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HOUSE BILL 114

**51ST LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2014**

INTRODUCED BY

Patricia A. Lundstrom

AN ACT

RELATING TO TAXATION; PROVIDING AN EXCEPTION TO THE REDUCTION  
IN HOLD HARMLESS DISTRIBUTIONS FOR CERTAIN MUNICIPALITIES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 7-1-6.46 NMSA 1978 (being Laws 2004,  
Chapter 116, Section 1, as amended) is amended to read:

"7-1-6.46. DISTRIBUTION TO MUNICIPALITIES--OFFSET FOR  
FOOD DEDUCTION AND HEALTH CARE PRACTITIONER SERVICES  
DEDUCTION.--

A. For a municipality that ~~[has not elected to  
impose]~~ does not have in effect a municipal hold harmless gross  
receipts tax through an ordinance and that has a population of  
less than ten thousand according to the most recent federal  
decennial census, a distribution pursuant to Section 7-1-6.1  
NMSA 1978 shall be made to a municipality in an amount, subject  
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1 to any increase or decrease made pursuant to Section 7-1-6.15  
2 NMSA 1978, equal to the [sum of:

3 ~~(1) the total deductions claimed pursuant to~~  
4 ~~Section 7-9-92 NMSA 1978 for the month by taxpayers from~~  
5 ~~business locations attributable to the municipality multiplied~~  
6 ~~by the sum of the combined rate of all municipal local option~~  
7 ~~gross receipts taxes in effect in the municipality for the~~  
8 ~~month plus one and two hundred twenty-five thousandths percent;~~  
9 and

10 ~~(2) the total deductions claimed pursuant to~~  
11 ~~Section 7-9-93 NMSA 1978 for the month by taxpayers from~~  
12 ~~business locations attributable to the municipality multiplied~~  
13 ~~by the sum of the combined rate of all municipal local option~~  
14 ~~gross receipts taxes in effect in the municipality for the~~  
15 ~~month plus one and two hundred twenty-five thousandths percent]~~  
16 applicable maximum distribution for the municipality.

17 B. For a municipality not described in Subsection A  
18 or C of this section, a distribution pursuant to Section  
19 7-1-6.1 NMSA 1978 shall be made to the municipality in an  
20 amount, subject to any increase or decrease made pursuant to  
21 Section 7-1-6.15 NMSA 1978, equal to the [sum of:

22 ~~(1) the total deductions claimed pursuant to~~  
23 ~~Section 7-9-92 NMSA 1978 for the month by taxpayers from~~  
24 ~~business locations attributable to the municipality multiplied~~  
25 ~~by the sum of the combined rate of all municipal local option~~

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1 ~~gross receipts taxes in effect in the municipality on January~~  
2 ~~1, 2007 plus one and two hundred twenty-five thousandths~~  
3 ~~percent in the following percentages:~~

4 ~~(a) prior to July 1, 2015, one hundred~~  
5 ~~percent;~~

6 ~~(b) on or after July 1, 2015 and prior~~  
7 ~~to July 1, 2016, ninety-four percent;~~

8 ~~(c) on or after July 1, 2016 and prior~~  
9 ~~to July 1, 2017, eighty-eight percent;~~

10 ~~(d) on or after July 1, 2017 and prior~~  
11 ~~to July 1, 2018, eighty-two percent;~~

12 ~~(e) on or after July 1, 2018 and prior~~  
13 ~~to July 1, 2019, seventy-six percent;~~

14 ~~(f) on or after July 1, 2019 and prior~~  
15 ~~to July 1, 2020, seventy percent;~~

16 ~~(g) on or after July 1, 2020 and prior~~  
17 ~~to July 1, 2021, sixty-three percent;~~

18 ~~(h) on or after July 1, 2021 and prior~~  
19 ~~to July 1, 2022, fifty-six percent;~~

20 ~~(i) on or after July 1, 2022 and prior~~  
21 ~~to July 1, 2023, forty-nine percent;~~

22 ~~(j) on or after July 1, 2023 and prior~~  
23 ~~to July 1, 2024, forty-two percent;~~

