



Trends in State Taxation

New Mexico Legislative Finance Committee

Jackson Brainerd, Program Principal

NCSL Fiscal Affairs Program

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The National Conference of State Legislatures



NCSL is committed to the success of all legislators and legislative staff.

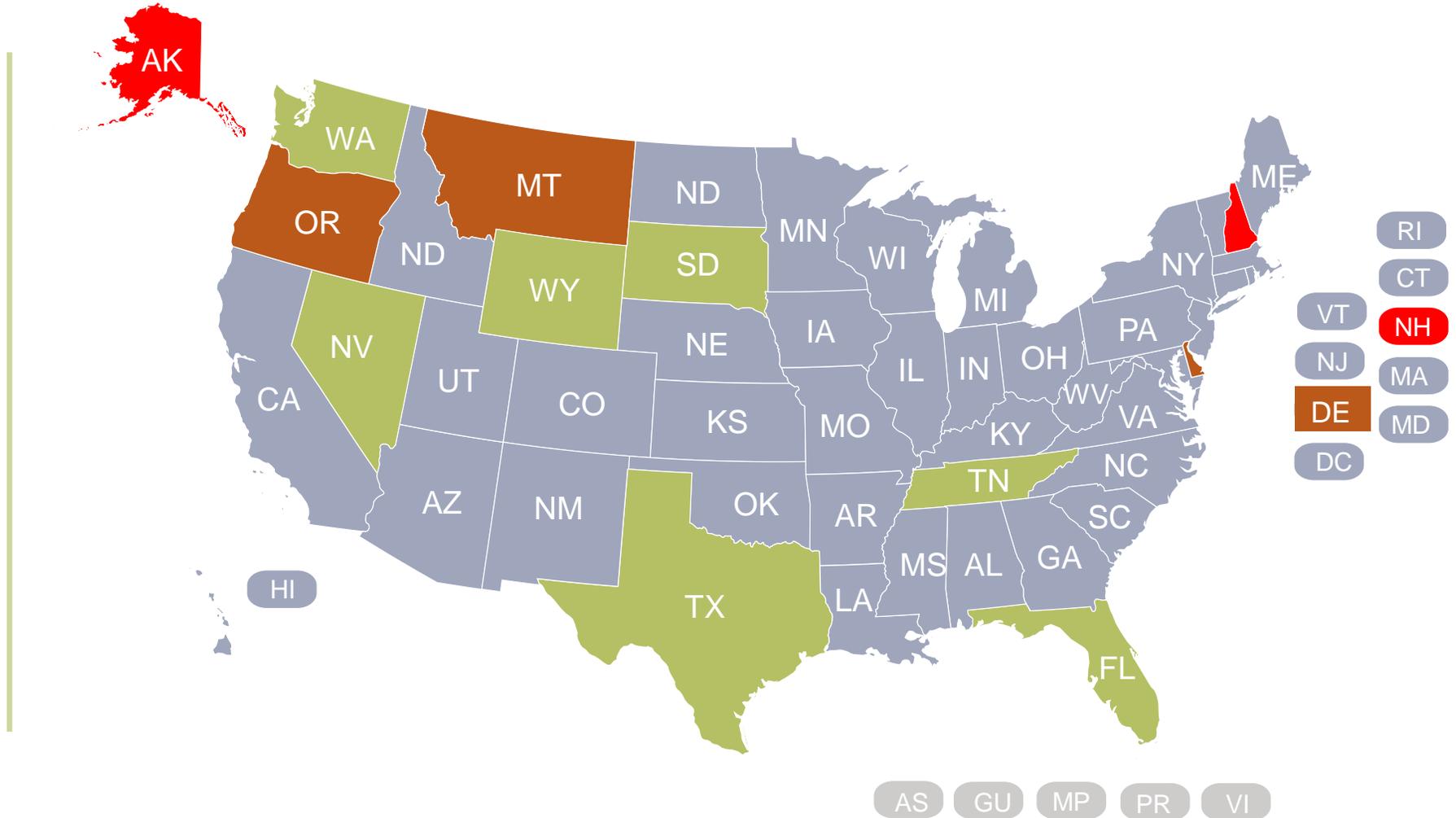
Our mission is to:

- Ensure state legislatures a strong, cohesive voice in the federal system.
- Improve the quality and effectiveness of state legislatures.
- Promote policy innovation and communication among state legislatures.

