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FISCAL IMPACT REPORT

LAST UPDATED 1/27/24

SPONSOR Block **ORIGINAL DATE** 1/25/24

BILL

SHORT TITLE Renewable Energy Production Tax Act **NUMBER** House Bill 150

ANALYST Graeser

REVENUE* (dollars in thousands)

Type	FY24	FY25	FY26	FY27	FY28	Recurring or Nonrecurring	Fund Affected
TRD/Renewable Energy Production Tax		\$40,400.0 to \$165,000.0	\$41,700.0 to \$178,000.0	\$43,000.0 to \$191,000.0	\$44,000.0 to \$203,000.0	Recurring	Severance Tax Permanent Fund
SLO – Solar Leases		Indeterminate but negative	Indeterminate but negative	Indeterminate but negative	Indeterminate but negative	Recurring	Land Maintenance Fund

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD	\$130.0	\$203.0	\$528.0	\$861.0	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis was Received From

Taxation and Revenue Department (TRD)

Energy, Minerals and Natural Resources Department (EMNRD)

State Land Office (SLO)

SUMMARY

Synopsis of House Bill 90

House Bill 90 creates the Renewable Energy Production Tax Act which proposes a renewable energy production tax of 3.75 percent of the wholesale value of the electricity produced from wind, solar or other renewable technologies in the state. This is the equivalent value of the oil and gas severance tax imposed on oil and natural gas after allowable deductions. The proceeds of the tax would be transferred directly to the severance tax permanent fund and would not be available for bonding.

Exempted from this tax would be residential and small-scale commercial or industrial producers if production were less than 500 Kwh in a 24-hour period. Also exempted would be production from facilities owned by a government or Indian tribe, nation, or pueblo.

The tax would be administered by TRD using the provisions of the Tax Administration Act.

The effective date of this bill is January 1, 2025. The provisions are applicable to electricity produced after January 1, 2025. TRD notes the difficulties of implementing an entirely new tax and recommends a July 1, 2025, effective date.

FISCAL IMPLICATIONS

TRD and LFC staff have estimated this highly uncertain renewable production tax. TRD’s methodology and conclusion follows. The table on page 1 shows a range with the low amount the TRD estimate and the high amount, the LFC staff estimate.

TRD has estimated the fiscal impact of the provisions of this new tax:

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY24	FY25	FY26	FY27	FY28		
--	\$40,400.0	\$41,700.0	\$43,000.0	\$44,400.0	R	Severance Tax Permanent Fund

Renewable energy is the largest source of in-state electricity generation in New Mexico. Wind power alone accounted for 35 percent of the total in-state generation, which is approximately twice as much as it was two years prior. In 2022, wind energy surpassed coal as the leading source of power for the first time. However, coal remained the second-largest source of in-state generation at 32 percent, a significant decrease from its dominance of nearly 90 percent two decades ago¹.

Until 2022, New Mexico's two largest power plants were coal-fired². However, in mid-2022, the state retired the San Juan Generating Station, which was the second-largest plant. Since 2010, over 2,500 megawatts of the state's coal-fired capacity have been retired. To compensate for the decline in coal-fired generation, natural gas has played a significant role. In 2022, natural gas accounted for approximately 26 percent of New Mexico's total in-state generation³. Although this is the lowest share since 2013, it is a significant increase from the 9 percent share in 2004. In terms of renewable energy, solar power supplied nearly all the remaining in-state generation in 2022. Interestingly, almost one-fourth of the solar energy came from small-scale, customer-sited generation. All of New Mexico's planned additions to electricity generating capacity are focused on solar photovoltaic (PV), wind turbine, natural gas-fired, or battery installations⁴.

¹ U.S. EIA, Electricity Data Browser, Net generation for all sectors, New Mexico, All Fuel Types, Annual, 2001-22.

² U.S. EIA, New Mexico Electricity Profile 2021, Tables 2A, 2B

³ U.S. EIA, Electricity Data Browser, Net generation for all sectors, New Mexico, Fuel Type (Check All), Annual, 2001-22

⁴ U.S. EIA, Electricity, Preliminary Monthly Electric Generator Inventory (based on Form EIA-860M as a supplement to Form EIA-860), Inventory of Planned Generators as of March 2023.

