in New Mexico.	SCC/SPAC/ SFC-SCC
SB 54 Cravens	<b>Taxpayer Protection &amp; Expenditure Formula: <a href="#">SB 54</a></b> Creates an expenditure limitation formula for future state budgets by limiting future year budgets to prior year plus an allowance for population growth and 3.6% inflation or growth factor.	SCC/SJC/SF C-SCC
SB 56 Sapien	<b>Medical Marijuana Tax Act: <a href="#">SB 56</a></b> Creates the Medical Marijuana Tax Act and imposes a tax of 25% on the product value of medical marijuana produced or distributed by those licensed to do so in this state.	SCC/SJC/SF C-SCC
SB 57 Sapien	<b>Medical Marijuana Gross Receipts: <a href="#">SB 57</a></b> Amends GRT exemption for 501(c)(3)'s and the prescription drug deduction to exclude medical marijuana.	SCC/SCORC /SFC-SCC
SB 59 P. Griego	<b>Extend Gas Tax Sharing Agreement Terms: <a href="#">SB 59</a></b> Increases the 10 year "buy-out", or payments made equal to 40% of the gasoline tax revenue associated with the sale of 250K gallons of gasoline per year to Nambe and Santo Domingo pueblos from ten to twenty years.	SCC/SCORC /SFC-SCC
SB 64 Keller	<b>Tax Refund Deposits to Multiple Accounts: <a href="#">SB 64</a></b> Provides that taxpayers may request on their personal income tax return that their refund be split in up to three direct deposits in different accounts.	SCC/SPAC/ SFC-SCC
SB 65 Ortiz y Pino	<b>Adjust Income Tax Rates: <a href="#">SB 65</a></b> Restores 2002 income rates (up to 8.2%) but expands the brackets significantly (8.2% bracket kicks in at \$667K in taxable income for individuals and over \$1million for heads of household and married filing joint returns).	SCC/SCORC /SFC-SCC
SB 81 Neville	<b>Food Tax Retail Food Store Definition: <a href="#">SB 81</a></b> Changes the deduction for eligible food from that of federal food stamp program to that of the federal supplement nutritional assistance program and expands the definition of eligible food store to include coffee shops or others who make sales of coffee, bottled water or ice.	SCC/SCORC /SFC-SCC
SB 86 E. Griego	<b>Property Tax Payment Requirements: <a href="#">SB 86</a></b> Amends the property tax code to require that property tax liabilities be satisfied before subdivision, rezoning or other requests are honored. Also provides for the collection of reasonable collection costs, places delinquent taxpayers on the delinquent property list more quickly, and provides authority for counties to collect delinquent taxes and enter into agreements to with the property tax division to work together on older delinquencies.	SCC/SCORC /SFC-SCC
SB 90	<b>Corporate Income Tax Reporting and Distribution: <a href="#">SB 90</a></b>	SCC/SCORC

Wirth/Begaye	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.	/SFC-SCC
SB 95 Papen	<b>Las Cruces Tax Increment Project: <a href="#">SB 95</a></b> Authorizes the issuance of \$8 million for the Las Cruces main street downtown TIDD.	SCC/SCORC /SFC-SCC
SB101 Munoz	<b>Use of Liquor Tax for Drunk Transportation: <a href="#">SB101</a></b> Expands the allowable use of proceeds from the local liquor excise tax be used for a safe transportation shuttle system for transport of inebriated persons.	SCC/SCORC /SFC-SCC
SB 121 B. Sanchez	<b>Increase Cigarette Tax: <a href="#">SB 121</a></b> Increases the cigarette tax by 50 cents, alter distributions, and reduces cigarette stamp discounts. Carries an emergency clause which would make it effective upon signing, and a contingency clause making the provisions effective July 1 if the necessary favorable votes aren't obtained.	SCC/SCORC /SFC-SCC
SB 122 B. Sanchez	<b>High Income Taxpayer Surcharge: <a href="#">SB 122</a></b> Imposes an additional 1% surcharge on taxable income in excess of \$100K for single filers, and \$160K for head of household and married filing jointly returns. Includes a provision for protecting impacted individuals from running afoul of the estimated payment requirements resulting from the proposed change.	SCC/SCORC /SFC-SCC
SB 125 Fischman	<b>Review Tax Exemptions &amp; Credits Every 5 Years: <a href="#">SB 125</a></b> Requires the Interim Revenue Stabilization and Tax Policy Committee to establish a schedule to provide for the review of all tax incentives, exemptions, deductions, credits or exclusions for their effectiveness.	SCC/SCORC /SFC-SCC
SB 126 Lovejoy	<b>Liquor Tax Increase &amp; Distribution: <a href="#">SB 126</a></b> Increases the liquor excise tax across all beverage categories (i.e. beer from \$.41to \$.95/gal, and spirits from \$1.60 to \$2.73/liter) and changes distributions in an effort to hold the DWI grant fund to current distributions. Small wineries and local microbreweries lose most of their tax benefit under this proposal.	SCC/SCORC /SFC-SCC
SB 128 E. Griego	<b>Higher Income Level Surtax &amp; Distribution: <a href="#">SB 128</a></b> Imposes an additional 1% "income tax surtax" on taxable income in excess of \$100K for single filers, and \$150K for head of household and married filing jointly returns. The provision is effective for tax years 2010 – 2012.	SCC/SCORC /SFC-SCC
SB 139 Boitano	<b>Property Valuation Time &amp; Increases: <a href="#">SB 139</a></b> Eliminates the revaluation on turnover and otherwise requires that property values not exceed 3% in excess of the prior year, or a little over twice that if on two year valuation cycles.	SCC/SJC/SF C-SCC
SB 142 B. Sanchez	<b>Liquor Excise Tax Increase &amp; Distribution: <a href="#">SB 142</a></b> Increases the liquor excise tax across most beverage categories (i.e. beer from \$.41to \$.94/gal, and spirits from \$1.60 to \$2.73/liter, but wine is left at current rates) and changes distributions in an effort to hold the DWI grant fund to current distributions. Local microbreweries lose most of	SCC/SCORC /SFC-SCC

