



NEW MEXICO LEGISLATURE

REVENUE STABILIZATION AND TAX POLICY COMMITTEE

2024 INTERIM FINAL REPORT

LEGISLATIVE COUNCIL SERVICE
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INTERIM SUMMARY

Revenue Stabilization and Tax Policy Committee 2024 Interim Summary

The Revenue Stabilization and Tax Policy Committee held five meetings during the 2024 interim. At the committee's first meeting, members received a post-session fiscal review update by the Legislative Finance Committee that scrutinized the effects of legislative enactments during the 2024 legislative session and provided a financial outlook for the state. The committee then discussed the work plan, adding and amending items for the committee to address during the interim.

The committee's August meeting focused on broad fiscal implications. Members heard the annual revenue forecast, which provided a macroeconomic outlook on gross domestic product, employment, revenue, appropriations, expenditures, inflation and interest rates from an international, national and state perspective. The committee also examined the state's tax policies and tax pyramiding.

The September meeting focused on property taxes and the implications of new technology on tax policy. The committee received a presentation on the effects of remote work and artificial intelligence on tax policy and discussed related tax policy issues, such as the impact of technology in tax administration. Experts provided an overview of the Property Tax Code, highlighting how different properties are valued, the taxes and rates imposed, revenue recipients, comparisons with other states and an evaluation of New Mexico's property tax regime. Furthermore, the committee heard presentations on equitable disclosure and fair treatment in the Property Tax Code and a discussion of the Property Tax Code's growth controls, progressivity, assessment limits, yield control, tax relief and incentives, especially as compared to other states' policies. The September meeting also featured an analysis of New Mexico's income tax and gross receipts tax and ways to reduce poverty through tax credits and sustainable investments.

During the committee's October meeting, the focus was on how to diversify revenue, the state's liquor excise tax and proposals of legislation for the committee to consider. National and international experts presented about ways to diversify revenue on state lands, as well as the health effects of alcohol and research-driven ways to modify alcohol-related behavior through tax policy. Legislators and agency staff proposed legislation for the committee to examine before potential endorsement at the December meeting. Proposed legislation included creating a tax credit for volunteer firefighters and emergency medical service workers, a cleanup of the tax code and two approaches to altering the liquor excise tax.

December's meeting featured several more national experts on tax policy, one of whom presented about international tax trends and principles. Another expert discussed the impact that a higher quality of life has on the economic development of states, counties and cities and the efficacy of using tax policy to improve quality of life. The Taxation and Revenue Department provided a report on the state's tax expenditures and collaborated with the Department of Finance and Administration and the Legislative Finance Committee to provide an updated revenue forecast and overview of the General Fund. The committee also heard presentations on municipal and county legislative priorities and received an update on the Economic Development Department's tax incentives and economic plan. The committee considered, debated and voted on legislation for endorsement.

WORK PLAN AND MEETING SCHEDULE

2024 APPROVED
WORK PLAN AND MEETING SCHEDULE
for the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE

Members

Rep. Derrick J. Lente, Chair
Sen. Pete Campos, Vice Chair
Sen. Craig W. Brandt
Sen. William F. Burt
Rep. Micaela Lara Cadena
Rep. Christine Chandler
Rep. Mark Duncan
Rep. Doreen Y. Gallegos
Sen. Ron Griggs

Rep. Jason C. Harper
Rep. Susan K. Herrera
Sen. George K. Muñoz
Sen. Harold Pope
Rep. Larry R. Scott
Rep. Linda Serrato
Sen. Elizabeth "Liz" Stefanics
Sen. Peter Wirth

Designees

Rep. Ambrose Castellano
Sen. Katy M. Duhigg
Rep. Joanne J. Ferrary
Rep. Yanira Gurrola
Sen. Antonio Maestas
Rep. Alan T. Martinez

Rep. Rod Montoya
Rep. Kristina Ortez
Sen. Gerald Ortiz y Pino
Sen. Shannon D. Pinto
Sen. Antoinette Sedillo Lopez
Sen. William E. Sharer

Standing Advisory Members

Rep. Cynthia Borrego
Sen. Carrie Hamblen
Rep. Joshua N. Hernandez
Sen. Leo Jaramillo
Sen. Linda M. López

Rep. Javier Martínez
Sen. Joshua A. Sanchez
Sen. Benny Shendo, Jr.
Sen. Bill Tallman
Rep. James G. Townsend

Work Plan

The Revenue Stabilization and Tax Policy Committee is a statutorily created joint interim legislative committee. Pursuant to Section 2-16-3 NMSA 1978, the committee is directed to "examine the statutes, constitutional provisions, regulations and court decisions governing revenue stabilization and tax policy in New Mexico and recommend legislation or changes if any are found to be necessary . . . ". In the 2024 interim, as time permits, the committee proposes to:

A. discuss options for long-term revenue stabilization, including the use of continuing record revenues attributable to the oil and gas industry and the risks associated with too much reliance on those revenues, options for more stable resources and the status and use of certain reserves and other funds with significant value;

B. examine the liquor excise tax, consider its broad implications and benefits, such as the potential reduction of expenditures in other areas, and discuss legislative proposals;

C. examine the effectiveness and value to the state of tax expenditures and other economic development incentives and the state's ability to report and track the effectiveness of those incentives and expenditures;

D. analyze the underlying principles and rationale for the state's tax policy and consider what will work best for the state and its residents, such as whether to prioritize tax incentives for businesses or improvements to New Mexicans' quality of life;

E. evaluate the tax implications of the evolving technological landscape, including the economic impact of remote workers who live outside the state and those who live in New Mexico but work remotely in another state, artificial intelligence and machine learning;

F. review the state's taxation approach to energy and consider ways to optimize revenue in conjunction with changing energy use trends;

G. review the state's property taxes, including their competitiveness with other states, their impact on quality of life considerations and how they affect local governments and the taxation of and tracking of tax collection of property purchased by international entities;

H. hear from local governments in regard to how they are funded, the fiscal issues they face and their proposed legislative changes to address fiscal issues, including the new excise tax for affordable housing;

I. propose and analyze legislative actions necessary to improve the state's tax system and revenue stabilization;

J. consider incentives for retirees to stay in New Mexico; and

K. evaluate destination sourcing.

**Revenue Stabilization and Tax Policy Committee
2024 Approved Meeting Schedule**

<u>Date</u>	<u>Location</u>
May 31	Santa Fe, State Capitol, Room 307
August 23	Santa Fe, State Capitol, Room 307
September 23-24	Santa Fe, State Capitol, Room 307
October 17-18	Santa Fe, State Capitol, Room 307
December 16-17	Santa Fe, State Capitol, Room 307

AGENDAS AND MINUTES

**TENTATIVE AGENDA
for the
FIRST MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE**

**May 31, 2024
State Capitol, Room 307
Santa Fe**

Friday, May 31

- 8:00 a.m. (1) **Post-Session Fiscal Review**
 —Ismael Torres, Chief Economist, Legislative Finance Committee
- 9:00 a.m. (2) **Discussion of Work Plan and Meeting Schedule**
 —Revenue Stabilization and Tax Policy Committee Members
- 9:45 a.m. **Adjourn**

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

**May 31, 2024
State Capitol, Room 307
Santa Fe**

The first meeting of the Revenue Stabilization and Tax Policy Committee for the 2024 interim was called to order by Representative Derrick J. Lente, chair, on Friday, May 31, 2024, at 8:08 a.m. in Room 307 of the State Capitol in Santa Fe.

Present

Rep. Derrick J. Lente, Chair
Sen. Benny Shendo, Jr., Vice Chair
Sen. Craig W. Brandt
Rep. Micaela Lara Cadena
Sen. Pete Campos
Rep. Christine Chandler
Rep. Mark Duncan
Rep. Doreen Y. Gallegos
Sen. Ron Griggs
Rep. Jason C. Harper
Rep. Linda Serrato
Sen. Elizabeth "Liz" Stefanics
Sen. Peter Wirth

Designees

Sen. Gerald Ortiz y Pino

Absent

Sen. William F. Burt
Rep. Susan K. Herrera
Sen. George K. Muñoz
Sen. Harold Pope
Rep. Larry R. Scott

Rep. Ambrose Castellano
Sen. Katy M. Duhigg
Rep. Joanne J. Ferrary
Rep. Yanira Gurrola
Sen. Antonio Maestas
Rep. Alan T. Martinez
Rep. Rod Montoya
Rep. Kristina Ortez
Sen. Shannon D. Pinto
Sen. Antoinette Sedillo Lopez
Sen. William E. Sharer

Special Advisory Members

Rep. Cynthia Borrego

Guest Legislator

Rep. Cristina Parajón

Staff

Martin Fischer, Staff Attorney, Legislative Council Service (LCS)

Pam Stokes, Senior Staff Attorney, LCS

Rebecca Griego, Records Officer, LCS

Clinton Turner, Research and Fiscal Policy Analyst, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file and posted on the legislature's website.

