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F I S C A L I M P A C T R E P O R T

SPONSOR SFC **ORIGINAL DATE** **LAST UPDATED** 3/15/2013 **HB**

SHORT TITLE Decrease Certain Corporate income Tax Rates **SB** 538&540&CS/13&277/SFCS/aSFC

ANALYST van Moorsel

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY13	**FY14**	**FY15**	**FY16**	**FY17**		
$0.0	$9,804.0	$10,551.0	($31,755.0)	($45,015.0)	Recurring	General Fund
$0.0	$8,469.0	$17,334.0	($1,116.0)	($10,929.0)	Recurring	Local Governments
$0.0	$11.0	$23.0	$31.0	$42.0	Recurring	Small County Assistance Fund
$0.0	$17.0	$34.0	$46.0	$63.0	Recurring	Small City Assistance Fund
$0.0	$6.0	$11.0	$15.0	$21.0	Recurring	Municipal Equivalent Distribution
$0.0	**$18,307.0**	**$27,953.0**	**($32,779.0)**	**($55,818.0)**	**Recurring**	**Total**

(Parenthesis ( ) Indicate Revenue Decreases)

Estimated General Fund Revenue Impacts					Bill Component
FY13	**FY14**	**FY15**	**FY16**	**FY17**	
$0.0	($8,200.0)	($25,700.0)	($43,600.0)	($62,000.0)	CIT Rate Reduction
$0.0	($100.0)	($9,000.0)	($25,000.0)	($42,000.0)	Combined Reporting for Certain Retailers
$0.0	$1,200.0	$7,500.0	$5,800.0	$4,600.0	Optional SSF Apportioning
$0.0	$6,447.0	$19,572.0	($9,520.0)	($9,711.0)	HWJTC Changes
$0.0	$10,457.0	$18,179.0	$26,265.0	$34,796.0	GRT Manufacturing Changes
$0.0	$0.0	$0.0	$14,300.0	$29,300.0	Repeal Local Hold Harmless
$0.0	**$9,804.0**	**$10,551.0**	**($31,755.0)**	**($45,015.0)**	**Total**

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee Amendment changes section 4 to reduce the number of employees at the manufacturing operations required to be exempted from combined reporting to 750 employees from 1,000 employees. The fiscal impact of the amendment is indeterminate at this time.

Synopsis of Original Bill

Senate Finance Committee Substitute for Senate Bills 538 and 540 and Senate Corporations Committee Substitute for Senate Bills 13 and 277 makes several changes to the tax code. The bill phases out the hold-harmless distribution to municipalities and counties that offset the food and health care practitioner (medical) deductions, lowers the corporate income tax (CIT) rate over five years, requires combined reporting for certain corporations, permits single sales factor apportioning for certain manufacturing corporations phased in over five years, amends the gross receipts tax (GRT) deduction for tangible property consumed in the manufacturing process to narrow the qualifications for the deduction, amends the high-wage jobs tax credit (HWJTC) to extend the credit and add criteria for the qualifications for the credit, and.

Sections 1, 2, 9 and 10 amend current law to phase out the hold-harmless distribution to municipalities and counties that offset the food and health care practitioner (medical) deductions. The phase out begins in FY16 at 10 percent per year over 10 years until eliminated in FY25.

The section also amends Sections 7-19D-4 and 7-20E-4, to allow municipalities and counties to impose gross receipts tax through an ordinance, which shall not be modified for a period of two years, except to conform with the Gross Receipts and Compensating Tax Act (GRCTA). The deductions that could be taxed by a municipality or a county are listed on the last page.

The section also adds language to allow a municipality with a population of less than ten thousand, or a county with a population of less than 48 thousand, to elect every ten years, beginning January 1, 2014, whether to impose a gross receipts tax through an ordinance that does not provide a deduction contained in the GRCTA.