State Tax Structures

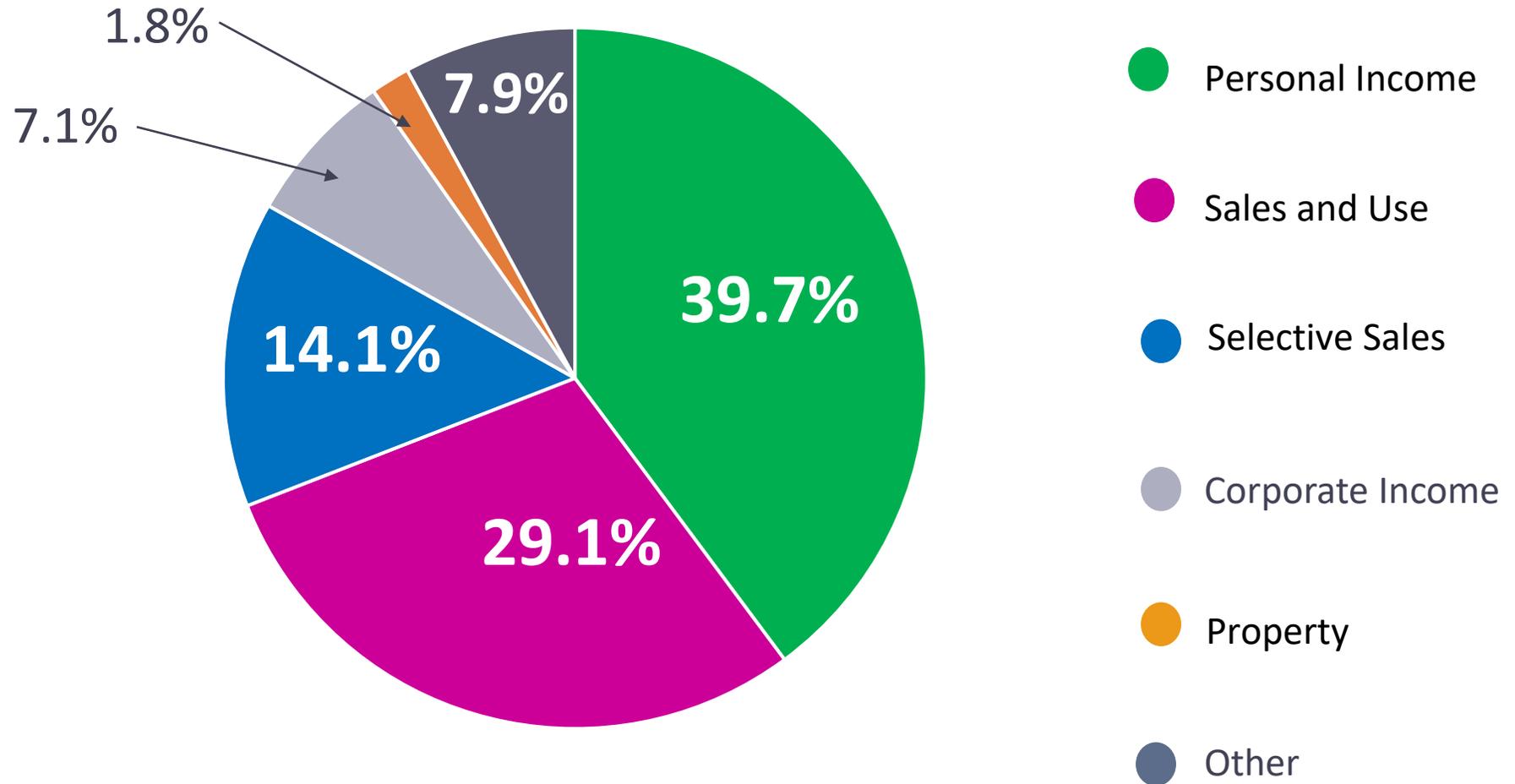
States without Personal Income or Sales Taxes