References to Webcast

The time reference noted next to each agenda item in this document is cross-referenced to the webcast of the committee meeting, which can be found at www.nmlegis.gov, under the "Webcast" tab. The presentations made and committee discussions for agenda items can be found on the recorded webcast for this meeting.

Friday, May 31**Welcome and Introductions (8:08 a.m.)**

Representative Lente welcomed members, staff, presenters and those attending in person and on the webcast. Members and staff of the committee introduced themselves.

Post-Session Fiscal Review (8:15 a.m.)

Ismael Torres, chief economist, Legislative Finance Committee (LFC), discussed the fiscal outlook for the state following the recent legislative session. Mr. Torres began by discussing how, due to a record-high revenue forecast in December 2023, lawmakers increased recurring budgets by 6.8% to \$10.2 billion, which includes more than \$2.4 billion in recurring appropriations. He noted that the 2023 tax package is expected to reduce recurring revenue by \$266.5 million by fiscal year 2028 and that the tax changes passed in the last six sessions will reduce recurring revenue by \$919 million. The state's over 200 tax expenditures cost more than \$1.8 billion each year, but this amount does not include more than 100 other tax deviations whose costs have not been estimated. As for state revenues, Mr. Torres explained there is still significant volatility that is likely to continue due to the state's reliance on revenue from oil production, but that oil prices continue to track at near-record levels. And while oil production is expected to peak in the state in the 2030s, which would have caused a loss of revenue to the general fund, new distributions of excess revenue from the extractive industry to the severance tax permanent fund will significantly increase distributions from that fund to the general fund and reverse that loss. The presentation can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=5/31/2024&ItemNumber=1>.

Discussion of Work Plan and Meeting Schedule (9:15 a.m.)

Members of the committee discussed the proposed work plan and meeting schedule for the 2024 interim. The committee voted to add certain specifics to the work plan and discussed the possibility of having a joint meeting with the Legislative Health and Human Services Committee. The proposed work plan and meeting schedule, as amended, were adopted by the committee.

Adjournment

There being no further business before the committee, the meeting adjourned at 9:35 a.m.

Revised: August 12, 2024

**TENTATIVE AGENDA
for the
SECOND MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE**

**August 23, 2024
State Capitol, Room 307
Santa Fe**

Friday, August 23

- 8:30 a.m. **Call to Order and Introductions**
—Representative Derrick J. Lente, Chair
—Senator Pete Campos, Vice Chair
- 8:35 a.m. (1) **Revenue Forecast**
—Stephanie Schardin Clarke, Secretary, Taxation and Revenue
 Department
—Leonardo Delgado, Chief Economist, Department of Finance and
 Administration
—Ismael Torres, Chief Economist, Legislative Finance Committee (LFC)
- 11:00 a.m. (2) **Tax Pyramiding Discussion**
—Carl Davis, Research Director, Institute on Taxation and Economic
 Policy
- 12:00 noon **Lunch**
- 1:00 p.m. (3) **New Mexico Tax Policy Overview**
—Stephanie Schardin Clarke, Secretary, Taxation and Revenue
 Department
—Mark Chaiken, Director, Tax Policy, Taxation and Revenue Department
—Lucinda Sydow, Chief Economist, Taxation and Revenue Department
—Brendon Gray, Economist, LFC
- 2:30 p.m. (4) **How New Mexico Funds Transportation Infrastructure: Tax
Distributions to the State Road Fund and a Comparison to Other
States**
—Ricky Serna, Secretary, Department of Transportation
- 4:00 p.m. **Adjourn**

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

**August 23, 2024
State Capitol, Room 307
Santa Fe**

The second meeting of the Revenue Stabilization and Tax Policy Committee for the 2024 interim was called to order by Representative Derrick J. Lente, chair, on Friday, August 23, 2024, at 8:36 a.m. in Room 307 of the State Capitol in Santa Fe.

Present

Rep. Derrick J. Lente, Chair
Sen. Pete Campos, Vice Chair
Sen. Craig W. Brandt
Sen. William F. Burt
Rep. Micaela Lara Cadena
Rep. Christine Chandler
Rep. Doreen Y. Gallegos
Sen. Ron Griggs
Rep. Jason C. Harper
Sen. Harold Pope
Sen. Elizabeth "Liz" Stefanics
Sen. Peter Wirth

Designees

Rep. Joanne J. Ferrary
Rep. Alan T. Martinez (as guest)

Absent

Rep. Mark Duncan
Rep. Susan K. Herrera
Sen. George K. Muñoz
Rep. Larry R. Scott
Rep. Linda Serrato

Rep. Ambrose Castellano
Sen. Katy M. Duhigg
Rep. Yanira Gurrola
Sen. Antonio Maestas
Rep. Rod Montoya
Rep. Kristina Ortez
Sen. Gerald Ortiz y Pino
Sen. Shannon D. Pinto
Sen. Antoinette Sedillo Lopez
Sen. William E. Sharer

Special Advisory Members

Sen. Linda M. López
Sen. Bill Tallman

Staff

Martin Fischer, Staff Attorney, Legislative Council Service (LCS)

Pam Stokes, Senior Staff Attorney, LCS

Rebecca Griego, Records Officer, LCS

Clinton Turner, Research and Fiscal Policy Analyst, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file and posted on the legislature's website.

References to Webcast

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Friday, August 23**Welcome and Introductions (8:36 a.m.)**

Representative Lente welcomed members, presenters and those attending in person and on the webcast.

Revenue Forecast (8:41 a.m.)

Stephanie Schardin Clarke, secretary, Taxation and Revenue Department (Tax & Rev); Leonardo Delgado, chief economist, Department of Finance and Administration; and Ismael Torres, chief economist, Legislative Finance Committee (LFC), presented the revenue forecast as developed by the Consensus Revenue Estimating Group. The presentation began with macroeconomic outlooks for New Mexico and the United States and the outlooks for New Mexico's major revenue sources. New Mexico is expected to have moderate continued growth, but New Mexico's growth is expected to be much more moderate than that of the United States economy. Due to recent legislative changes, especially new distributions to the Severance Tax Permanent Fund, investment income has become a driver of growth for the General Fund and is expected to surpass income tax revenue as the state's second largest revenue source. The presenters also introduced a new concept of "total new money". The traditional approach to measuring new money has been to subtract recurring appropriations from total revenues, which worked well when nonrecurring appropriations were a small percentage of the state's budget. However, nonrecurring appropriations as a share of total spending has increased significantly over the years — from 7% in fiscal year 2005 to 27% for the current fiscal year, not including any additional nonrecurring appropriations that the legislature may approve that could bump nonrecurring appropriations to a third of total spending in a single year. Now, total new money will take into account total nonrecurring appropriations already made for the current fiscal year

for a more accurate picture of available budgets. As a result, rather than reporting that there is over \$3 billion in new money available, the more accurate amount is \$659.6 million after subtracting spending made in the prior year. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=8/23/2024&ItemNumber=1>.

Tax Pyramiding Discussion (10:34 a.m.)

Carl Davis, research director, Institute on Taxation and Economic Policy, emphasized that pyramiding in a general sales tax (the gross receipts tax in New Mexico) is common all around the country, not just in New Mexico. He addressed some of the common arguments against taxing business inputs, but explained that no state comes close to exempting business purchases from sales tax and added that the nationwide average of a business's share of sales tax paid from pyramiding is 42%. Exempting business purchases from sales tax involves significant tradeoffs, Mr. Davis said. He provided a comparison of the tradeoffs that outlines neutrality between taxpayers, complexity of administration and compliance and significant revenue impacts, including what the actual rate of tax would need to be (higher with more exemptions, lower with fewer exemptions). Mr. Davis also noted that between 2000 and 2024, 24 states increased their general sales tax rate and 21 states had no change, and New Mexico is the only state that reduced its general sales tax rate. He argued that as economies around the country move from a goods-based economy to a more service-based economy, most states elect not to tax services as New Mexico currently does. As a result, those states increase their rates to address this impact since it is politically difficult to impose new taxes on services. New Mexico is ahead of the game on that front due to the broad base of the gross receipts tax that is imposed on most services. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=8/23/2024&ItemNumber=2>.