24 ~~(k) on or after July 1, 2024 and prior~~  
25 ~~to July 1, 2025, thirty-five percent;~~

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1 ~~(l) on or after July 1, 2025 and prior~~  
2 ~~to July 1, 2026, twenty-eight percent;~~

3 ~~(m) on or after July 1, 2026 and prior~~  
4 ~~to July 1, 2027, twenty-one percent;~~

5 ~~(n) on or after July 1, 2027 and prior~~  
6 ~~to July 1, 2028, fourteen percent; and~~

7 ~~(o) on or after July 1, 2028 and prior~~  
8 ~~to July 1, 2029, seven percent; and~~

9 ~~(2) the total deductions claimed pursuant to~~  
10 ~~Section 7-9-93 NMSA 1978 for the month by taxpayers from~~  
11 ~~business locations attributable to the municipality multiplied~~  
12 ~~by the sum of the combined rate of all municipal local option~~  
13 ~~gross receipts taxes in effect in the municipality on January~~  
14 ~~1, 2007 plus one and two hundred twenty-five thousandths~~  
15 ~~percent in] applicable maximum distribution for the~~  
16 ~~municipality multiplied by the following percentages:~~

17 ~~[(a)] (1) prior to July 1, 2015, one hundred~~  
18 ~~percent;~~

19 ~~[(b)] (2) on or after July 1, 2015 and prior~~  
20 ~~to July 1, 2016, ninety-four percent;~~

21 ~~[(c)] (3) on or after July 1, 2016 and prior~~  
22 ~~to July 1, 2017, eighty-eight percent;~~

23 ~~[(d)] (4) on or after July 1, 2017 and prior~~  
24 ~~to July 1, 2018, eighty-two percent;~~

25 ~~[(e)] (5) on or after July 1, 2018 and prior~~

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1 to July 1, 2019, seventy-six percent;

2 [~~f~~] (6) on or after July 1, 2019 and prior  
3 to July 1, 2020, seventy percent;

4 [~~g~~] (7) on or after July 1, 2020 and prior  
5 to July 1, 2021, sixty-three percent;

6 [~~h~~] (8) on or after July 1, 2021 and prior  
7 to July 1, 2022, fifty-six percent;

8 [~~i~~] (9) on or after July 1, 2022 and prior  
9 to July 1, 2023, forty-nine percent;

10 [~~j~~] (10) on or after July 1, 2023 and prior  
11 to July 1, 2024, forty-two percent;

12 [~~k~~] (11) on or after July 1, 2024 and prior  
13 to July 1, 2025, thirty-five percent;

14 [~~l~~] (12) on or after July 1, 2025 and prior  
15 to July 1, 2026, twenty-eight percent;

16 [~~m~~] (13) on or after July 1, 2026 and prior  
17 to July 1, 2027, twenty-one percent;

18 [~~n~~] (14) on or after July 1, 2027 and prior  
19 to July 1, 2028, fourteen percent; and

20 [~~o~~] (15) on or after July 1, 2028 and prior  
21 to July 1, 2029, seven percent.

22 C. For a municipality that has a population of ten  
23 thousand or more according to the most recent federal decennial  
24 census and does not have in effect a municipal hold harmless  
25 gross receipts tax, a distribution pursuant to Section 7-1-6.1

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1 NMSA 1978 shall be made to the municipality in an amount,  
2 subject to any increase or decrease pursuant to Section  
3 7-1-6.15 NMSA 1978, equal to the applicable maximum  
4 distribution for the municipality if:

5 (1) the total state and local option gross  
6 receipts tax rates in effect in the municipality on January 1,  
7 2015 equaled or exceeded eight and one-fourth percent; and

8 (2) the tax revenue from a municipal hold  
9 harmless gross receipts tax, were it in effect, at the rate of  
10 three-eighths percent in the municipality would be less than  
11 the maximum distribution for the municipality.