Section 3 amends the Corporate Income and Franchise Tax Act phase in a corporate income tax (CIT) rate reduction between tax years 2014 and 2018 as follows:

<table>
<tr><th>Net Income</th><th>Tax Year 2013</th><th>Tax Year 2014</th><th>Tax Year 2015</th><th>Tax Year 2016</th><th>Tax Year 2017</th><th>Tax Year 2018</th></tr>
<tr><td>Less Than $500 thousand</td><td>4.8%</td><td>4.8%</td><td>4.8%</td><td>4.8%</td><td>4.8%</td><td>4.8%</td></tr>
<tr><td>Between $500 thousand and $1 million</td><td>$24,000 plus 6.4% of excess over $500k</td><td>$24,000 plus 6.4% of excess over $500k</td><td>$24,000 plus 6.4% of excess over $500k</td><td>$24,000 plus 6.4% of excess over $500k</td><td rowspan="2">$24,000 plus 6.2% of excess over $500k</td><td rowspan="2">$24,000 plus 5.9% of excess over $500k</td></tr>
<tr><td>Greater than $1 million</td><td>$56,000 plus 7.6% of excess over $1m</td><td>$56,000 plus 7.3% of excess over $1m</td><td>$56,000 plus 6.9% of excess over $1m</td><td>$56,000 plus 6.6% of excess over $1m</td></tr>
</table>

Section 4 of the substitute requires that a unitary corporation that provides retail sales of goods in a facility of more than 30 thousand square feet file a combined return, provided that such a corporation need not file a combined return if it has operations in New Mexico at manufacturing facilities that employ at least 1,000 employees.

Section 5 of the bill amends the Corporate Income and Franchise Tax Act to phase in over five years a single sales apportionment factor for businesses engaged in manufacturing. To elect the apportionment formula, the taxpayer must notify the Taxation and Revenue Department (TRD) in writing before first filing a return using the new apportionment formula. Once opting into this apportionment formula, the taxpayer must use the formula for three years before being able to opt back out. The single sales factor would be phased in over five years as follows:

Tax Year	Apportionment Formula
2013 (current law)	$\frac{\text{(sales factor)+(property factor)+(payroll factor)}}{3}$
2014	$\frac{\text{(2Xsales factor)+(property factor)+(payroll factor)}}{4}$
2015	$\frac{\text{(3Xsales factor)+(property factor)+(payroll factor)}}{5}$
2016	$\frac{\text{(7Xsales factor)+(1.5Xproperty factor)+(1.5Xpayroll factor)}}{10}$
2017	$\frac{\text{(8Xsales factor)+(property factor)+(payroll factor)}}{10}$
2018	$\frac{\text{(total sales in New Mexico)}}{\text{(total corporate sales)}}$

Section 6 amends the act to and to exclude certain sales from being apportioned as sales in New Mexico.

Section 7 amends the Gross Receipts and Compensating Tax Act to amend the provisions governing the deduction of receipts from selling tangible personal property that is consumed in the manufacturing process. The amendments specify that the tangible personal property must be a consumable. The bill defines "consumable" as tangible personal property that is incorporated into, destroyed, depleted or transformed in the process of manufacturing a product, including electricity, fuels, water, manufacturing aids and supplies, chemicals, gases, repair parts, spares and other tangibles used to manufacture a product. The definition excludes tangible personal property used in power generation, the processing of natural resources, including hydrocarbons, and the preparation of meals for immediate consumption on- or off-premises.

The effective date of section 7 is July 1, 2013, and the provisions of the section apply to gross receipts received on or after July 1, 2013.

Section 8 amends the provisions governing the high-wage jobs tax credit to tighten a host of high wage tax credit definitions and to extend the sunset to the end of FY20. The most important changes to the law are:

- Requiring taxpayers to apply for the credit within one year of the end of the calendar year in which the taxpayer's final qualifying period closes. Currently there is no limitation;
- Providing that that eligible jobs cannot be recycled through mergers or acquisitions;
- Limiting eligible employers to those certified by the Economic Development Department to be eligible for job training program assistance, commonly known as "JTIP". Eligible employers must also have made more than 50 percent of its sales of goods and services produced in New Mexico to persons outside New Mexico during the applicable qualifying period.
- Clarifying that wages are calculated exclusive of benefits or the employer's share of payroll taxes.
- Increasing wage requirements for jobs created after July 1, 2015 to qualify for the HWJTC. These jobs must pay wages of $60 thousand (if in an urban area) and $40 thousand (if in a rural area). Currently, the requirements are that the jobs pay $40 thousand and $28 thousand, respectively; and
- Providing specific definitions of "wages" and "benefits."