- 7** No Personal Income Tax
- 3** No Sales Tax
- 2** No PIT or Sales Tax



State Tax Reliance

2021 State Tax Collections By Source



Source: Federation of Tax Administrators' analysis of 2021 Census Bureau Data

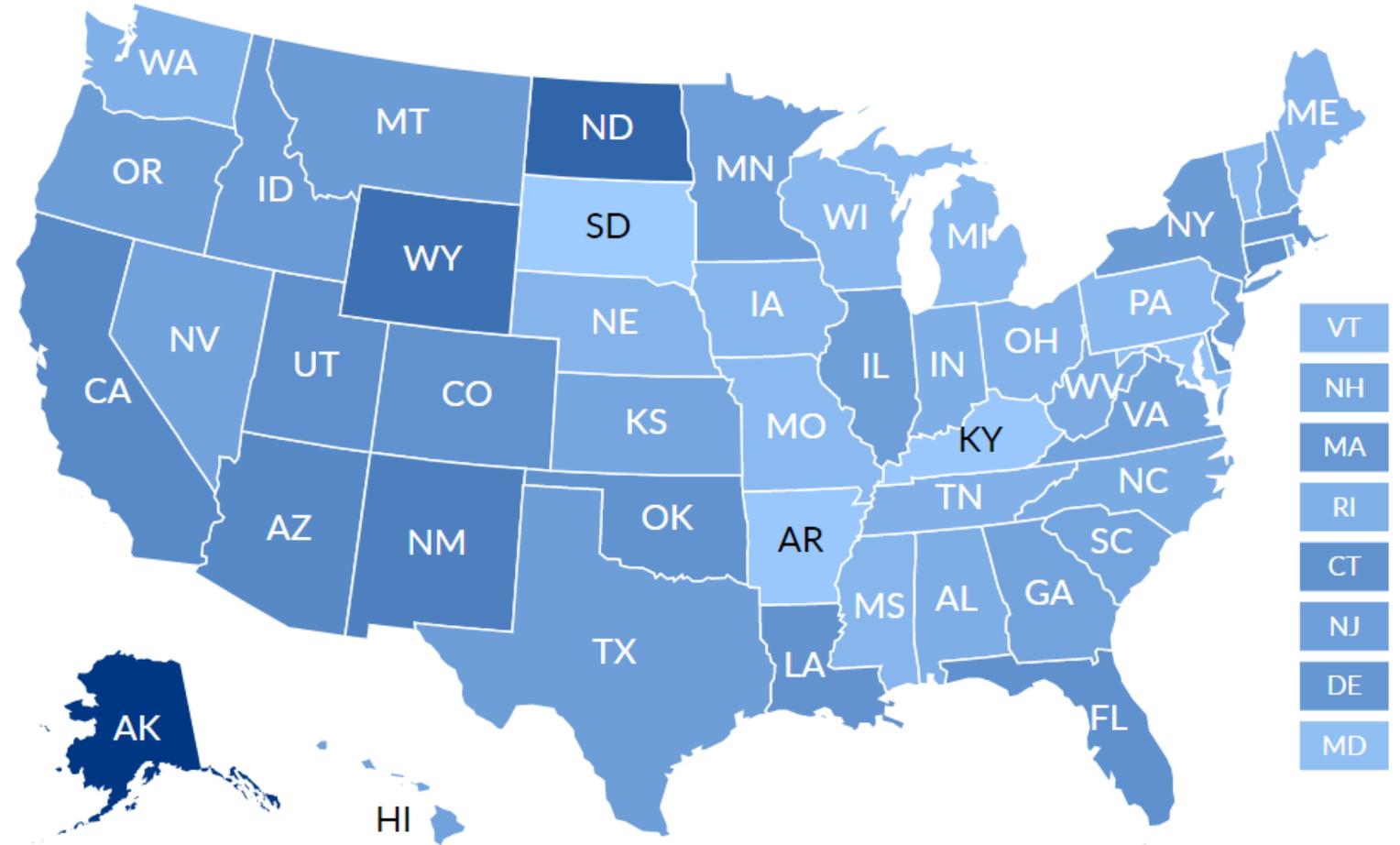
State Comparison of Collections By Source, 2021

State	Property	Sales	Selective Sales	Personal Inc.	Corporate Inc.	Other
Alabama	3.3%	27.4%	21.8%	34.4%	8.0%	5.1%
Alaska	11.1%	--	24.7%	--	11.5%	52.7%
Colorado	--	19.0%	15.1%	53.2%	6.6%	6.0%
Indiana	0.1%	34.8%	17.1%	39.7%	5.2%	3.2%
Nevada	3.6%	58.3%	20.9%	--	--	17.2%
New Mexico	1.2%	39.8%	11.4%	16.0%	2.0%	29.5%
New York	--	16.7%	12.3%	58.7%	5.3%	7.1%
South Dakota	--	59.2%	23.7%	--	2.5%	14.5%
Oregon	0.1%	--	13.4%	63.2%	6.9%	16.4%