	their tax benefit under this proposal. The proposal also creates the “mental health and substance abuse treatment fund” and distributes 24.33% of the liquor excise tax net receipts to that fund.	
SB 144 Rodriguez	<b>Affordable Housing Tax Credit Use &amp; Vouchers:</b> <a href="#">SB 144</a> Amends the affordable housing tax credit act by expanding the definition of “affordable housing project” to include counties with populations in excess of 100,000.	SCC/SPAC/ SFC-SCC

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## 4<sup>th</sup> Annual Legislative Conference Addresses Budget Outlook, Proposed Tax Law Changes



NMTRI members were presented a wide variety of views on the State's current fiscal problems at the Annual Legislative Conference held December 18 at the Hotel Albuquerque. The program featured a warm welcome by new Albuquerque Mayor Richard Berry and a historical and forecast budget and revenue review from Legislative Finance Committee Director, David Abbey. A panel of stakeholders described their thoughts and concerns for the upcoming session and a panel of legislators provided perspectives on the State's prospects.

The luncheon presentation keynote address was delivered by New Mexico Taxation and Revenue Department Tax Policy Director Jim Nunns, who discussed the workings and results of the Governor's Budget Balancing Tax Force (Dr. Nunns' informative overview complete with a condensed table of options and fiscal impacts can be accessed [here](#)). The event also included the awarding of the Franklin Jones Award for lifetime service and achievement in New Mexico tax policy to Fred O'Cheskey. Fred, a founding NMTRI member and now Lobbyist, served as the Deputy Commissioner of Revenue under Franklin Jones, and was the first Commissioner of Revenue to follow the reforms made by Franklin and others in tax administration. The award was presented by Suzanne Bruckner representing the Sutin Thayer & Browne law firm, the firm founded by Franklin Jones and a founding member of NMTRI, and Jim O'Neil of O'Neil consulting. Jim was also a key hire of Fred's when he was the Commissioner of Revenue for the Taxation and Revenue Department.



## Recession Reduces State Revenue Outlook



David Abbey, Director of the Legislative Finance Committee, gave an excellent if not sobering review of the state’s financial condition. New Mexico’s economy and tax revenues are expected to continue to struggle in the near future. David mentioned that there was still uncertainty and risk associated with the current revenue forecast, but there was some good news in that federal stimulus money might get extended, filling in the holes left in the coming fiscal year when that money was scheduled to disappear. Unfortunately, we may not know with any certainty the status of federal money until the legislative session is over. A copy of David’s presentation can be found on the LFC’s website [here](#).

## Legislators Panel:



NMTRI was fortunate to have Senators Stuart Ingle (R, Minority Leader –Portales), Peter Wirth (D – Santa Fe), John Sapien (D – Rio Rancho), Tim Keller (D – Albuquerque), along with Representatives Tom Taylor (R, Minority Leader – Farmington), and Luciano “Lucky” Varela (D, LFC Chairman – Santa Fe) express their views at our recent conference. While topics and points of view varied, the panel was exceptionally collegial all expressed concerns over the budget. Views on potential tax increases also differed, but all agreed that spending needed to be scrutinized and prioritized.