The provisions of section 8 of the bill apply to credit claims received on or after the effective date of the bill. Because the bill contains an emergency clause, it would become effective immediately upon signature by the governor.

Section 11 provides for the applicability of the bill's sections as follows:

- Sections 3-6 of the bill apply to taxable years beginning on or after January 1, 2014;
- Section 7 applies to gross receipts received on or after July 1, 2013.

Section 12 provides effective dates for the bill's sections as follows:

- Sections 1, 2, 4, 7, 9 and 10 are effective July 1, 2013.
- The effective date of provisions 3, 5, and 6 are January 1, 2014, provided that the provisions of sections 1, 2, 4, 7, 9, and 10 are in effect on July 1, 2013.

FISCAL IMPLICATIONS

<u>Hold Harmless Distribution Changes</u>: Under the current law, the hold harmless distributions are forecasted using Global Insight economic indicators: for the food distribution the indicator used is the CPI for food, and consumer spending on health care services is used for the medical distribution. The table below lists the forecast amounts of both deductions under current law. Negative numbers indicate the impact to the general fund, which is a positive impact to local governments.

Current Law Distributions ($ thousands)	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**
Food Hold Harmless (GF)	($104,499.0)	($104,820.0)	($105,887.0)	($107,427.0)	($108,846.0)
Medical Hold Harmless (GF)	($34,805.0)	($36,051.0)	($37,450.0)	($38,986.0)	($40,374.0)
Total	**($139,304.0)**	**($140,871.0)**	**($143,337.0)**	**($146,414.0)**	**($149,220.0)**

Under the proposed legislation, the distributions would be phased out over ten years in 10 percent increments, beginning in FY16. The following table lists the forecast impacts to the distributions. Positive numbers reflect a positive impact to the general fund, which is a negative impact to local governments.

GF Fiscal Impacts (in thousands of dollars)	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**
Food Hold Harmless (GF)	0	0	0	$10,600.0	$21,500.0
Medical Hold Harmless (GF)	0	0	0	$3,700.0	$7,800.0
Total	**0**	**0**	**0**	**$14,300.0**	**$29,300.0**

Small Municipality and County GRT Changes: This part of the impact is extremely hard to estimate with any degree of certainty. It cannot be predicted how counties and municipalities will react to the change in law without making some fairly broad assumptions. The different tax rates currently enacted by localities illustrates that each county or municipality faces unique circumstances and makes choices about tax increments based on those circumstances. They will necessarily make decisions based on the particular set of circumstances faced, and so the response cannot be predicted as a group.

This analysis is based on the assumption that when given the choice, municipalities and counties will act to at least preserve the level of revenue they currently receive. So, small counties are assumed to enact the newly established tax not subject to deductions, at a level that would restore the revenues lost to them with the hold harmless removal. This would allow for retaining the current level of revenue while holding rates constant or even reducing them.

Large counties and municipalities face an altogether different situation. Unable to enact a tax that is not subject to the listed deductions, these entities may likely increase tax rates to recoup any of the lost revenues. For political subdivisions that have already enacted tax options up to the point that can be added without voter approval face the potentially tough task of convincing voters to approve higher tax rates, an uncertain prospect at best. For others, the potential exists to raise rates without voter involvement, but that could still be a politically difficult decision. For this analysis, it is assumed that large counties and municipalities will not raise rates, but will choose to weather the storm of reduced revenues, as it were. The net effect is estimated to be no impact to smaller entities, and a negative impact to large ones. The table below shows impact to large cities and counties.

	FY2013	FY2014	FY2015	FY2016	FY2017
Municipalities Over 10k: Food	0	0	($7,181.0)	($14,566.0)	($22,135.0)
Municipalities Over 10k: Medical	0	0	($2,799.0)	($5,844.0)	($9,044.0)
Counties Over 48k: Food	0	0	($1,744.0)	($3,539.0)	($5,377.0)
Counties Over 48k: Medical	0	0	($671.0)	($1,401.0)	($2,168.0)
Total	**0**	**0**	**($12,395.0)**	**($25,350.0)**	**($38,724.0)**

It bears restating that this is a highly uncertain estimate. Some counties and municipalities already choose to have tax rates lower than the potential maximum rate. The issue of selecting tax increments is more complex than simply maximizing revenues: it is an optimization problem constrained on several fronts, not the least of which is political will. The actual outcome, therefore, could range anywhere from a large negative to a large positive impact on local governments.