Source: Federation of Tax Administrators, 2021

Tax Volatility Scores

State	Volatility Score
1. Alaska	36.9
2. North Dakota	16.4
3. Wyoming	13.3
4. New Mexico	10.2
5. Arizona	8.7
46. Missouri	3.7
47. Maryland	3.4
48. Arkansas	2.9
49. Kentucky	2.9
50. South Dakota	2.7
National Avg.	5.0



Volatility scores based on FY 2000-19 collections, adjusted for tax policy changes

Source: The Pew Charitable Trusts, 2020

State Fiscal Situation

- Revenue growth is largely positive
- Major tax categories did not decline as much as projected
- States did not have to tap into rainy-day funds as much as expected
 - Many have been able to restore or add to RDFs
- Enhanced FMAP reduced state Medicaid burdens
- Cautious optimism

Tax Tidbits!

When Americans started paying annual federal income tax in 1913, individuals who owed federal tax on their income earned actually paid the tax the following year in quarterly installments.

YOU

ARE ONE OF 50,000,000
AMERICANS WHO MUST FILL OUT
AN INCOME TAX RETURN BY
MARCH 15TH

USE YOUR WITHHOLDING RECEIPT

OR FORM 1040

You must file an income tax return if your income in 1944 was \$500 or more.

FILE YOURS EARLY

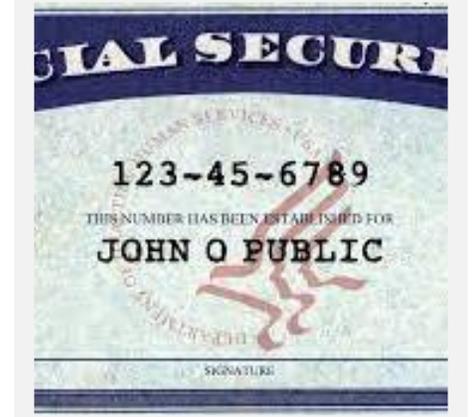
UNITED STATES TREASURY DEPARTMENT
BUREAU OF INTERNAL REVENUE

2021 Broad-Based Rate Reductions

- Arizona (S 1828): PIT rate cut
- Arkansas (SB 1): PIT and CIT rate cut
- Idaho (H 380): PIT rate cut
- Iowa (S 619): Accelerated PIT rate cut; Inheritance tax phased out.
- Louisiana (H 278): PIT and CIT rate cuts, contingent on voter approval in November
- Montana (S 159): PIT rate cut
- Missouri (SB 153): PIT rate cut
- Nebraska (LB 432): CIT rate cut
- New Hampshire (HB 1): Business tax rate cuts, interest and dividends tax phased out.
- Ohio (HB 110): PIT rate cut
- Oklahoma (H 2960/H 2962): PIT and CIT rate cuts
- Wisconsin (AB 68): PIT rate cut (2nd bracket)



Individual Taxpayer Relief Efforts



Exemption for Covid Relief or Unemployment Insurance Payments

AR, CA, AL, DE, MD, MN, MS

EITC/CTC Increase

CO, CT, DC, DE, IA, IN, MD, NJ, NM, WA

Sales Tax Holidays

AR, FL, TN

Tax Rebates

CA, ID, NM

Standard Deduction Increase/SS Income Exemption

GA, NE

2022 Broad-Based Income Tax Rate Reductions

- Georgia (H 1437)
- Idaho (H 436)
- Iowa (H 2317)
- Indiana (H 1002)
- Kentucky (H 8)
- Mississippi (H 531)
- Nebraska (L 873)
- New York (S 8009)
- Pennsylvania (H 1342)
- South Carolina (H 5150)
- Virginia (H 30)
- Utah (S 59)



2022 Individual Tax Relief: Other Major Proposals

- Sales Tax Reductions
- Income Tax Rebates
- Retirement Income Tax Relief
- Motor Fuel Suspensions/Freezes/Cuts
- Earned Income Tax Credits/Child Tax Credits
- Property Tax Relief