New Mexico Tax Policy Overview (12:41 p.m.)

Secretary Schardin Clarke; Lucinda Sydow, chief economist, Tax & Rev; and Brendon Gray, economist, LFC, provided an overview of New Mexico's tax policy. Fiscal year 2024 revenue sources are composed of sales taxes (32%), a significant share of which is attributed to the oil and gas industry; energy (24%); income taxes (22%); investments (14%); and other revenues (8%). Overviews were also provided of the gross receipts tax and selective sales taxes, income taxes, oil and natural gas taxes and local and tribal taxes. The recently statutorily codified tax expenditure budget was defined, which included the differences between types of tax expenditures and a list of the top 10 2023 tax expenditures in terms of foregone revenue. Changes to tax provisions from legislation passed since 2019 were also described, as well as how some of those changes have improved tax progressivity in New Mexico. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=8/23/2024&ItemNumber=3>.

How New Mexico Funds Transportation Infrastructure: Tax Distributions to the State Road Fund and a Comparison to Other States (1:49 p.m.)

Ricky Serna, secretary, Department of Transportation (DOT), and Michael Morrison, chief economist, DOT, presented information on road and bridge conditions in New Mexico and gave an overview of taxes and fees distributed to the State Road Fund and how the DOT is funded. Included was a long-term forecast for the State Road Fund, the increasing costs of road construction and the challenges for providing needed funds for the State Road Fund. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=8/23/2024&ItemNumber=4>.

Approval of Minutes

On a motion duly made and seconded, the minutes of the May 31, 2024 meeting were approved without changes.

Adjournment

There being no further business before the committee, the meeting adjourned at 2:45 p.m.

Revised: September 18, 2024

**TENTATIVE AGENDA
for the
THIRD MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE**

**September 23-24, 2024
State Capitol, Room 307
Santa Fe**

Monday, September 23

- 9:30 a.m. **Call to Order and Introductions**
—Representative Derrick J. Lente, Chair, Revenue Stabilization and Tax
Policy Committee (RSTP)
—Senator Pete Campos, Vice Chair, RSTP
- 9:35 a.m. (1) **How Work is Changing — Effects of Remote Work and Artificial
Intelligence on Tax Policy**
—Helen Hecht, Esq., C.P.A., Uniformity Counsel, Multistate Tax
Commission
- 10:45 a.m. (2) **Equitable Disclosure: Fair and Equitable Treatment of Property
Owners**
—Damian Lara, Chief Deputy Assessor, Bernalillo County; Chair,
Assessors Affiliate, New Mexico Association of Counties (NMC)
—Isaiah Romero, Assessor, Santa Fe County; Vice Chair, Assessors
Affiliate, NMC
- 12:00 noon **Lunch**
- 1:15 p.m. (3) **Property Tax Code Overview and Technology in Tax Administration**
—Stephanie Schardin Clarke, Secretary, Taxation and Revenue Department
—Ira Pearson, Director, Property Tax Division, Taxation and Revenue
Department
- 2:45 p.m. (4) **Overview of New Mexico Tax Policy: Income Tax and Gross Receipts
Tax**
—Christy Green, Program Manager, Education Designed to Generate
Excellence in the Public Sector, Cooperative Extension Service,
College of Agricultural, Consumer and Environmental Sciences, New
Mexico State University (NM EDGE)
—Tasia Young, Instructor, NM EDGE; Member, Tax Policy Curriculum
Committee, NM EDGE

- Kevin Powers, Instructor, NM EDGE; Member, Tax Policy Curriculum Committee, NM EDGE; Analyst, House Taxation and Revenue Committee, 2015-2023 Legislative Sessions
- James O'Neill, President, O'Neill Consulting
- Richard Anklam, President and Executive Director, New Mexico Tax Research Institute

4:15 p.m. **Public Comment***

4:30 p.m. **Recess**

Tuesday, September 24

9:30 a.m. (5) **Property Taxes in New Mexico and the Practical Impacts of the Property Tax Code on Local Government**
—Jennifer Faubion, Economist, Legislative Finance Committee

10:45 a.m. (6) **Improving Poverty with Policy: Tax Credits and Sustainable Investments**
—Paige Knight, Deputy Policy Director, NM Voices
—Emily Wildau, Senior Research and Policy Analyst, NM Voices

12:00 noon **Adjourn**

*Members of the public may make virtual public comments during the public comment period of the meeting by following the instructions under the "Virtual Public Comment" section of the RSTP [web page](#).

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

**September 23-24, 2024
State Capitol, Room 307
Santa Fe**

The third meeting of the Revenue Stabilization and Tax Policy Committee for the 2024 interim was called to order by Representative Derrick J. Lente, chair, on Monday, September 23, 2024, at 9:35 a.m. in Room 307 of the State Capitol in Santa Fe.

Present

Rep. Derrick J. Lente, Chair
Sen. Pete Campos, Vice Chair (9/23)
Rep. Micaela Lara Cadena (9/23)
Rep. Christine Chandler
Rep. Mark Duncan
Rep. Doreen Y. Gallegos
Sen. Harold Pope
Rep. Linda Serrato (9/23)
Sen. Elizabeth "Liz" Stefanics

Absent

Sen. Craig W. Brandt
Sen. William F. Burt
Sen. Ron Griggs
Rep. Jason C. Harper
Rep. Susan K. Herrera
Sen. George K. Muñoz
Rep. Larry R. Scott
Sen. Peter Wirth

Designees

Sen. Antonio Maestas (9/23, attending as a guest)
Rep. Alan T. Martinez

Rep. Ambrose Castellano
Sen. Katy M. Duhigg
Rep. Joanne J. Ferrary
Rep. Yanira Gurrola
Rep. Rod Montoya
Rep. Kristina Ortez
Sen. Gerald Ortiz y Pino
Sen. Shannon D. Pinto
Sen. Antoinette Sedillo Lopez
Sen. William E. Sharer

Special Advisory Members

Sen. Linda M. López

Guest Legislator

Rep. Tara L. Lujan

(Attendance dates are noted for those members not present for the entire meeting.)

Staff

D. Martin Fischer, Staff Attorney, Legislative Council Service (LCS)

Pam Stokes, Senior Staff Attorney, LCS

Rebecca Griego, Records Officer, LCS

Clinton Turner, Research and Fiscal Policy Analyst, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file and posted on the legislature's website.

References to Webcast

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Monday, September 23**Welcome and Introductions (9:35 a.m.)**

Representative Lente welcomed members, presenters and those attending in person and on the webcast.

How Work is Changing — Effects of Remote Work and Artificial Intelligence (AI) on Tax Policy (9:39 a.m.)

Helen Hecht, Esq., C.P.A., Uniformity Counsel, Multistate Tax Commission, began her presentation discussing the effects of remote work on employers and employees. For employers, they will likely have little to no in-state taxable income due to employing remote workers; however, they may be subject to state and local employment laws. Employees who work remotely, on the other hand, are likely to feel more significant impacts, including saving money on commuting costs and daycare, receiving less support from employers and experiencing more complex tax treatment of their wages if they will have income in multiple states. While there have been some studies on the economic impact of remote work, it will take some time before the impact is clear. Ms. Hecht also discussed the difficulty of determining the exact impact of AI on employers and employees. While it may be that most jobs will be impacted by AI, there is reason to doubt that there will be significant upheaval in the job market. The authors of a study on the impact of AI believe that it will be a useful research tool and, instead of replacing a lot of workers, it will help those workers do other work. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=9/23/2024&ItemNumber=1>.

Equitable Disclosure: Fair and Equitable Treatment of Property Owners (10:52 a.m.)