This bill may be counter to the LFC tax policy principle of adequacy, efficiency and equity. Due to the increasing cost of tax expenditures revenues may be insufficient to cover growing recurring appropriations.

Estimating the cost of tax expenditures is difficult. Confidentiality requirements surrounding certain taxpayer information create uncertainty, and analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the expenditure's fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures.

Corporate Income Tax Rate Reduction: The first step in this analysis is to estimate the change in revenue from lowering the top CIT rate from 7.6% to 5.9%, over five years, as illustrated in the table below. The fiscal impact of the rate changes is in the table below. The January 1, 2014, effective date for this portion creates a 60% impact in FY2014.

	FY2013	FY2014	FY2015	FY2016	FY2017
Forecast Net CIT	280,000	327,000	383,000	400,000	410,000
Impact, Rate Changes	0	($8,200.0)	($25,700.0)	($43,600.0)	($62,000.0)

Manufacturing Single Sales Factor: The TRD used 2010 New Mexico CIT data for manufacturing corporations (NAICS code 31 through 33) to analyze the impact the phase in of the single sales apportionment formula. The TRD notes there are approximately 1,750 corporations which file under the manufacturing NAICS codes with a total gross NM CIT of $75 million. The impact was estimated assuming that all manufacturing corporations whose sales factor is less than an average factor would make the election. Since not all eligible corporations will make this election due to the 36 consecutive month election requirement, the impact was reduced by 10 percent. February consensus forecast estimates were used to estimate the fiscal impacts from FY14 through FY17. These estimated effects assume the modified tax rates in the bill are in effect.

	FY2013	FY2014	FY2015	FY2016	FY2017
Impact, Manufacturing SSF		($100.0)	($9,000.0)	($25,000.0)	($42,000.0)

Combined Reporting: Analysts are widely in agreement that corporations will reorganize transactions and trade relationships to avoid the revenue effects of mandatory filing if it makes economic sense. Reorganization incurs transaction costs and must be less than the tax advantage gained for a corporation to act. For example, Wal-Mart's earnings before interest, taxes, depreciation and amortization (EBITDA) is estimated at $36.5 billion for 2013. Since New Mexico is such a small part of their market (and tax bill), reorganization might not be worth the transaction costs.

	FY13	FY14	FY15	FY16	FY17
Combined Reporting for Certain Retailers		$1,200.0	$7,500.0	$5,800.0	$4,600.0

The Taxation and Revenue Department's (TRD) estimate assumes that mandatory combined reporting would increase corporate income tax revenues before credits between 5 percent and 10 percent for the unitary corporations that have a retail facility of over thirty thousand square feet. The estimate reflects a range derived from a review of several studies of combined reporting, but the range of estimates in general is very wide, from -5 percent (no increase in revenue) to 20 percent. Revenues are expected to increase by 10 percent initially and the rate of increase is expected to slow to 5 during the later years as these taxpayers adjust their corporate structures and transactions to avoid taxation. Part of the initial gain is due to one-time factors like the disallowance of losses earned by separate entities. Once taxpayers realize they are subject to combined reporting, they are more likely to restructure their business operations to reduce their liability.

Different states have taken the mandatory combined route and have had widely different experiences with respect to revenues. The range of estimates has varied from a 5 percent decline in revenues to a 20 percent increase in revenues depending on the corporate landscape in that state. However, in most states the increase in the growth rate of revenue was not permanent and the growth rate decreased over time due to the corporations restructuring their operations to minimize their tax liability.

Manufacturer Consumables Changes: The TRD notes its estimates for this portion of the analysis include a high degree of uncertainty for several reasons which make it difficult to estimate the baseline level of the deduction, as well as the impacts from the proposed changes:

- The deduction is not separately stated, and the historical size of the deduction is not known.
- 2012 amendments to the law governing the deduction are expected to greatly increase the size of the deduction; the changes have not been in effect long enough to assess their impact.
- Given the current and proposed definitions of manufacturing, it is difficult to identify with certainty the pool of firms that will be eligible for the credit.