Sales Tax Relief

- Rate cut approved in New Mexico
- Sales Tax Holidays:
 - Florida (H 7071)
 - Illinois (H 4470)
- Grocery Tax Reductions:
 - Kansas (H 2106)
 - Illinois (S 157)
 - Idaho (S 509)
 - Tennessee
 - Virginia (H 30)



Income Tax Rebates



- **California** (S 154): Tax rebate for individuals below a specified income threshold (\$250K) who filed a return in 2020.
- **Colorado** (S 233): TABOR rebate will provide \$400 for individuals, \$800 for families
- **Delaware** (H 360): one-time direct payment of \$300 per resident taxpayer
- **Georgia** (H 1302): Allowed an additional refund of 2020 income taxes (max of \$250) due to revenue surplus
- **Hawaii** (SB 514): Tax refund of \$300 for taxpayers who earn < \$100,000 a year, and \$100 for taxpayers who earn > \$100,000 or more.
- **Idaho** (H 436): \$75 rebate for each taxpayer and dependent
- **Illinois** (S 157): Individuals who earned less than \$200,000 during tax year 2021 will receive a one-time rebate of \$50 for single filers and \$100 for joint filers, with an additional \$100 per dependent for up to three dependents.
- **Maine** (H 1482): approved one-time, \$850 checks directly to an estimated 858,000 Maine people. Those eligible must have a Federal adjusted gross income (FAGI) of less than: \$100,000
- **New Mexico**: Two separate rebates approved. H 163 provided \$250 for individuals, \$500 for joint filers. H 2a provided \$500 to single filers and \$1000 for joint filers.
- **South Carolina** (H 5150): Rebates up to \$800 based on how much people paid in state income tax
- **Virginia** (H 30): Approved \$250 rebates for individual taxpayers

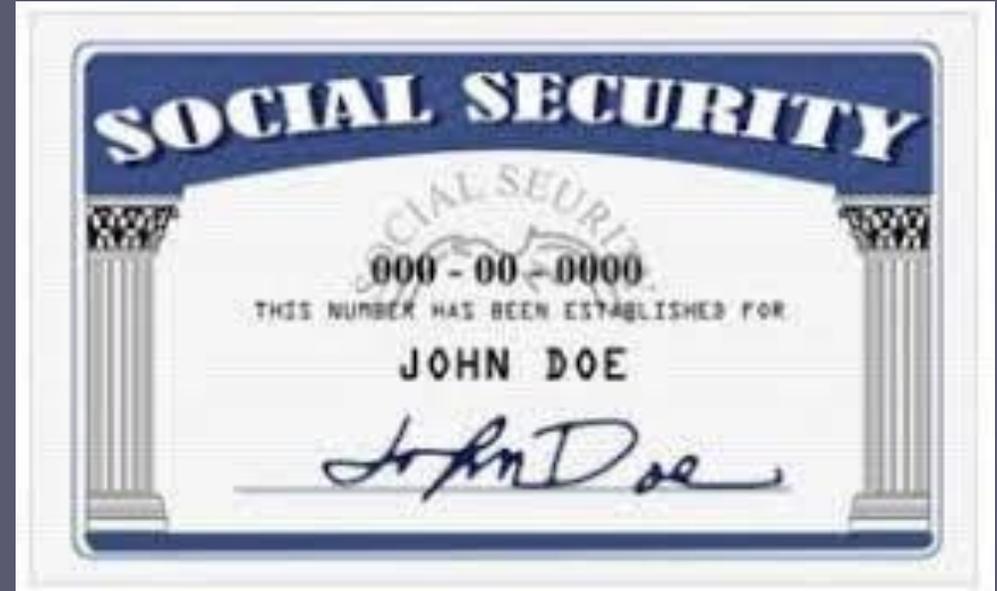
Retirement Income Relief

- **Alabama** (H 162): Up to \$6,000 of taxable retirement income is exempt from state income tax
- **Connecticut** (H 5506): Exempt pension and annuity earnings from the state income tax
- **Georgia** (H 1437): Increased retirement income exclusion
- **Iowa** (H 2317): Exempts retirement income from tax for taxpayers aged 55 and older
- **Maryland** (H 1468): Retirement income subtraction modification for public safety employees and created a new retiree tax credit
- **Nebraska** (LB 873): Accelerated phase-out of income tax on social security benefits
- **New Mexico** (H 163): Exempt social security income from income tax for certain individuals
- **Utah** (S 59): Expanded eligibility for the social security benefits tax credit by increasing the threshold for the income based phaseout
- **Vermont** (H 510): Expanded income threshold for social security exemption
- **Virginia** (H 30): Increased exemption on military retirement income



Tax Tidbits!