In 2022, a combination of utility-scale (1 megawatt and larger) and small-scale (less than 1 megawatt) facilities contributed to renewable resources supplying approximately 42 percent of New Mexico's in-state electricity net generation⁵. This represents a significant increase, as the amount of electricity generated from renewable resources in the state was more than five times higher in 2022 compared to 2015. New Mexico is recognized as one of the leading states in terms of wind energy potential, with a substantial portion located on the high plains in the eastern half of the state⁶. Wind energy played a prominent role in 2022, accounting for 84 percent of New Mexico's renewable generation and becoming the largest contributor to the state's total in-state generation at 35 percent⁷. The largest wind farm in the state, a 522-megawatt facility situated in eastern New Mexico, commenced operations in December 2020⁸. An additional 1,700 megawatts of capacity were added in 2021, followed by an additional 145 megawatts in 2022⁹. As of the beginning of 2023, New Mexico ranked ninth in the nation in wind capacity, with approximately 4,411 megawatts installed¹⁰. According to the Solar Energy Industries Association, New Mexico possesses sufficient installed solar energy capacity to provide power to more than 371 thousand homes. Currently, slightly over 6 percent of the state's electricity is generated from solar panels, and the residential solar market has experienced consistent growth in recent years. In 2022, the largest increase in solar capacity in New Mexico occurred in the residential and utility-scale market segments¹¹.

To estimate the fiscal impact of the proposed bill, TRD assumed that 6 percent of the total renewable electricity is subject to the exemption offered in the bill. Next, TRD assumed the tax base as the taxable value from the remaining 94 percent of total renewable energy production as reported by EIA. Next, TRD calculated the average growth of taxable value from the last 12 years to be 3.19 percent. Lastly, TRD applied the 3.75 percent tax rate on the projected taxable value through FY28.

Exhibiting the extreme uncertainty of the estimate, LFC took a similar approach, but with different assumptions:

Using historical volumes of Renewable Energy Production (measured in Million BTUs, converted to Megawatt Hours – MWh)¹² linearly trended from 2015 forward and wholesale

⁵ U.S. EIA, Electricity Data Browser, Net generation for all sectors, New Mexico, All fuels, Conventional hydroelectric, other renewables (total), Small-scale solar photovoltaic, Annual, 2001--22.

⁶ U.S. Department of Energy, Energy Efficiency and Renewable Energy, WINDEXchange, U.S. Installed and Potential Wind Power Capacity and Generation, Potential, U.S. Potential Wind Capacity in Megawatts (MW) at 80 Meters, accessed January 24, 2024.

⁷ U.S. Department of Energy, Energy Efficiency and Renewable Energy, WINDEXchange, New Mexico 80-Meter Wind Resource Map, accessed January 24, 2024

⁸ U.S. EIA, Electricity Data Browser, Net generation for all sectors, New Mexico, Fuel Type (Check all), Annual, 2001--22.

⁹ U.S. EIA, Preliminary Monthly Electric Generator Inventory (based on Form EIA-860M as a supplement to Form EIA-860), Inventory of Operating Generators as of March 2023.

¹⁰ U.S. EIA, Electric Power Monthly (April 2023), Table 6.2.B.