Damian Lara, chief deputy assessor, Bernalillo County, and chair, Assessors Affiliate, New Mexico Association of Counties (NMC), and Isaiah Romero, assessor, Santa Fe County, and vice chair, Assessors Affiliate, NMC, explained the impact of two constitutional amendments to increase property tax exemptions for veterans that will be on the ballot for approval of the voters at this year's general election. They explained that "the broader the base, the lower the rate"; however, increasing the exemptions will increase all other property owners' taxes and cause a hit to county revenues, which may cause a county to increase existing property tax rates, thus increasing property taxes even further. Since, they believe, the expansions to the exemptions are likely to be approved, an opportunity exists to provide some relief to other property tax payers by increasing the head-of-household exemption, which provides very little relief at its present level. The presenters also provided a ten-point plan of legislative proposals that includes increasing the head-of-household exemption; allowing disclosure of the sales price of commercial property, given that New Mexico is one of the few states that does not allow disclosure; and incentivising an increase in multifamily housing. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=9/23/2024&ItemNumber=2>.

Property Tax Code Overview and Technology in Tax Administration (1:36 p.m.)

Stephanie Schardin Clarke, secretary, Taxation and Revenue Department, and Ira Pearson, director, Property Tax Division, Taxation and Revenue Department, gave an overview of the New Mexico Property Tax Code. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=9/23/2024&ItemNumber=3>.

Overview of New Mexico Tax Policy: Income Tax and Gross Receipts Tax (2:14 p.m.)

Christy Green, program manager, Education Designed to Generate Excellence in the Public Sector (NM EDGE), Cooperative Extension Service, College of Agricultural, Consumer and Environmental Sciences, New Mexico State University, and Kevin Powers, instructor, NM EDGE, member, Tax Policy Curriculum Committee, and analyst, House Taxation and Revenue Committee, 2015-2023 legislative sessions, provided an overview of NM EDGE, which is an educational program for county officials and employees that provides public sector specialization certificates, including the tax policy professional certification. Richard Anklam, president and executive director, New Mexico Tax Research Institute, previewed the NM EDGE course on the Gross Receipts and Compensating Tax Act, and James O'Neill, president, O'Neill Consulting, previewed the NM EDGE course on New Mexico income taxes. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=9/23/2024&ItemNumber=4>.

Public Comment (3:23 p.m.)

A list of individuals making public comment is available in the meeting file.

Recess

The meeting recessed at 3:30 p.m.

Tuesday, September 24**Property Taxes in New Mexico and the Practical Impacts of the Property Tax Code on Local Government (9:33 a.m.)**

Jennifer Faubion, economist, Legislative Finance Committee, gave a presentation on the structure and trends of New Mexico's property tax. She explained the concepts of mill rates and the 20-mill limitation in the state constitution, including how those mills are shared among local governments and how a local government can impose additional mills if voters approve an increase. Ms. Faubion discussed yield control and how it limits the amount of property tax that can be collected, which has a significant impact on local governments that rely on such revenue for operations. She also discussed existing property tax relief and incentives, including the proposal to expand the veteran exemptions and how those exemptions impact other property tax owners. Ms. Faubion said that by implementing certain reforms, New Mexico could achieve a fairer and more equitable property tax system. Those reforms include requiring disclosure in the sale of nonresidential property (also known as commercial property) and significantly increasing the head-of-household exemption, which would shift some of the tax burden to out-of-state, non-primary homeowners without disproportionately affecting lower income residents or the revenues of local governments. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=9/23/2024&ItemNumber=5>.

Improving Poverty with Policy: Tax Credits and Sustainable Investments (10:43 a.m.)

Paige Knight, deputy policy director, NM Voices for Children (NM Voices), and Emily Wildau, senior research and policy analyst, NM Voices, explained two poverty measures used to measure household poverty and showed data that shows how refundable tax credits can reduce poverty. They reviewed recently enacted tax measures intended to provide relief to lower income individuals and families, and they proposed additional measures, including increasing the child income tax credit, expanding the working families tax credit and continuing to support non-tax programs, such as the Supplemental Nutritional Assistance Program, school lunch programs and other cash and non-cash benefits. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=9/23/2024&ItemNumber=6>.

Adjournment

There being no further business before the committee, the meeting adjourned at 11:45 a.m.

Revised: October 18, 2024

**TENTATIVE AGENDA
for the
FOURTH MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE**

**October 17-18, 2024
State Capitol, Room 307
Santa Fe**

Thursday, October 17

- 9:30 a.m. **Call to Order and Introductions**
—Representative Derrick J. Lente, Chair
—Senator Pete Campos, Vice Chair
- 9:35 a.m. (1) **Revenue Volatility Study**
—Ismael Torres, Chief Economist, Legislative Finance Committee
- 10:30 a.m. (2) **Revenue Stabilization**
—Airlie Loiaconi, Manager, The Pew Charitable Trusts
- 12:00 noon **Lunch**
- 1:15 p.m. (3) **Diversification of Revenue from State Lands and an Examination of Oil and Gas Royalty Rates**
—Sunalei Stewart, Deputy Commissioner of Operations, State Land Office
- 2:15 p.m. (4) **Diversifying Revenue on State Lands**
—Mark Haggerty, Senior Fellow, Energy and Environment, Center for American Progress
- 3:30 p.m. (5) **Proposal for a Volunteer Firefighter and Emergency Medical Services Income Tax Credit**
—Senator Elizabeth "Liz" Stefanics
- 3:50 p.m. **Recess**

Friday, October 18

- 9:30 a.m. (6) **Liquor Excise Tax, Cigarette Tax and Tobacco Products Tax**
—Mark Chaiken, Director, Tax Policy, Taxation and Revenue Department

- 10:30 a.m. (7) **Effects of Alcohol and Modifying Behavior Through Tax Policy**
—David Jernigan, Ph.D., Professor, Department of Health Law, Policy and Management, Boston University
—Brady Horn, Ph.D., Associate Professor, Department of Economics, University of New Mexico
- 11:30 a.m. (8) **Modernizing New Mexico's Approach to Taxing Alcohol**
—Representative Micaela Lara Cadena
—Representative Cristina Parajón
- 11:50 a.m. (9) **Proposal to Increase Taxes on Alcoholic Beverages to Fund an Alcohol Harms Alleviation Fund**
—Representative Joanne J. Ferrary
—Senator Antoinette Sedillo Lopez
—Senator Shannon D. Pinto
—Marlene Lira, President-Elect, New Mexico Society of Addiction Medicine
—Sindy Bolanos-Sacoman, Owner and Chief Executive Officer, SBS Evaluation and Program Development Specialists, LLC
- 12:20 p.m. (10) **Proposals for Cleanup of The Tax Code**
—Stephanie Schardin Clarke, Secretary, Taxation and Revenue Department
—Mark Chaiken, Director, Tax Policy, Taxation and Revenue Department
- 1:00 p.m. **Adjourn**

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

**October 17-18, 2024
State Capitol, Room 307
Santa Fe**

The fourth meeting of the Revenue Stabilization and Tax Policy Committee for the 2024 interim was called to order by Representative Derrick J. Lente, chair, on Thursday, October 17, 2024, at 9:32 a.m. in Room 307 of the State Capitol in Santa Fe.

Present

Rep. Derrick J. Lente, Chair
Sen. Pete Campos, Vice Chair
Sen. Craig W. Brandt
Rep. Micaela Lara Cadena (10/18)
Rep. Christine Chandler
Rep. Doreen Y. Gallegos (10/18)
Sen. Ron Griggs
Rep. Jason C. Harper (10/18)
Rep. Susan K. Herrera (10/17)
Sen. George K. Muñoz (10/17)
Sen. Harold Pope (10/17)
Rep. Larry R. Scott
Sen. Elizabeth "Liz" Stefanics (10/17)
Sen. Peter Wirth (10/17)

Absent

Sen. William F. Burt
Rep. Mark Duncan
Rep. Linda Serrato

Designees

Rep. Ambrose Castellano (10/18)
Rep. Kristina Ortez
Sen. Shannon D. Pinto (10/18)
Sen. Antoinette Sedillo Lopez

Sen. Katy M. Duhigg
Rep. Joanne J. Ferrary
Rep. Yanira Gurrola
Sen. Antonio Maestas
Rep. Alan T. Martinez
Rep. Rod Montoya
Sen. Gerald Ortiz y Pino
Sen. William E. Sharer

Special Advisory Members

Rep. Cynthia Borrego

Guest Legislator

Rep. Cristina Parajón (10/18)

(Attendance dates are noted for those members not present for the entire meeting.)

Staff

D. Martin Fischer, Staff Attorney, Legislative Council Service (LCS)

Pam Stokes, Senior Staff Attorney, LCS

Rebecca Griego, Records Officer, LCS

Clinton Turner, Research and Fiscal Policy Analyst, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file and posted on the legislature's website.