## Stakeholders’ Panel:



Paul Gutierrez, Executive Director of the New Mexico Association of Counties (“NMAC”) spoke, and Jim O’Neil of O’Neil consulting representing the New Mexico Municipal League (“NMML”) discussed the interests and concerns of county and municipal governments, respectively. Local governments, municipalities in particular, are highly dependent on our gross receipts tax and both have concerns about the economy as well as the potential for negative implications resulting from legislative efforts to address the state’s general fund concerns.

Dr. Beverlee McClure, President and CEO of the Association of Commerce and Industry (“ACI”), described this business group’s efforts, concerns and priorities for the upcoming session, insisting that the focus needed to be on getting back the jobs that provide the base – including the tax base – necessary create a healthier financial condition favorable to all. Bill Jordan, Policy Director for the New Mexico Voices for Children, focused his concern on the most vulnerable populations, particularly in light of unspecified budget cuts and the likelihood for further cuts. He said they would prefer to see some tax increases to help meet the budget shortfall while minimizing spending cuts. He also expressed concern the state’s overall tax system had become more regressive given our recent personal income tax reductions.

### **Property Tax Panel**



Senators Tim Eichenberg (D – Albuquerque) and Mark Boitano (R – Albuquerque) joined in a discussion with Bernalillo County Assessor Karen Montoya, property tax attorney Stephanie Dzur, and semi-retired TRD property tax economist Dr. Al Maury to discuss the latest happenings in the world of “Property Tax Lightning.” The subject, which has become a major concern for the Senators and their constituents, was discussed in depth. Stephanie Dzur, plaintiff in the first District Court case declaring current law unconstitutional, applauded the recent announcement of Assessor Montoya to roll back all values, and presented her thoughts on why the decision in her case was legally correct and supportable. Dr. Maury helped the audience understand the inner workings of the property tax system, helping us understand why the problem - and any potential fixes - are so difficult and complex.

Attendance at the conference was the highest to date as the interest and concern over matters of budget and tax are also seemingly at an all-time high. The conference agenda and background document can be found [here](#).

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### **Knick Knacks**

#### **Tax Foundation Looks at Recent State Tax Law Changes and Film Incentives**

The Tax Foundation has issued two recent reports of interest. The first discusses states enacting targeted increases, tapping reserve and other funds and using accounting gimmicks to deal with budget shortfalls, based on analysis of significant state tax changes in 2009.

According to Joe Henchman, Tax Foundation Director of State Projects, *Fiscal Fact No. 204*, finds in “A Review of Significant State Tax Changes During 2009:”

- Nine states increased individual income tax rates while five states reduced them.
- Six states raised general sales tax rates
- 17 states increased excise taxes on cigarettes
- Five states increased rates of alcohol excise taxes.

The *Fiscal Fact No. 204* is available online at:

<http://www.taxfoundation.org/publications/show/25641.html>.

According to the report, other major tax changes in 2009 include “obesity” and soda taxes, excise taxes on plastic bags and “Amazon” taxes, which force out-of-state retailers to collect sales taxes from customers if the companies have affiliate and advertising relationships with in-state businesses.

The second is a less than glowing report, “*Tax Foundation Special Report No. 173, "Movie Production Incentives: Blockbuster Support for Lackluster Policy,"*” on the growing trend in states embracing film and expanding film incentives, characterized by the authors as a “race to the bottom.” The report does a good job of providing a history and multi-state overview, but does not perform additional analysis relative to the actual effectiveness or return on investment of specific film incentive programs. The report concludes there are currently:

- 44 states, the District of Columbia, and Puerto Rico offer significant movie production incentives, up from 5 states in 2002.
- Of those states, 28 states and Puerto Rico offer tax credits for film production – credits that are refundable in 15 of those states.
- 30 states offer sales tax exemptions.
- 18 states offer direct cash rebates to production companies.
- 6 states offer fee-free locations for the use of police officers to stop traffic.
- Texas, Tennessee, and the District of Columbia offer grants to film-makers.

The report finds that movie production incentives -- such as film tax credits, cash rebates, grants and select tax exemptions -- fail to spur economic growth or raise tax revenue.

The report can be found on the Tax Foundation website here:

<http://www.taxfoundation.org/publications/show/25706.html>

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**TAX QUOTABLE:**

"Capital goes where it is welcome and stays where it is well treated."

- *Walter Wriston*



**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. We genuinely solicit your input and thank you for your support.

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"The power to tax involves the power to destroy" - McCulloch v. Maryland, 17 U.S. 316 (1819), Chief Justice John Marshall.

"Taxes are what we pay for civilized society" Campaña General de Tabacos v. Collector, 275 U.S. 87, 100 (1927), Justice Oliver Wendell Holmes, dissenting.

Join NMTRI today!