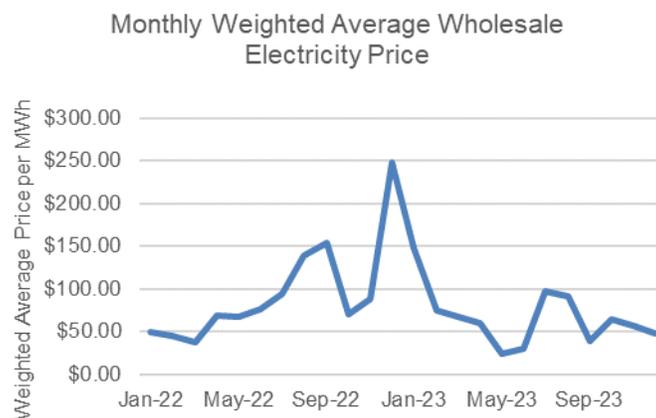
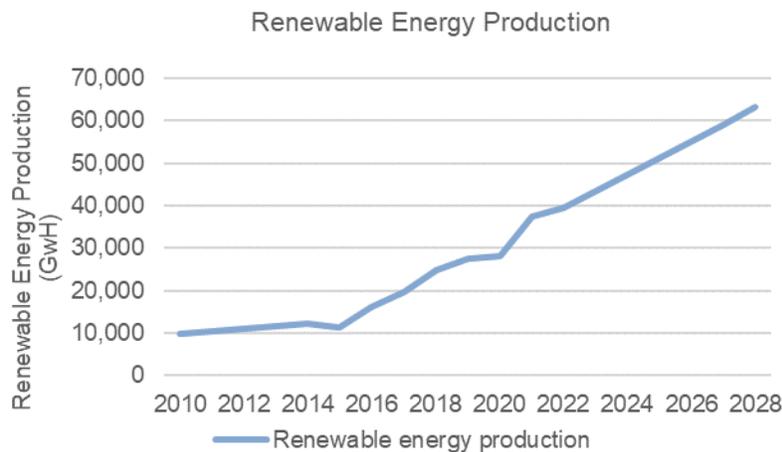
¹¹ <https://www.greenlancer.com/post/solar-power-new-mexico#:~:text=In%20fact%2C%20New%20Mexico%20has,been%20steady%20in%20recent%20years.>

¹² [https://www.eia.gov/state/analysis.php?sid=NM#:~:text=89-,Renewable%20energy,than%201%20megawatt\)%20facilities%20combined.](https://www.eia.gov/state/analysis.php?sid=NM#:~:text=89-,Renewable%20energy,than%201%20megawatt)%20facilities%20combined.)

prices using the average of DOE/EIA’s historical data for 2022 and 2023 for the Palo Verde, Southern California and Northern California pricing hubs¹³, LFC staff derived the following estimate of volumes, prices and renewable energy production tax.

Summary	2022	2023	2024	2025	2026	2027	2028
Renewable Production (GWh)	39,403	43,347	47,290	51,234	55,178	59,121	63,065
Annual Price/MwH	\$103.58	\$68.23	\$85.90	\$85.90	\$85.90	\$85.90	\$85.90
Renewable Production Revenue (\$ millions)	\$4,081	\$2,958	\$4,062	\$4,401	\$4,740	\$5,079	\$5,418
Renewable Production Tax	\$153,000	\$111,00	\$152,000	\$165,000	\$178,00	\$191,00	\$203,000

This should be viewed as an order-of-magnitude calculation. While a linear projection of renewable production volumes is methodologically sound, wholesale prices are variable month-by-month and year-by-year.



Note: spot wholesale electricity prices range from \$.05 per Kwh to \$0.25 per Kwh. Virtually all the wholesale power is procured by contract, with prices substantially less than the spot price.

¹³ <https://www.eia.gov/electricity/wholesale/>

Section 3 (B.) The taxable value for electricity generated from renewable energy resources shall be the wholesale value of electricity established by the United States energy information administration for the southwest regional wholesale market. The taxable event occurs when the electricity is generated. The wholesale value shall be the monthly average wholesale price for the month in which the taxable event occurs.

Wholesale pricing is the source of the extreme difference between TRD's and LFC's estimates. However, as pointed out by EMNRD below, the bill does not provide enough information to determine whether to use wholesale spot prices or contract prices.

EMNRD also exhibits the uncertainty of this proposal:

Due to the volatile nature of wholesale electricity prices, EMNRD is unable to make an informed projection for revenue generated from this tax. Moreover, the current bill text of HB 150 does not specify which trading hubs in which the price per megawatt hour of electricity would be assessed to determine the taxable value of generation. The Energy Information Administration currently provides data for eight selected electricity trading hubs throughout the U.S. with high, low, and weighted-average index prices for daily electricity trades. Without much more detailed specification, it is impossible to make any specific projections.

EMNRD does note, as detailed below, that while the state may see some financial benefit under HB150, the excise tax will discourage the renewable industry from locating in New Mexico, as the state will have an unfavorable tax regime as compared to Texas, Colorado, Arizona, and other Mountain West states.