References to Webcast

The time reference noted next to each agenda item in this document is cross-referenced to the webcast of the committee meeting, which can be found at www.nmlegis.gov, under the "Webcast" tab. The presentations made and committee discussions for agenda items can be found on the recorded webcast for this meeting.

Thursday, October 17**Welcome and Introductions (9:32 a.m.)**

Representative Lente welcomed members, presenters and those attending in person and on the webcast.

Revenue Volatility Study (9:37 a.m.)

Ismael Torres, chief economist, Legislative Finance Committee, presented an overview of the state's revenue volatility. He addressed actions taken by the legislature to stabilize revenues, including investing certain "excess" oil and gas revenues in the severance tax permanent fund that will provide increased distributions to the general fund in future years. However, improvements to stabilization have been offset by reducing the personal income tax and gross receipts tax rates, cuts that have totaled nearly \$1 billion since 2019 and have made revenue from those taxes more volatile due to heavier reliance on the very volatile oil and gas industry. Issues of concern include the state corporate income tax, which is three times less stable than the national average, as well the state's most volatile revenue source, investments in the state general fund investment pool. Volatility from these sources could significantly increase or decrease with little to no warning. However, Mr. Torres did offer some options to reduce uncertainty, including predictable distributions from the permanent funds, using highly volatile revenues for one-time uses, exercising fiscal restraint and maintaining adequate reserves. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=10/17/2024&ItemNumber=1>.

Revenue Stabilization (10:43 a.m.)

Airlie Loiaconi, manager, The Pew Charitable Trusts, offered fiscal management best practices for states to consider, such as the creation of rainy day trust funds with deposits and withdrawals that should be tied to volatility; long-term budget assessments to address structural deficits and project budget balances for at least three fiscal years; and the regular performance of budget stress tests to identify possible scenarios that could cause stress to budgets. Ms. Loiaconi outlined how New Mexico has implemented each of these practices. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=10/17/2024&ItemNumber=2>.

Approval of Minutes (11:27 a.m.)

On a motion duly made, the minutes of the August 23, 2024 and September 23-24, 2024 meetings were approved without changes.

Diversification of Revenue from State Lands and an Examination of Oil and Gas Royalty Rates (1:11 p.m.)

Sunalei Stewart, deputy commissioner of operations, State Land Office (SLO), provided an overview of state land ownership and the revenue it has generated for the state. Mr. Stewart also summarized recommendations from a report from Headwaters Economics commissioned by the SLO that includes expanding renewable energy, pursuing commercial development opportunities, growing outdoor recreation and increasing the oil and gas royalty rate. The report includes a proposal to increase oil and gas royalty rates during the upcoming legislative session. Mr. Stewart explained that the proposal is to increase the top rate from 20% to 25% for new leases only, and only on the best tracts. The fiscal impact of such a change would generate \$50 to \$84 million per year in increased royalty earnings, an increase of up to \$2 billion in the value of the land grant permanent funds by 2050 and up to \$1.3 billion more in cumulative distributions by 2050. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=10/17/2024&ItemNumber=3>.

Diversifying Revenue on State Lands (2:46 p.m.)

Mark Haggerty, senior fellow, Energy and Environment, Center for American Progress, was lead author of the Headwaters Economics report and was invited to share the findings of that report; however, due to technical difficulties, his presentation was not completed. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=10/17/2024&ItemNumber=4>.

Proposal for a Volunteer Firefighter and Emergency Medical Services Income Tax Credit (2:59 p.m.)

Senator Stefanics discussed a proposal that would create a \$1,000 income tax credit for volunteer first responders, including firefighters, emergency medical technicians and rescue

personnel, to encourage recruitment and retention of volunteer first responders, especially in rural areas of the state. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=10/17/2024&ItemNumber=5>.

Recess

The meeting recessed at 3:17 p.m.

Friday, October 18

Liquor Excise Tax, Cigarette Tax and Tobacco Products Tax (9:34 a.m.)

Mark Chaiken, tax policy director, Taxation and Revenue Department (Tax & Rev), explained the types of excise taxes New Mexico imposes but focused primarily on the imposition, rates, annual revenues and distributions of the liquor excise tax, cigarette tax, tobacco products tax and cannabis tax. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=10/17/2024&ItemNumber=6>.

Proposals for Cleanup of the Tax Code (10:00 a.m.)

Due to time constraints, the presentation by Stephanie Schardin Clarke, secretary, Tax & Rev, and Mr. Chaiken was moved to earlier in the agenda. Ms. Schardin Clarke and Mr. Chaiken presented two legislative proposals as tax code cleanup. The proposals include changes to update outdated provisions of Chapter 7 NMSA 1978, also known as the Tax Code, but the changes would also include amending certain statutes to conform with destination sourcing; increasing the amount of installment agreements, abatements, refunds and credits that will be made available for public inspection; removing reporting requirements for tax expenditures; removing contingent rates for the Petroleum Products Loading Fee; providing that local option tax rates have to be effective on July 1; streamlining advance payments of certain oil and gas taxes; and clarifying the application of certain oil production taxes on skim oil. The presentation materials and proposals can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=10/17/2024&ItemNumber=10>.

Effects of Alcohol and Modifying Behavior Through Tax Policy (11:10 a.m.)

David Jernigan, Ph.D., professor, Department of Health Law, Policy and Management, Boston University, presented data on the health effects of alcohol, including that it is causally related to more than 200 disease and injury conditions, it is responsible for approximately 2.6 million deaths per year and harms from alcohol are greatest in higher-income countries. He stated that New Mexico leads the country in alcohol-induced deaths and that the state's alcohol-related death rate increased by 31% from 2019 to 2021. Brady Horn, Ph.D., associate professor, Department of Economics, University of New Mexico, presented on the economic impact of alcohol taxes. He argued that while there are economic benefits to alcohol — people enjoy it, and there are economic development benefits for local industry — it has considerable economic costs, including a close relationship with crime, domestic violence and reduced work

performance. His research shows that alcohol taxes will reduce consumption, which will lead to reduced negative societal incomes, such as crime and alcohol-related fatalities. While taxes on alcohol are relatively low in New Mexico, especially on smaller manufacturers, a 25-cent-per-drink tax on alcohol could generate \$130 million per year. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=10/17/2024&ItemNumber=7>.

Modernizing New Mexico's Approach to Taxing Alcohol (12:25 p.m.)

Representative Cadena and Representative Parajón presented a proposal to significantly change how New Mexico taxes alcohol. The current tax is \$1.60 per liter of spirits, \$0.45 per liter of wine and \$0.41 per gallon of beer, with rate differentials for smaller manufacturers. The proposal is to impose a flat rate of 3% on all sales of alcohol at retail so that the tax would be proportional to the cost or value of the product sold. Revenue from the tax would be distributed as follows: 10% to Indian nations, tribes or pueblos or counties and municipalities that serve significant Native American populations; 40% to all counties based on a formula that would take into account alcohol-related deaths per county; 45% to the Health Care Authority for leveraging Medicaid programs; 5% to drug courts; and \$500,000 for the next five years for research on and an evaluation of alcohol tax policy. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=10/17/2024&ItemNumber=8>.

Proposal to Increase Taxes on Alcoholic Beverages to Fund an Alcohol Harms Alleviation Fund (12:58 p.m.)

Representative Ferrary; Senator Sedillo Lopez; Senator Pinto; Marlene Lira, president-elect, New Mexico Society of Addiction Medicine; and Sindy Bolanos-Sacoman, owner and chief executive officer, SBS Evaluation and Program Development Specialists, LLC, also made a proposal to change New Mexico's liquor excise tax. Their research shows that modestly reducing alcohol intake is associated with improved health and that even while New Mexico leads the country in alcohol-related mortality, the rate in New Mexico is increasing. The World Health Organization recommends taxing alcohol to create healthier populations, and the Health Care Authority recommends increasing alcohol taxes to reduce alcohol-related harm. The proposal is to adjust existing rates on larger manufacturers for inflation that has occurred since 1994 and impose a temporary surtax equivalent to \$0.20 per drink on all manufacturers. The presenters argued that the proposal would decrease alcohol consumption by 5% to 10% and collect \$200 million to \$250 million annually to stabilize funding and bolster public health investments for prevention of excessive alcohol use and treatment of alcohol use disorder and related harms. The presentation materials and proposal can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=10/17/2024&ItemNumber=9>.