To establish a baseline level of the manufacturers' consumables deduction, the TRD relied on the Department of Finance and Administration's revised analysis of a REMI Input-Output model of manufacturer consumption. This model estimates the size of the deduction under current law as described in the table below.

Current Law	FY13	FY14	FY15	FY16	FY17
Deduction	($16,545.0)	($30,748.0)	($53,304.0)	($77,846.0)	($104,324.0)

With the baseline established, the TRD identified the proposed changes that are expected to have a significant revenue impact. The effect of each of these changes is to tighten the qualifying standards for businesses receiving this deduction.

GRT Manufacturing Changes	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**
General Fund (GRT)	0	$10,378.0	$18,020.0	$26,050.0	$34,501.0
Local Governments	0	$6,444.0	$11,187.0	$16,174.0	$21,419.0
Net GRT Impact	0	**$16,822.0**	**$29,207.0**	**$42,224.0**	**$55,920.0**
General Fund (Comp)	0	$79.0	$159.0	$215.0	$295.0
Small County Assistance Fund	0	$11.0	$23.0	$31.0	$42.0
Small City Assistance Fund	0	$17.0	$34.0	$46.0	$63.0
Municipal Equivalent Distrib.	0	$6.0	$11.0	$15.0	$21.0
Net Comp Tax Impact	0	**$113.0**	**$227.0**	**$307.0**	**$421.0**
Total Impact	**0**	**$16,935.0**	**$29,434.0**	**$42,531.0**	**$56,341.0**

High Wage Jobs Tax Credit: The changes to the HWJTC have the effect of tightening the eligibility requirements for both employers and employees. Much of this analysis reflects the TRD analyses of similar legislation that makes other HWJTC changes.

The 17 companies filing the greatest number of the HWJTC applications had those claims approved in recent years (FY11 and part of FY12). These companies account for about 75 percent of all credits by dollar amount during the period analyzed. Growth in new qualified jobs was estimated using BBER FOR-UNM forecast employment growth for the applicable sectors (-0.3 percent for FY13, 1.2 percent for FY14, 1.6 percent for FY15, and 2.0 percent for FY16).

Applications for the HWJTC surged in FY12 and in FY13 (to-date), apparently due to a "mining" of potential claims by several consulting accounting firms, and due to an increasing awareness of the potential claims under the existing HWJTC statutes. At present, approximately $110 million in pending HWJTC claims are under evaluation by the TRD. In other FIRs, the TRD has estimated the "normal" applications per year under the current law to be approximately $65 million. Assuming one third of claims are not approved, the total amount approved would be $43.3 million per year.

The bill also extends the sunset of the HWJTC from July 1, 2015, to July 1, 2020, reflected as a reduction in revenues in FY16 and FY17. The $120 million in the HWJTC applications that are pending would be processed under the current provisions of law. The proposed legislation would only be applicable to applications received after April 1, 2013.

The extension of the definition of urban jobs to within ten miles of a municipality with a population of 60,000, or in Los Alamos County would have a minimum impact because the wage limit of a qualified job in Los Alamos County and ten miles of its external boundaries would be $40,000 under the proposed law, which would potentially reduce the number of qualified jobs. However, the wage limit of a qualified job in other municipalities, for example Roswell (population: 48,366) and Farmington (population: 45,877) would be reduced from $40,000 to $28,000, causing a potential increase in the number of qualified jobs.

Beginning in FY2016, the proposal raises the threshold wages to $40,000 in rural jobs and $60,000 for urban jobs, from $28,000 and $40,000 respectively. This would cause a 20 percent reduction in the amount of the credit (5 percent of credits issued are tied to jobs below $40,000 that would be eliminated, and 15 percent of credits issued are estimated to arise from urban jobs between $40,000 and $60,000 that would be eliminated.). The total estimated revenue impact of the HWJTC portion of this bill is in the table below.