- Did you know? Roughly 7 million children “disappeared” after the passage of a 1985 tax law. It’s not as bad as it seems!



Motor Fuel Tax Holidays

- **California** (A 194): Exempt diesel fuel from sales tax, beginning Oct. 1, 2022, through Oct. 1, 2023. Est. \$439 million loss.
- **Connecticut** (H 5501): Gas tax initially suspended from April 1 – June 30, then extended through November 30, 2022. Est. \$90 million loss.
- **Florida** (H 7071): Gas tax holiday for month of October 2022. Est. \$200 million loss.
- **Georgia** (H 304): Gas tax initially suspended from March 18- May 31, 2022. Then extended again until July 14 via executive order. Est. \$160 million loss per month.
- **Illinois** (S 157): Suspended the motor fuel tax inflation adjustment for six months from July 1 until Dec. 31, 2022.
- **Maryland** (H 1486): Waived the state gas tax for 30 days. Est. \$93.6 million loss.
- **New York** (S 8009): suspended the gas tax for seven months , June 1 – Dec. 31, 2022. Est. \$585 million loss.



Earned Income/Child Tax Credits

- **Connecticut** (H 5506): Created a \$250 per child tax credit for lower and middle-earning families and increased the earned income tax credit.
- **Hawaii** (H 2510): Makes state EITC refundable and permanent
- **Illinois** (S 157): Increased earned income tax credit from 18% to 20% of the federal credit
- **Maine** (H 1482): Increased the state EITC for childless individuals from 25 percent to 50 percent of the federal credit and from 12 percent to 25 percent for all other eligible claimants for tax years beginning on or after January 1, 2022.
- **Maryland** (S 369): Established new program to identify residents who are eligible to claim the state EITC but have failed to do so and to provide them with a streamlined method to claim it.
- **New York** (S 8009): Enhanced state EITC
- **New Jersey** (S 2523): Establishes new child tax credit
- **New Mexico** (H 163): New, refundable CTC ranging from \$25 to \$175 per child, depending on income
- **Pennsylvania** (H 1342): Establishes new child tax credit
- **Utah** (S 59): Enacts a state earned income tax credit
- **Vermont** (H 510): Enacts a child tax credit and enhances state EITC.
- **Virginia** (H 30): Made the state EITC refundable



- **Arizona** (H 2862): Eliminated state tax applied to personal property
- **Colorado** (S 238): Reduces property tax assessment rates and taxable valuations for the 2023 and 2024 tax years and requires that the state government reimburse local governments for a portion of the resulting property tax revenue reductions.
- **Connecticut** (H 5506): Increased the property tax credit from \$200 to \$300.
- **Florida** (HB 7071): Provides property tax relief for residential property rendered uninhabitable for 30 days or more due to a catastrophic event.
- **Idaho** (H 550): Expanded circuit breaker tax exemption.
- **Illinois** (H 4470): Budget bill included a one-time property tax rebate for homeowners, capped at \$300.
- **Nebraska** (L 873): Refundable income tax credit for community college property taxes paid.
- **New York** (S 8009): \$2.2 billion homeowner tax rebate credit
- **New Jersey**: Annual budget included a \$1.8 billion property tax rebate program. Max. rebate of \$1,500.
- **Pennsylvania** (H 1342): Annual budget added \$140 million in one-time direct property tax credits for seniors and people with disabilities
- **Texas**: Voters approved Prop 1 and Prop 2 in May 2022, which will limit ad valorem taxes for schools and increase the homestead exemption.



