

**MINUTES
of the
THIRD MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE**

**October 15, 2020
House Chambers and Video Conference Meeting
Santa Fe**

The third meeting of the Revenue Stabilization and Tax Policy Committee for the 2020 interim was called to order by Representative Javier Martínez, chair, on Thursday, October 15, 2020, at 10:03 a.m. in the House Chambers of the State Capitol in Santa Fe and by video and audio conference via an online platform.

Present

Rep. Javier Martínez, Chair (In-Person)
Sen. Clemente "Memé" Sanchez, Vice Chair
(In-Person)
Sen. Pete Campos (In-Person)
Rep. Christine Chandler (In-Person)
Rep. Doreen Y. Gallegos (Online)
Sen. Roberto "Bobby" J. Gonzales (In-Person)
Rep. Susan K. Herrera (Online)
Rep. Antonio Maestas (In-Person)
Rep. Rod Montoya (In-Person)
Sen. George K. Munoz (Online)

Designees

Rep. Micaela Lara Cadena (Online)
Rep. Patricia A. Lundstrom (Online,
attending as a guest)
Sen. Nancy Rodriguez (Online)
Rep. Larry R. Scott (In-Person)
Sen. Bill Tallman (Online)

Absent

Rep. Jason C. Harper
Sen. Gay G. Kernan
Sen. Mark Moores
Sen. William E. Sharer
Sen. John Arthur Smith
Rep. James R.J. Strickler
Sen. Peter Wirth

Rep. Abbas Akhil
Rep. Eliseo Lee Alcon
Rep. Cathrynn N. Brown
Sen. William F. Burt
Sen. Jacob R. Candelaria
Rep. Brian Egolf
Rep. Tim D. Lewis
Rep. Andrea Romero
Rep. Angelica Rubio
Rep. Patricio Ruiloba
Sen. Elizabeth "Liz" Stefanics
Rep. James G. Townsend
Sen. James P. White
Sen. Pat Woods
Rep. Martin R. Zamora

Staff

Pam Stokes, Staff Attorney, Legislative Council Service (LCS)

Ric Gaudet, Researcher, LCS

Rebecca Griego, Records Officer, LCS

Anthony Montoya, Staff Attorney, LCS

Joanne Vandestreek, Senior Legislative Librarian, LCS

Sara Wiedmaier, Research Assistant, LCS

Handouts

Handouts and other written testimony are in the meeting file and on the legislature's website at www.nmlegis.gov.

Thursday, October 15

Updates from the Governor's Tax Policy Advisory Committee and Tax Practitioner Advisory Committee (10:09 a.m.)

Stephanie Schardin Clarke, secretary of taxation and revenue; Richard Anklam, president and executive director, New Mexico Tax Research Institute; and Suzanne Wood Bruckner, Esq., Sutin, Thayer & Browne, P.C., discussed with the committee the work of the Taxation and Revenue Department's (TRD's) committees to explore tax policy and tax practitioner reform ideas. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20101520%20Item%201%20TPAC%20and%20TPRAC%20Update.pdf>.

Answers to questions and comments from committee members followed the presentation (10:31 a.m.) and included the following.

- The committees have up to two years to complete their work, but the enabling legislation could be extended if their work is not finished. Thus far, the TRD has not endorsed any legislative proposals. The department anticipates proposing several technical changes to the tax laws.
- Many of the tax policy proposals that make sense will probably need to be put on hold because of the state's current fiscal situation. There are a few reforms that will not cost the state much money and would make the tax system more fair. For example, the issue of disclosed agency has caused trouble with tax practitioners for many years and resulted in audits to businesses that did not know that the businesses were required to pass on the gross receipts tax for certain transactions.
- Changes to the TRD's managed audit program do not require statutory changes but will make the program more attractive to businesses. The TRD is actually listening to taxpayers and tax practitioners.

Approval of Minutes

The minutes of the August 7, 2020 and September 22, 2020 meetings of the committee were approved without changes.

Overview and Status of the Loan Programs Enacted by Senate Bill 3 (2020 1st S.S.): The Small Business Recovery Act of 2020 (SBRA) and the Loan Program for Local Governments (10:56 a.m.)

Marquita Russel, chief executive officer, New Mexico Finance Authority (NMFA), and Adam Johnson, chief of program operations, NMFA, discussed with the committee recent programs enacted by the legislature to address the economic impact of the COVID-19 pandemic in New Mexico. The NMFA was charged with implementing the SBRA and an emergency economic relief program. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20101520%20Item%202%20Small%20Business%20Recovery%20Act%20Overview%20and%20Status.pdf>

Answers to questions and comments from committee members followed the presentation (11:40 a.m.) and included the following.

- Hotels, restaurants and manufacturing businesses have high monthly expenses. Increasing the \$75,000-per-business maximum loan amount in the SBRA would help businesses in those industries.
- The newly enacted emergency economic relief program has not been implemented because the NMFA did not elicit any interest in these loans from local governments. The NMFA already has in place several loan programs that may be better suited for local governments to confront their economic situations.

Reliable Revenue Source: New Mexico's Land Grant Permanent Fund (LGPF) (1:08 p.m.)

Stephanie Garcia Richard, commissioner of public lands, and Representative Maestas discussed with the committee the possibilities of using money in the LGPF to address many of today's educational challenges and to address intergenerational equity issues. The presentation focused on the long-term benefits of increasing the distribution from the LGPF and dedicating that increase to early childhood education. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20101520%20Item%203%20Rep%20Maestas%20LGPF.pdf>

Answers to questions and comments from committee members followed the presentation (1:37 p.m.) and included the following.

- Although the Constitution of New Mexico requires equal treatment for students, the practical realities to make that happen are difficult. There needs to be an effort to equitably use additional early childhood education funding from the LGPF across the state. This effort will have the effect of also improving educational outcomes for public school students.

- Although there is no constitutional mandate to provide early childhood education, the legislature has recently made that a priority. Using a distribution from the LGPF to pay for part of that educational system would be a good use of that fund.
- The courts have no business forcing the legislature to spend money.
- There was a nationwide movement to increase endowment distribution levels to at least 6% in the past decade. New Mexico's endowment distribution level is below the national average.
- When the LGPF distribution was increased for several years to 5.5%, the cumulative effect in 17 years has been to reduce the annual distribution amount by \$90 million.
- It took many years of struggle in New Mexico to be able to fully fund kindergarten. Everyone takes it for granted now. The same struggle may be needed to fund early childhood education.

New Mexico Easy Enrollment Program: Creating an Option to Enroll in Health Insurance Through the Income Tax System (2:30 p.m.)

Gabby Rivera, policy analyst, Health Action New Mexico (HANM), and Barbara Webber, executive director, HANM, discussed with the committee a legislative proposal that would allow New Mexico residents to enroll in health insurance through the income tax system. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20101520%20Item%204%20Easy%20Enrollment.pdf>.

Following the presentation, it was noted that the TRD has indicated that the proposed legislation will be revenue neutral.

Adjournment

There being no further business before the committee, the meeting adjourned at 2:50 p.m.