SLO also comments:

The New Mexico State Land Office manages about 9 million acres of surface estate and 13 million acres of minerals. State trust lands have significant solar, wind, geothermal and biomass potential. HB150 will have a negative but undetermined impact on the New Mexico NMSLO's ability to generate lease revenue from these uses. Wind and solar energy development are poised to play a significant role in the NMSLO's ongoing efforts to diversify revenue streams, and the various existing and anticipated projects are expected to generate hundreds of millions of dollars (over the life of the projects, which generally range between 30-50 years). NMSLO revenue offsets the amount of general funds that the Legislature and taxpayers need to come up with to fund important public services.

NMSLO's Office of Renewable Energy (ORE) earned just shy of \$20 million over the last four fiscal years. Wind leases have provided about 85 percent of that revenue, yet most of the NMSLO's large wind farm leases are still in the development stage with significant anticipated revenue increases once the projects are operational. Two-thirds of wind leases on state trust land are in the initial phase (18 out of 27) and one-third of solar leases are in the initial phase (four of 12). Once these projects start to sell power, the NMSLO receives substantially higher base rents and percentage of revenue rent payments. Revenues from existing leases will increase over time absent any further disincentive to develop as initially planned.

In addition to existing leases, the demand for new leases is very robust, and applicants are applying for larger projects. If applications currently under review were to become leases, the power generated by renewable energy leases on state trust land (as measured by megawatts) would be increased fivefold.

Considering the number of leases still in development as well as the size of the applications, ORE revenues will likely be consistently in the tens of millions in the near term and in the hundreds of millions in the longer term. The state's overall financial gain from this excise tax

would be offset to some extent by the predicable, if not quantifiable, loss of lease revenue experienced by the NMSLO. Moreover, an undetermined number of project proponents may move to other states to avoid the additional tax burden imposed by HB150.

LFC points out that royalties from oil and gas production are covered into the Severance Tax Bonding Fund and thence into the Severance Tax Permanent Fund, whereas the proceeds from grazing leases and leases on solar and wind farms are covered into the Land Maintenance Fund. The revenues from this new renewable energy production tax will be collected and transferred by TRD directly into the severance tax permanent fund.

SIGNIFICANT ISSUES

TRD notes the following significant issues:

Executive Order 2019-003, titled "Addressing Climate Change and Energy Waste Prevention," was issued by Gov. Michelle Luján Grisham on January 29, 2019. The order focuses on addressing climate change, promoting renewable energy, and reducing energy waste in the state of New Mexico.

The key provisions of Executive Order 2019-003 include:

1. **Climate Change Task Force:** The order establishes a Climate Change Task Force to develop recommendations and strategies for mitigating climate change impacts in New Mexico. The task force consists of various state agency representatives, experts, and stakeholders who collaborate to develop policies and initiatives.
2. **Renewable Energy Portfolio Standards:** The order directs the New Mexico Energy, Minerals, and Natural Resources Department to propose an increase in the state's renewable energy portfolio standards (RPS). The RPS mandates that a certain percentage of electricity consumed in the state comes from renewable sources such as wind, solar, and geothermal energy.
3. **Methane Emissions Reduction:** The order calls for the development and implementation of regulations to reduce methane emissions from oil and gas operations in New Mexico. It aims to address methane leakage, a potent greenhouse gas, and promote responsible energy production.
4. **Energy Efficiency and Conservation:** The order emphasizes the importance of energy efficiency and conservation measures. It directs state agencies to prioritize energy efficiency projects, reduce energy waste, and promote energy-saving practices in government buildings and operations.
5. **Clean Energy Innovation Fund:** The order establishes the Clean Energy Innovation Fund to support research, development, and commercialization of clean energy technologies in New Mexico. The fund aims to accelerate the transition to a clean energy economy and attract investment in renewable energy projects.