12 [G.—The] D. A distribution pursuant to  
13 [~~Subsections A and B of~~] this section is in lieu of revenue  
14 that would have been received by the municipality but for the  
15 deductions provided by Sections 7-9-92 and 7-9-93 NMSA 1978.  
16 The distribution shall be considered gross receipts tax revenue  
17 and shall be used by the municipality in the same manner as  
18 gross receipts tax revenue, including payment of gross receipts  
19 tax revenue bonds. [~~A distribution pursuant to this section to~~  
20 ~~a municipality not described in Subsection A of this section or~~  
21 ~~to a municipality that has imposed a gross receipts tax through~~  
22 ~~an ordinance that does not provide a deduction contained in the~~  
23 ~~Gross Receipts and Compensating Tax Act shall not be made on or~~  
24 ~~after July 1, 2029.~~

25 ~~D.] E. If the reductions made by this [2013] 2014~~

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1 act to the distributions made pursuant to [~~Subsections A and B~~  
2 ~~of~~] this section impair the ability of a municipality to meet  
3 its principal or interest payment obligations for revenue bonds  
4 that are outstanding prior to July 1, 2013 and that are secured  
5 by the pledge of all or part of the municipality's revenue from  
6 the distribution made pursuant to this section, then the amount  
7 distributed pursuant to this section to that municipality shall  
8 be increased by an amount sufficient to meet the required  
9 payment; provided that the total amount distributed to that  
10 municipality pursuant to this section does not exceed the  
11 amount that would have been due that municipality pursuant to  
12 this section as it was in effect on June 30, [~~2013~~] 2015.

13 [~~E.~~] F. For the purposes of this section:

14 (1) "business locations attributable to the  
15 municipality" means business locations:

16 [~~(1)~~] (a) within the municipality;

17 [~~(2)~~] (b) on land owned by the state,  
18 commonly known as the "state fairgrounds", within the exterior  
19 boundaries of the municipality;

20 [~~(3)~~] (c) outside the boundaries of the  
21 municipality on land owned by the municipality; and

22 [~~(4)~~] (d) on an Indian reservation or  
23 pueblo grant in an area that is contiguous to the municipality  
24 and in which the municipality performs services pursuant to a  
25 contract between the municipality and the Indian tribe or

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1 Indian pueblo if: [~~(a)~~] 1) the contract describes an area in  
2 which the municipality is required to perform services and  
3 requires the municipality to perform services that are  
4 substantially the same as the services the municipality  
5 performs for itself; and [~~(b)~~] 2) the governing body of the  
6 municipality has submitted a copy of the contract to the  
7 secretary;

8 (2) "maximum distribution" means:

9 (a) for a municipality that has a  
10 population of less than ten thousand according to the most  
11 recent federal decennial census, the total deductions claimed  
12 pursuant to Sections 7-9-92 and 7-9-93 NMSA 1978 for the month  
13 by taxpayers from business locations attributable to the  
14 municipality multiplied by the sum of the combined rate of all  
15 municipal local option gross receipts taxes in effect in the  
16 municipality for the month plus one and two hundred twenty-five  
17 thousandths percent; and

18 (b) for a municipality that has a  
19 population of ten thousand or more according to the most recent  
20 federal decennial census, the total deductions claimed pursuant  
21 to Sections 7-9-92 and 7-9-93 NMSA 1978 for the month by  
22 taxpayers from business locations attributable to the  
23 municipality multiplied by the sum of the combined rate of all  
24 municipal local option gross receipts taxes in effect in the  
25 municipality on January 1, 2007 plus one and two hundred

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1 twenty-five thousandths percent; and

2 (3) "tax revenue" means the net receipts  
3 attributable to a municipal hold harmless gross receipts tax.

4 ~~[F.]~~ G. A distribution pursuant to this section may  
5 be adjusted for a distribution made to a tax increment  
6 development district with respect to a portion of a gross  
7 receipts tax increment dedicated by a municipality pursuant to  
8 the Tax Increment for Development Act."

9 **SECTION 2. EFFECTIVE DATE.**--The effective date of the  
10 provisions of this act is July 1, 2015.