Adjournment

There being no further business before the committee, the meeting adjourned at 1:32 p.m.

Revised: December 12, 2024

**TENTATIVE AGENDA
for the
FIFTH MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE**

**December 16-17, 2024
State Capitol, Room 307
Santa Fe**

Monday, December 16

- 9:00 a.m. **Call to Order and Introductions**
—Representative Derrick J. Lente, Chair
—Senator Pete Campos, Vice Chair
- 9:05 a.m. (1) **Quality of Life as an Economic Development Strategy**
—Amanda Weinstein, Ph.D., Director of Research, Knowledge and
Evaluation, Center on Rural Innovation
- 10:30 a.m. (2) **Tax Expenditure Report**
—Stephanie Schardin Clarke, Secretary, Taxation and Revenue Department
—Lucinda Sydow, Chief Economist, Taxation and Revenue Department
- 11:45 a.m. (3) **Consideration of Proposed Legislation for Committee Endorsement**
- 12:15 p.m. **Lunch**
- 1:30 p.m. (4) **Revenue Forecast**
—Stephanie Schardin Clarke, Secretary, Taxation and Revenue Department
—Wayne Propst, Secretary, Department of Finance and Administration
(DFA)
—Leo Delgado, Chief Economist, DFA
—Ismael Torres, Chief Economist, Legislative Finance Committee
- 3:00 p.m. (5) **Report: The Laboratory Partnership with Small Business Tax Credit
and the Technology Readiness Gross Receipts Tax Credit (TRGR)**
—Julia Wise, Ph.D., Program Manager, Richard P. Feynman Center for
Innovation, Los Alamos National Laboratory
—David Kistin, Manager, Technology and Economic Development, Sandia
National Laboratories
—Micah Hackett, Ph.D., Senior Director, Fuels and Materials, Kairos
Power
—Mike Lisk, Owner, Remote Wells Solutions, LLC

4:00 p.m. (6) [Municipal Legislative Priorities](#)
—A.J. Forte, Executive Director, New Mexico Municipal League (NMML)
—Alison Nichols, Director of Policy, NMML

4:30 p.m. **Recess**

Tuesday, December 17

8:45 a.m. (7) [Economic Development Incentives and Economic Plan Update](#)
—Rob Black, Secretary-Designate, Economic Development Department
(EDD)
—Isaac Romero, Deputy Secretary, EDD

9:45 a.m. (8) [Fairer and Simpler — New Trends in Tax Policy](#)
—T.R. Reid, Author, *A Fine Mess: A Global Quest for a Fairer, Simpler,
and More Efficient Tax System*; Former Foreign Correspondent, *The
Washington Post*, National Public Radio and Public Broadcasting
Service

11:00 a.m. (9) [County Legislative Priorities](#)
—Joy Esparsen, Executive Director, New Mexico Association of Counties
(NMC)
—Katherine Carroll, Government Relations, NMC

11:30 a.m. (10) [Consideration of Proposed Legislation for Committee Endorsement](#)
—TBD

12:30 p.m. **Adjourn**

MINUTES
of the
FIFTH MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE

December 16-17, 2024
State Capitol, Room 307
Santa Fe

The fifth meeting of the Revenue Stabilization and Tax Policy Committee for the 2024 interim was called to order by Representative Derrick J. Lente, chair, on Monday, December 16, 2024, at 9:06 a.m. in Room 307 of the State Capitol in Santa Fe.

Present

Rep. Derrick J. Lente, Chair
Sen. Pete Campos, Vice Chair (12/16)
Sen. Craig W. Brandt
Sen. William F. Burt
Rep. Micaela Lara Cadena
Rep. Christine Chandler (12/17)
Rep. Mark Duncan
Rep. Doreen Y. Gallegos
Rep. Susan K. Herrera
Sen. George K. Muñoz (12/17)
Sen. Harold Pope
Rep. Larry R. Scott
Sen. Elizabeth "Liz" Stefanics
Sen. Peter Wirth

Absent

Rep. Jason C. Harper
Rep. Linda Serrato

Designees

Sen. Antonio Maestas
Sen. Shannon D. Pinto (12/17)

Rep. Ambrose Castellano
Sen. Katy M. Duhigg
Rep. Joanne J. Ferrary
Rep. Yanira Gurrola
Rep. Alan T. Martinez
Rep. Rod Montoya
Rep. Kristina Ortez
Sen. Gerald Ortiz y Pino
Sen. Antoinette Sedillo Lopez
Sen. William E. Sharer

Special Advisory Members

Sen. Linda M. López
Sen. Bill Tallman (12/16)

Guest Legislators

Rep. Tara L. Lujan (12/16)

Rep. Cristina Parajón

(Attendance dates are noted for those members not present for the entire meeting.)

Staff

Martin Fischer, Staff Attorney, Legislative Council Service (LCS)

Pam Stokes, Senior Staff Attorney, LCS

Rebecca Griego, Records Officer, LCS

Clinton Turner, Research and Fiscal Policy Analyst, LCS

Minutes Approval

Because the committee will not meet again this year, the minutes for this meeting have not been officially approved by the committee.

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file and posted on the legislature's website.

References to Webcast

The time reference noted next to each agenda item in this document is cross-referenced to the webcast of the committee meeting, which can be found at www.nmlegis.gov, under the "Webcast" tab. The presentations made and committee discussions for agenda items can be found on the recorded webcast for this meeting.

Monday, December 16

Welcome and Introductions (9:06 a.m.)

Representative Lente welcomed members, presenters and those attending in person and on the webcast.

Quality of Life as an Economic Development Strategy (9:10 a.m.)

Amanda Weinstein, Ph.D., director of research, knowledge and evaluation, Center on Rural Innovation, gave a presentation arguing that traditional economic development strategies, such as large tax incentive programs, have a negative impact on economic development, especially in rural areas. An economic development strategy that focuses on increasing a location's quality-of-life features to attract workers is more effective in increasing economic

development since employers will follow the workers. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/16/2024&ItemNumber=1>.

Tax Expenditure Report (10:37 a.m.)

Stephanie Schardin Clarke, secretary, Taxation and Revenue Department (Tax & Rev), and Lucinda Sydow, chief economist, Tax & Rev, presented the department's annual Tax Expenditure Report. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/16/2024&ItemNumber=2>.

Consideration of Proposed Legislation for Committee Endorsement (11:29 a.m.)

Senator Stefanics presented a bill draft, 228617.5, that would create the volunteer emergency medical services income tax credit and the volunteer firefighter income tax credit, which received an endorsement by the committee. The bill draft for 228617.5 can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/16/2024&ItemNumber=10>.

Consideration of Proposed Legislation for Committee Endorsement (12:39 p.m.)

Senator Martin Hickey presented a bill draft, 229292.2, that would increase the rate of the cigarette tax and the rate of the tobacco products tax, include nicotine in the definition of "tobacco product" in the Tobacco Products Tax Act and distribute the revenue from the increases in the taxes to a new nicotine use prevention and control fund. The bill draft received an endorsement by the committee. The bill draft for 229292.2 can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/16/2024&ItemNumber=3>.

Revenue Forecast (1:25 p.m.)

Secretary Schardin Clarke; Wayne Propst, secretary, Department of Finance and Administration (DFA); Leo Delgado, chief economist, DFA; and Ismael Torres, chief economist, Legislative Finance Committee, presented the Consensus Revenue Estimating Group's revenue forecast, which includes an overview of the national and state economies, employment data, oil prices and the revenue outlook for the state. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/16/2024&ItemNumber=4>.

Report: The Laboratory Partnership with Small Business Tax Credit and the Technology Readiness Gross Receipts Tax Credit (2:32 p.m.)

Julia Wise, Ph.D., program manager, Richard P. Feynman Center for Innovation, Los Alamos National Laboratory, and David Kistin, manager, Technology and Economic Development, Sandia National Laboratories, outlined the impact of the tax credits that allow the national labs to provide technical expertise and assistance to New Mexico businesses. Micah Hackett, Ph.D., senior director, Fuels and Materials, Kairos Power, and Mike Lisk, owner, Remote Wells Solutions, LLC, whose businesses received such assistance, shared how that assistance has helped their companies. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/16/2024&ItemNumber=5>.

Municipal Legislative Priorities (3:41 p.m.)