A tax on electricity produced from renewable sources in New Mexico could potentially have adverse effects on electricity production and the state's ability to achieve the goals set in Governor's Executive Order 2019-003. More specifically, such a tax could impact New Mexico's renewable energy sector and the goals outlined in the executive order:

1. **Renewable energy investment:** Taxes on renewable electricity production may discourage investment in new renewable energy projects. This could impede the development of additional renewable energy capacity needed to achieve the targets set in the executive

- order. Without sufficient investment, it could be challenging to expand renewable electricity production and meet the renewable energy goals within the specified timeline.
2. Renewable energy affordability: Taxes on renewable electricity could lead to increased costs for consumers. This could make renewable energy less financially viable for households and businesses, potentially reducing demand for renewable electricity. Affordability plays a crucial role in promoting the adoption of renewable energy sources, and any additional taxes on renewable electricity could hinder the affordability aspect.
 3. Market competitiveness: New Mexico's executive order outlines the goal of achieving a carbon-free electricity grid by 2045. To meet this objective, the state may need to export excess renewable electricity to neighboring regions or states. However, if a tax is imposed on renewable electricity, it could reduce the competitiveness of New Mexico's renewable energy exports. This could limit the state's ability to expand renewable energy production and hinder its progress toward a carbon-free grid.

Economic impact: The renewable energy sector in New Mexico has been an essential driver of economic growth and job creation. Imposing a tax on renewable electricity could negatively impact the industry, potentially leading to job losses and reduced economic activity. This could hinder the state's ability to achieve the economic and job creation goals outlined in the executive order.

The taxing of renewable energy conflicts with current tax incentives to promote the generation of renewable energy. The following tax incentives for renewable energy currently exist in the tax code:

- Section 7-9J NMSA 1978 - Alternative Energy Product Manufacturers Tax Credit Act."
- Section 7-1-6.53 NMSA 1978 - Distribution; energy efficiency and renewable energy bonding fund; gross receipts tax.
- Section 7-2-18.18 NMSA 1978 - Renewable energy production tax credit.
- Section 7-2-18.31 NMSA 1978 – New Solar Market Development Income Tax Credit.
- Section 7-2-18.32 NMSA 1978 – 2021 Sustainable Building Tax Credit.
- Section 7-2A-28.1 NMSA 1978 – 2021 Sustainable Building Tax Credit.
- Section 7-2A-19 NMSA 1978 - Renewable energy production tax credit; limitations; definitions; claiming the credit.

The taxing of renewable energy at the same time as offering tax incentives may be counter to the equity and efficiency principles of tax policy. “Efficiency denotes whether policies benefit economic growth. Tax policy experts agree that all taxes potentially affect or distort economic behavior by making certain economic choices more or less attractive, and that these effects on the economy are complicated.”¹⁴ Removing renewable energy tax incentives would demonstrate in tax policy clarity that renewable energy generation is to be taxed as it is no longer of need of tax incentives.

However, as oil and gas production declines, resulting in reduced severance tax revenues, and as the State increasingly switches over to renewable energy generation, new sources of

¹⁴ 2023 New Mexico Tax Expenditure Report, See <https://www.tax.newmexico.gov/forms-publications/>

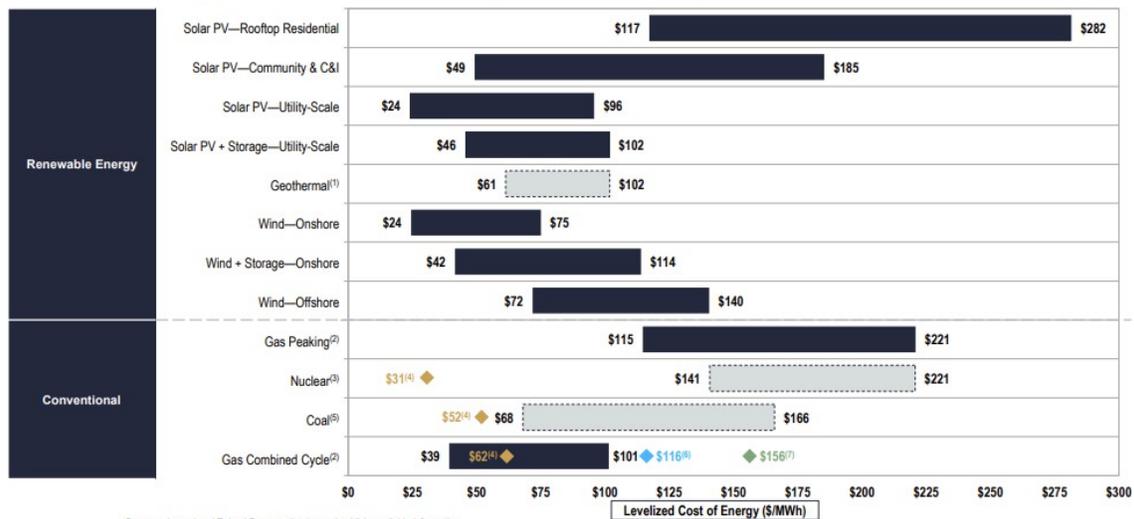
revenue must be found. As the renewable energy industry matures, policymakers will need to consider removing subsidies for renewable energy, and then taxing them in order to diversify the State’s revenues.