Property Tax Relief

SMALL BUSINESS



Business Tax Relief

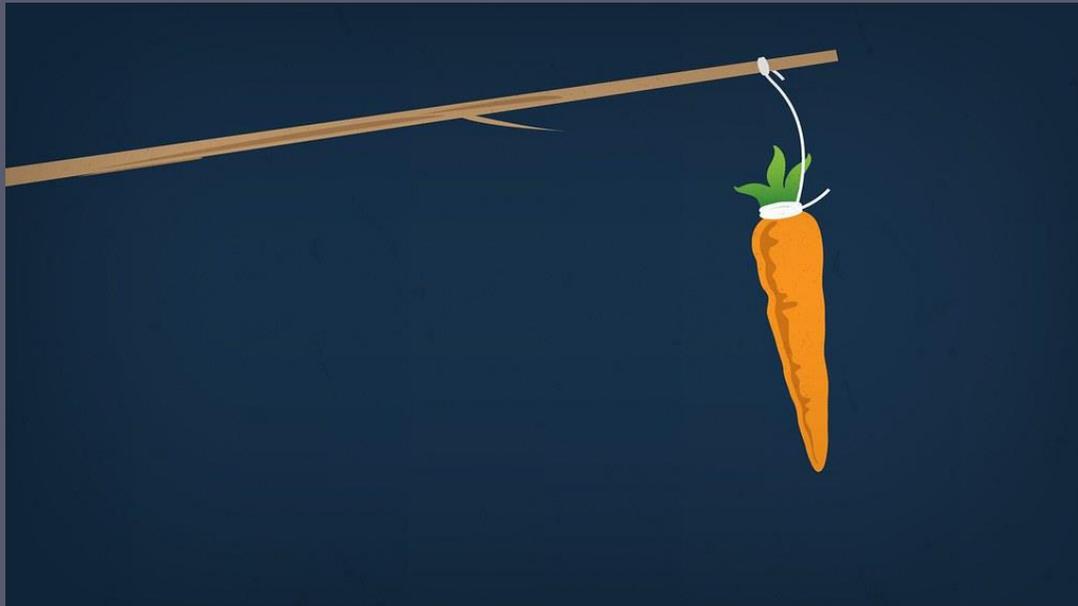
- Other Business Tax Cuts
 - Federal Conformity
- Pass-Through Entity Work-Arounds
 - Tax Incentives

At Least 29 States Have Approved New PTE Taxes Since 2018

- Alabama (2021)
- Arizona (2021)
- Arkansas (2021)
- California (2021)
- Colorado (2021)
- Connecticut (2018)
- Georgia (2021)
- **Kansas (2022)**
- Idaho (2021)
- Illinois (2021)
- Louisiana (2019)
- Maryland (2020)
- Massachusetts (2021)
- Michigan (2021)
- Minnesota (2021)
- **Mississippi (2022)**
- **Missouri (2022)**
- New Jersey (2020)
- **New Mexico (2022)**
- New York (2021)
- North Carolina (2021)
- **Ohio (2022)**
- Oklahoma (2019)
- Oregon (2021)
- Rhode Island (2019)
- South Carolina (2021)
- **Utah (2022)**
- **Virginia (2022)**
- Wisconsin (2018)

Enacted

- **Illinois:** Growing Economy Tax Credit
- **Kansas:** New \$800 million investment incentive program
- **Maryland:** Work Opportunity Tax Credit
- **New York:** \$600 million for Buffalo Bills' stadium construction
- **Ohio:** Passed \$2.1 billion incentive package targeted toward Intel Corp.
- **Oklahoma:** \$698 million Large Scale Economic Activity and Development Act
- **Indiana, New Jersey, Pennsylvania, Utah and West Virginia:** New/expanded film tax subsidies



2022 Tax Incentives

Tax Tidbits!

Did you know? A single address in Wilmington, Delaware (1209 North Orange St.), is the legal address of more than 285,000 companies. About half of all publicly traded companies in the country consider it home.



2022 Revenue Increases

- Sales Tax Base Expansion
 - Kentucky (H 8)
- New Paid Family Leave Payroll Taxes
 - Maryland (S 275)
 - Delaware (SB 1)
- Tourism Taxes
 - Kentucky (H 8): peer to peer car sharing excise tax
- Online Gambling/Sports Betting
 - Kansas (S 84)
- Marijuana Legalization
 - Delaware (H 372)
 - Maryland (H 1/ H 837)
 - Rhode Island (S 2430)



Looking Ahead...

- Remote Work Guidelines
- Corporate Apportionment
- Responding to Possible Federal Activity
- Slower Growth on the Horizon



2021 Digital Advertising and Social Media Tax Proposals

- Maryland enacted HB 732: Gross receipts tax on digital ad revenues for companies with over \$100 million in global annual gross revenues.

Similar proposals in:

- Arkansas
- Connecticut
- Indiana
- Massachusetts
- Montana
- New York
- Texas
- West Virginia



Thank You!

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