A.J. Forte, executive director, New Mexico Municipal League (NMML), and Alison Nichols, director of policy, NMML, presented the NMML's priorities for the upcoming legislative session, including fully funding Water Trust Board projects and leveraging the Emergency Medical Services Fund through bonding. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/16/2024&ItemNumber=6>.

Recess

The meeting recessed at 3:17 p.m.

Tuesday, December 17

Economic Development Incentives and Economic Plan Update (8:51 a.m.)

Rob Black, secretary-designate, Economic Development Department (EDD), and Isaac Romero, deputy secretary, EDD, provided an update on the state's economic trends and the department's state plan to promote growth in targeted sectors that include aerospace, biosciences, cybersecurity, film and television, global trade, intelligent manufacturing, outdoor recreating, sustainable and green energy and sustainable and value-added agriculture. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/16/2024&ItemNumber=7>.

Fairer and Simpler — New Trends in Tax Policy (9:25 a.m.)

T.R. Reid, author and former foreign correspondent for *The Washington Post*, National Public Radio and the Public Broadcasting Service, presented tax policy ideas from his book *A Fine Mess: A Global Quest for a Fairer, Simpler, and More Efficient Tax System*.

Approval of Minutes (10:14 a.m.)

On a motion duly made, the minutes of the October 17 and 18, 2024 meeting were approved without changes.

County Legislative Priorities (10:15 a.m.)

Joy Esparsen, executive director, New Mexico Association of Counties (NMC), and Katherine Carroll, government relations, NMC, presented the NMC's priorities for the upcoming legislative session, including: appropriations for the County Detention Facility Reimbursement Fund, state district courthouses, detention, fire and emergency medical services recruitment and subscriber fees for the digital trunked radio communications system; the creation of equitable disclosure of commercial property sales; and funding to support state and federal initiatives for border humanitarian efforts and crime prevention. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/16/2024&ItemNumber=9>.

Consideration of Proposed Legislation for Committee Endorsement (10:43 a.m.)

Senator Pope and Damian Lara, assessor, Bernalillo County, presented bill draft 228887.2, not for endorsement, to propose a temporary limitation on nonresidential property valuation, requiring the filing of an affidavit with a county assessor for the transfers of both residential and nonresidential property and increasing the rate of pay for county valuation protest board members. Senator Pope and Mr. Lara also presented for endorsement bill draft 228886.2, a senate joint resolution proposing to amend the Constitution of New Mexico to increase a property tax exemption for a head of family, also known as "head of household". The bill draft did not receive endorsement by the committee. Senator Pinto and Marlene Lira, president-elect, New Mexico Society of Addiction Medicine, with Representative Joanne J. Ferrary via webcast, presented for endorsement bill draft 229030.1 to increase the liquor excise tax on larger manufacturers, impose a new liquor excise surtax on retailers that sell alcoholic beverages and distribute revenue from the increase of the liquor excise tax and the liquor excise surtax to a new alcohol harms alleviation fund. Since the committee lost its quorum at the time, no vote for endorsement was taken. The bill drafts can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/16/2024&ItemNumber=10>.

Adjournment

There being no further business before the committee, the meeting adjourned at 12:14 p.m.

ENDORSED LEGISLATION

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SENATE BILL

57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025

INTRODUCED BY

DISCUSSION DRAFT

FOR THE REVENUE STABILIZATION AND TAX POLICY COMMITTEE

AN ACT

RELATING TO TAXATION; CREATING THE VOLUNTEER EMERGENCY MEDICAL SERVICES INCOME TAX CREDIT AND THE VOLUNTEER FIREFIGHTER INCOME TAX CREDIT; PROVIDING A DELAYED REPEAL.

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

SECTION 1. A new section of the Income Tax Act is enacted to read:

"[NEW MATERIAL] VOLUNTEER EMERGENCY MEDICAL SERVICES INCOME TAX CREDIT.--

A. Prior to taxable year 2035, a taxpayer who is not a dependent of another individual, is an eligible emergency medical services volunteer and volunteers in New Mexico with an emergency medical service agency or ambulance certified by the bureau at least fifty-two times in a taxable year may claim a tax credit against the taxpayer's tax liability for that

.228617.5

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1 taxable year imposed pursuant to the Income Tax Act. The tax
2 credit provided in this section may be referred to as the
3 "volunteer emergency medical services income tax credit".

4 B. The volunteer emergency medical services income
5 tax credit shall be in an amount equal to one thousand dollars
6 (\$1,000).

7 C. A taxpayer who seeks to claim the tax credit
8 provided by this section shall apply for certification of
9 eligibility from the bureau on forms and in the manner
10 prescribed by the bureau. The application shall include proof
11 that the taxpayer was an active emergency medical services
12 volunteer for the entire taxable year for which the credit is
13 being claimed and volunteered in New Mexico with an emergency
14 medical service agency or ambulance certified by the bureau at
15 least fifty-two times in the taxable year. Completed
16 applications shall be considered in the order received.

17 D. If the bureau determines that a taxpayer meets
18 the requirements to claim the tax credit, the bureau shall
19 issue to the taxpayer a dated certificate of eligibility
20 providing the amount of the tax credit for which the taxpayer
21 is eligible and the taxable year in which the credit may be
22 claimed. The aggregate amount of tax credits that may be
23 certified pursuant to this subsection for any taxable year is
24 four million dollars (\$4,000,000). The bureau shall provide
25 the department with the certificates of eligibility issued

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1 pursuant to this subsection in an electronic format at
2 regularly agreed-upon intervals.

3 E. To receive the tax credit provided by this
4 section, a taxpayer shall claim the credit on forms and
5 in the manner prescribed by the department. The claim
6 shall include a certificate of eligibility issued pursuant to
7 this section. A taxpayer shall not be allowed to claim the tax
8 credit for the same taxable year the taxpayer has claimed the
9 volunteer firefighter income tax credit provided by Section 2
10 of this 2025 act.

11 F. That portion of the tax credit that exceeds a
12 taxpayer's tax liability in the taxable year in which the tax
13 credit is claimed shall be refunded.

14 G. As used in this section:

15 (1) "bureau" means the emergency medical
16 systems bureau of the public health division of the department
17 of health;

18 (2) "eligible emergency medical services
19 volunteer" means a person who is licensed by the bureau and who
20 functions within the emergency medical services system to
21 provide initial emergency medical services as an unpaid
22 volunteer with an emergency medical service agency or ambulance
23 certified by the bureau;

24 (3) "emergency medical services" means the
25 services rendered in response to an individual's need for

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1 immediate medical care to prevent loss of life or aggravation
2 of physical or psychological illness or injury;

3 (4) "emergency medical services system" means
4 a coordinated system of health care delivery that responds to
5 the needs of the sick and injured and includes emergency
6 medical services and emergency medical dispatch; and

7 (5) "to volunteer" includes responding to
8 requests for emergency medical service or providing in a day at
9 least one hour of on-duty volunteer station time."

10 SECTION 2. A new section of the Income Tax Act is enacted
11 to read:

12 "[NEW MATERIAL] VOLUNTEER FIREFIGHTER INCOME TAX CREDIT.--

13 A. Prior to taxable year 2035, a taxpayer who is
14 not a dependent of another individual, is an eligible volunteer
15 firefighter and volunteers in New Mexico with a fire department
16 approved by the state fire marshal's office at least fifty-two
17 times in a taxable year may claim a tax credit against the
18 taxpayer's tax liability for that taxable year imposed pursuant
19 to the Income Tax Act. The tax credit provided in this section
20 may be referred to as the "volunteer firefighter income tax
21 credit".

22 B. The volunteer firefighter income tax credit
23 shall be in an amount equal to one thousand dollars (\$1,000).

24 C. A taxpayer who seeks to claim the tax credit
25 provided by this section shall apply for certification of

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1 eligibility from the state fire marshal's office on forms and
2 in the manner prescribed by that office. The application shall
3 include proof that the taxpayer was an active volunteer for the
4 entire taxable year for which the credit is being claimed and
5 volunteered in New Mexico with a fire department approved by
6 the state fire marshal's office at least fifty-two times in the
7 taxable year. Completed applications shall be considered in
8 the order received.