EMNRD comments:

Using wholesale prices reported by EIA at the Palo Verde wholesale trading hub, EMNRD notes that an excise tax of 3.75 percent levied on large scale renewable energy generation in New Mexico would have added an additional cost of 4-9 dollars per megawatt-hour generated during peak months in 2022. Such a tax would artificially raise the levelized costs of utility-scale solar production and onshore wind production, currently the most cost-effective sources of electricity generation (Fig. 1), likely resulting in higher consumer electricity prices overall, regardless of source. Price distortion can impact decision making at utilities as they choose least cost resources to dispatch, resulting in imprudent investments and inflated rates for ratepayers in the state.

Fig. 1
Levelized Cost of Energy Comparison—Unsubsidized Analysis

Selected renewable energy generation technologies are cost-competitive with conventional generation technologies under certain circumstances



Furthermore, a severance tax is not an appropriate tax for electricity generated from renewable sources. Up until now, electricity generated using renewable sources has not been charged a severance tax because it is not a “natural resource,” which is defined in the current Severance Tax Act as “timber and any metalliferous or nonmetalliferous mineral product, combination or compound thereof but does not include oil, natural gas, liquid hydrocarbon, individually or any combination thereof, or carbon dioxide.” Additionally, a severance tax implies that there is a permanent severance of the natural resource from the state, which does not occur during the production of electricity from wind or solar. Moreover, the current bill text does not specify trading hubs in which the price per megawatt hour of electricity would be assessed and does not specify which agency – or the Public Regulation Commission – would be the entity determining which market.

Because of existing statutory mandates for growing the percentage of energy delivered to consumers from renewable energy, this tax would raise energy prices, impacting rate payers directly. It may also result in a marginal drop in renewable generation, which could counter

the benefits of any increased revenue to the Severance Tax Permanent Fund. Finally, the impact a severance tax would have on rates and strategic planning at utilities could undercut their ability to successfully meet the targets of the Renewable Energy Act, and the Rural Electric Cooperative Act.

LFC notes that the provisions of this bill sustain the tax policy principle of horizontal equity. Similarly situated taxpayers should pay about the same level of taxes. Most states and federal governments use the tax system to incentivize certain industries and behaviors. An additional factor may be a general principle that indicates that states (and national governments) can and do tax immobile capital with impunity and disregard for economic consequences. This is particularly true of resource taxes. However, solar is far less a geographically localized resource. Economically viable oil and gas deposits are more localized. However, the provisions of this bill are to tax renewable energy at the same rate as that imposed on the extraction of crude oil and natural gas.

Another provision of this bill requires that the money may not be used to amortize severance tax bonds, but the entire amount is to be transferred to the severance tax permanent fund.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is met with the bill's requirement that it be administered pursuant to the provisions of the tax administration act. This tax will be added to the GenTax reports which are available monthly and contain a complete exhibit of the financial aspects of the tax, except for the number of taxpayers reporting for that period.

ADMINISTRATIVE IMPLICATIONS

TRD notes that implementation and administration are relatively difficult:

This bill proposes the implementation of a new excise tax. TRD will need to create and publish new forms and publications, make changes to information systems, and create new regulations. TRD will need to test system changes and train employees on the administration of the proposed tax act.