HWJTC Changes	FY13	FY14	FY15	FY16	FY17
General Fund	$0.0	$6,447.0	$19,572.0	($9,520.0)	($9,711.0)
Local Government	$0.0	$2,025.0	$6,147.0	($2,990.0)	($3,048.0)
Total Impact, HWJTC Changes	$0.0	$8,472.0	$25,719.0	($12,510.0)	($12,759.0)

SIGNIFICANT ISSUES

New Mexico's top corporate income tax rate of 7.6 percent is high, compared with the national average of 6.4 percent. New Mexico's CIT rate is especially high when considering a corporation can be taxed at the 4.9 percent personal income tax rate simply by organizing under another section of the IRS code. This violates the principle of tax equity. In 2011, the Council on State Taxation (COST) commissioned Ernst & Young to perform a 50-state study of effective tax rate/after-tax return on investment over a 30-year investment, New Mexico ranked last. The study found that tax rates and a complex tax credit incentive system are a burden on firms considering investments in New Mexico and are "almost certainly impeding economic growth." Among other options, the New Mexico Tax Research Institute (NMTRI) noted a reduction in the top corporate rate would make New Mexico more appealing to business investment.

The NMTRI also addressed the option of allowing corporations to apportion income with a single- or double-weighted sales factor. All states parse a multistate corporation's income into a state taxable base. New Mexico uses an "apportionment formula" that averages the percentage of a corporation's sales occurring in New Mexico, the percentage of payroll in New Mexico, and the percentage of property (or assets or investment) domiciled in New Mexico. The equally weighted corporate income apportionment formula creates a disincentive to expansion in New Mexico; if a company increases its operations in New Mexico, its taxes in New Mexico would increase, even without the benefit of additional sales, creating a disincentive to growth. Firms can lower exposure to New Mexico tax by firing workers and closing plants.

The "single sales" factor, by which income is apportioned only on the percentage of sales made in the state, is the alternative in favor nationally. This formula does not punish firms for investing or employing workers within a state. In New Mexico, a mandatory single sales formula would likely benefit extractive and manufacturing industries while penalizing direct sellers of goods and services and multistate banks. Mining and manufacturing pay well over half of New Mexico CIT, however, and this formula could result in lower revenues.

The high-wage jobs tax credit provides qualifying employers with a 10 percent tax credit, up to $12 thousand, for each employee with annual wages and benefits totaling more than $28 thousand if in a rural area and more than $40 thousand if in an urban area. Eligible employers include those eligible for the Job Training Incentive Program (JTIP) or that earned more than 50 percent of their sales from out-of-state entities in the prior year. The cost of the credit is higher than initially estimated, with FY12 claims exceeding $48 million, and FY13 projected at $50 million. The credit is intended to create new jobs, but data suggests most of the claims are for jobs created from previous business activity. The TRD estimates as little as 19 percent of all FY12 credit applications were for jobs created during the current qualifying period. In the last two fiscal years, employers claimed credit for creating roughly 3,000 jobs. However, it should be noted that the UNM's Bureau of Business and Economic Research estimates employment actually declined by 258 jobs during that time.

Legislation enacted in 2012 expanded the GRT deduction for tangible personal property to include property consumed in the manufacturing process. The deduction was intended to exempt the cost of electricity used in the manufacturing process, but it can be construed to cover refining, processing, restaurants, and even art. Further, the electric utilities report it will be difficult to identify electricity "consumed" during manufacturing. These issues doubled the original estimate of the deduction's general fund impact to $4.7 million in FY13, rising to $80 million when fully phased in by FY17.

ADMINISTATIVE IMPLICATIONS:

According to TRD, the phase out for the payroll and property factors could be burdensome for the taxpayer because they would need to calculate their CIT returns for the next 3 years using a different method of apportionment. TRD suggests it would be taxpayer friendly to allow the taxpayer to elect the single sales factor effective tax year January 1, 2014.

Also, TRD would have some difficulty in administering this phase out. The department would need to reprogram their systems to accept these returns for the 3-year phase out of the payroll and property factors. The forms and instructions would need to be revised every year and the audit staff and the Multistate Tax Commission that audits CIT on the state's behalf would need to adjust procedures for the years in question.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Several other bills make one or more such changes to the tax code.

Does the bill meet the Legislative Finance Committee tax policy principles?

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

PvM/blm