TRD's Administrative Services Division (ASD) anticipates this bill will take approximately 560 hours for testing, creating new reports and establishing new revenue distributions and one additional full-time employee (FTE) to process this new tax program on an on-going basis at a pay band level 70. This will result in \$39 thousand in staff workload costs and \$94 thousand in recurring costs for one new FTE.

The implementation of this bill will result in a significant impact on TRD's Information Technology Division (ITD), requiring approximately 9-12 months and incurring contractual costs of approximately \$3,441,193. This cost breakdown includes \$3,210,313 for contractual resources and an additional \$230,880 for staff workload costs. Considering the nature and complexity of the effort needed to implement the proposed changes, a contract with the GenTax vendor, FAST Enterprises, LLC, is necessary. In addition to the contract with FAST, there will be a need for a full-time contract project manager and Independent Verification and Validation (IV&V) contract services would also be necessary.

The staff workload costs require one state development resource and one state business analyst for the project's duration.

The addition of a new tax program necessitates collaboration between the Revenue Processing Division (RPD) and the Taxpayer Information and Processing Office (TIPO). This collaboration is required for the creation of forms and instructions, as well as the implementation of the new tax program. Such an undertaking demands a dedicated resource for project implementation, along with associated costs for stakeholders. While the impact on taxpayers may be limited to a small population, the efforts required from RPD resources will be substantial. TRD’s Revenue Processing Division (RPD) estimates that implementing this bill requires 6 weeks for a FTE dedicated to the project, and 6 weeks of FTE contributors to project implementation meetings, for a total cost of \$21 thousand in staff workload. In addition, internal systems to process a new tax program will need to be updated. Further, the Special Tax Programs Business Unit within RPD has added several new tax programs over the past few years. Implementing this new tax program will require additional staff to aid in the workload and will need a reduction in the forced vacancy rate to be equal to one position. This FTE is based on a Tax Examiner Advanced, pay band 60. TRD’s Audit and Compliance Division (ACD) estimates that it will need a reduction of the forced vacancy rate to be equal to 2 FTE employees to process and test the new tax program, perform registration, collection and audit functions on a reoccurring basis. The 2 FTEs are based at a pay band 70.

Estimated Additional Operating Budget Impact*				R or NR**	Fund(s) or Agency Affected
FY24	FY25	FY26	3 Year Total Cost		
--	\$39.0	--	\$39.0	NR	TRD - ASD - operating
\$802.6	\$2,407.7	--	\$3,210.3	NR	TRD - ITD - contractual
\$57.7	\$173.2	--	\$230.9	NR	TRD - ITD - staff workload
--	\$20.0	--	\$20.0	NR	TRD - RPD – contractual
--	\$8.0	--	\$8.0	NR	TRD - RPD – system changes
\$860.3	\$2,647.9	\$0.0	\$3,508.2	NR	TRD -- All Divisions
--	--	\$94.0	\$94.0	R	TRD - ASD - FTE
--	--	\$231.0	\$231.0	R	TRD - ITD - FTE
--	\$73.0	\$73.0	\$146.0	R	TRD – RPD – FTE
\$130.0	\$130.0	\$130.0	\$390.0	R	TRD – ACD - FTE
\$130.0	\$203.0	\$528.0	\$861.0	R	TRD -- All Divisions

* In thousands of dollars. Parentheses () indicate a cost saving. ** Recurring (R) or Non-Recurring (NR).

Considering the complexity and effort required for the implementation of this bill, meeting the effective date of January 1, 2025, will be challenging. TRD suggests an implementation date of July 1, 2025.

Neither EMNRD nor the State Land Office are assigned any administrative duties pursuant to the provisions of this bill.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

EMNRD points out a potential conflict with current statute:

There is tension between the Renewable Energy Act, the Rural Electric Cooperative

Act, the current Severance Tax Act, and HB150.

OTHER SUBSTANTIVE ISSUES

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- **Adequacy:** Revenue should be adequate to fund needed government services.
- **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- **Equity:** Different taxpayers should be treated fairly.
- **Simplicity:** Collection should be simple and easily understood.
- **Accountability:** Preferences should be easy to monitor and evaluate.

LG/al/cf/ne