9 D. If the state fire marshal's office determines
10 that a taxpayer meets the requirements to claim the tax credit,
11 that office shall issue to the taxpayer a dated certificate of
12 eligibility providing the amount of the tax credit for which
13 the taxpayer is eligible and the taxable year in which the
14 credit may be claimed. The aggregate amount of tax credits
15 that may be certified pursuant to this subsection for any
16 taxable year is four million dollars (\$4,000,000). The state
17 fire marshal's office shall provide the department with the
18 certificates of eligibility issued pursuant to this subsection
19 in an electronic format at regularly agreed-upon intervals.

20 E. To receive the tax credit provided by this
21 section, a taxpayer shall claim the credit on forms and
22 in the manner prescribed by the department. The claim shall
23 include a certificate of eligibility issued pursuant to
24 this section. A taxpayer shall not be allowed to claim the tax
25 credit for the same taxable year the taxpayer has claimed the

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1 volunteer emergency medical services income tax credit provided
2 by Section 1 of this 2025 act.

3 F. That portion of the tax credit that exceeds a
4 taxpayer's tax liability in the taxable year in which the tax
5 credit is claimed shall be refunded.

6 G. The department shall include the tax credit in
7 the tax expenditure budget compiled pursuant to Section 7-1-84
8 NMSA 1978.

9 H. As used in this section:

10 (1) "eligible volunteer firefighter" means a
11 firefighter who is listed as an active member on the rolls of a
12 fire department certified by the state fire marshal's office
13 and who provides firefighter services as an unpaid volunteer;
14 and

15 (2) "to volunteer" includes responding to
16 requests for a fire department service and providing in a day
17 at least one hour of on-duty station time."

18 SECTION 3. DELAYED REPEAL.--This act is repealed
19 effective January 1, 2035.

20 SECTION 4. APPLICABILITY.--The provisions of this act
21 apply to taxable years beginning on or after January 1, 2025.

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SENATE BILL

57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025

INTRODUCED BY

DISCUSSION DRAFT

AN ACT

RELATING TO TAXATION; INCREASING THE RATE OF THE CIGARETTE TAX AND PROPORTIONALLY ADJUSTING THE DISCOUNTS ON CIGARETTE TAX STAMPS; INCREASING THE RATE OF THE TOBACCO PRODUCTS TAX; INCLUDING NICOTINE, REGARDLESS OF SOURCE, IN THE DEFINITION OF "TOBACCO PRODUCT" IN THE TOBACCO PRODUCTS TAX ACT; DISTRIBUTING THE REVENUE FROM THE INCREASES IN THE TAXES TO A NEW NICOTINE USE PREVENTION AND CONTROL FUND; MAKING AN APPROPRIATION.

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

SECTION 1. [NEW MATERIAL] NICOTINE USE PREVENTION AND CONTROL FUND.--The "nicotine use prevention and control fund" is created in the state treasury. The fund consists of appropriations, donations, interest from investment of the fund and other money distributed to the fund. The fund shall be administered by the department of health, and money in the fund

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1 is subject to appropriation by the legislature to provide funds
2 to that department to, in collaboration with the public
3 education department and the higher education department,
4 develop programs, educational materials and social and
5 traditional media advertising on nicotine use prevention and
6 control for persons five to twenty-five years of age.

7 Disbursements from the fund shall be made by warrant of the
8 secretary of finance and administration pursuant to vouchers
9 signed by the secretary of health or the secretary's designee.
10 Any unexpended balance remaining at the end of a fiscal year
11 shall revert to the general fund.

12 SECTION 2. Section 7-1-6.11 NMSA 1978 (being Laws 1983,
13 Chapter 211, Section 16, as amended) is amended to read:

14 "7-1-6.11. DISTRIBUTIONS OF CIGARETTE TAXES.--

15 A. A distribution pursuant to Section 7-1-6.1 NMSA
16 1978 shall be made to the board of regents of the university of
17 New Mexico for the benefit of the comprehensive cancer center
18 at the university of New Mexico health sciences center in an
19 amount equal to seventy-one hundredths percent of the net
20 receipts, exclusive of penalties and interest, attributable to
21 the cigarette tax.

22 B. A distribution pursuant to Section 7-1-6.1 NMSA
23 1978 in an amount equal to [~~seven and fifty-two hundredths~~]
24 five and one-half percent of the net receipts, exclusive of
25 penalties and interest, attributable to the cigarette tax,

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1 shall be made on behalf of and for the benefit of the
2 university of New Mexico health sciences center for its
3 comprehensive cancer center, until payment of all principal,
4 interest and other expenses or obligations related to the bonds
5 authorized pursuant to Section [~~3 of this 2021 act~~] 6-21-6.15
6 NMSA 1978 and the New Mexico finance authority certifies to the
7 secretary of taxation and revenue that all obligations for the
8 bonds have been fully discharged, to the credit enhancement
9 account.

10 C. A distribution pursuant to Section 7-1-6.1 NMSA
11 1978 in an amount equal to [~~three and seventeen hundredths~~] two
12 and seven-tenths percent of the net receipts, exclusive of
13 penalties and interest, attributable to the cigarette tax shall
14 be made to the New Mexico finance authority for land
15 acquisition and the planning, designing, construction and
16 equipping of department of health facilities or improvements to
17 such facilities.

18 D. A distribution pursuant to Section 7-1-6.1 NMSA
19 1978 in an amount equal to [~~eight and twenty-six hundredths~~]
20 six and three-tenths percent of the net receipts, exclusive of
21 penalties and interest, attributable to the cigarette tax shall
22 be made to the New Mexico finance authority for deposit in the
23 credit enhancement account created in the authority.

24 E. A distribution pursuant to Section 7-1-6.1 NMSA
25 1978 in an amount equal to fifty-three hundredths percent of

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1 the net receipts, exclusive of penalties and interest,
2 attributable to the cigarette tax shall be made, on behalf of
3 and for the benefit of the rural county cancer treatment fund,
4 to the New Mexico finance authority.

5 F. A distribution pursuant to Section 7-1-6.1 NMSA
6 1978 in an amount equal to twenty-eight and one-half percent of
7 the net receipts attributable to the cigarette tax shall be
8 distributed to the nicotine use prevention and control fund."

9 SECTION 3. A new section of the Tax Administration Act is
10 enacted to read:

11 "[NEW MATERIAL] DISTRIBUTION--TOBACCO PRODUCTS
12 TAX--NICOTINE USE PREVENTION AND CONTROL FUND.--A distribution
13 pursuant to Section 7-1-6.1 NMSA 1978 shall be made to the
14 nicotine use prevention and control fund in an amount equal to
15 sixty-five percent of the net receipts attributable to the
16 tobacco products tax."

17 SECTION 4. Section 7-12-3 NMSA 1978 (being Laws 1971,
18 Chapter 77, Section 3, as amended) is amended to read:

19 "7-12-3. EXCISE TAX ON CIGARETTES--REDUCTION OF RATE FOR
20 CERTAIN CIGARETTES.--

21 A. For the privilege of selling, giving or
22 consuming cigarettes in New Mexico, there is levied an excise
23 tax at a rate of [~~ten cents (\$.10)~~] fifteen cents (\$.15) for
24 each cigarette sold, given or consumed in this state.

25 B. The tax imposed by this section shall be

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1 referred to as the "cigarette tax".

2 C. The tax imposed by this section shall be reduced
3 by fifty percent for a cigarette for which a modified risk
4 tobacco product order has been issued by the United States
5 secretary of health and human services pursuant to Section 21
6 U.S.C. 387k(g)(1).

7 D. The tax imposed by this section shall be reduced
8 by twenty-five percent for a cigarette for which a modified
9 risk tobacco product order has been issued by the United States
10 secretary of health and human services pursuant to Section 21
11 U.S.C. 387k(g)(2)."

12 SECTION 5. Section 7-12-7 NMSA 1978 (being Laws 1971,
13 Chapter 77, Section 7, as amended) is amended to read:

14 "7-12-7. SALE OF STAMPS--PRICES.--

15 A. Only the department shall sell stamps. Stamps
16 may be sold by the department only to a distributor.

17 B. Stamps shall display a serial number. Stamps
18 bearing the same serial number shall not be sold to more than
19 one distributor. The department shall keep records of the
20 serial numbers of the stamps provided to each distributor.

21 C. A stamp shall be affixed to a package of
22 cigarettes in such a manner as to clearly display the serial
23 number at the point of sale.

24 D. Tax stamps shall be sold at their face value
25 with the following discounts:

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1 (1) [~~forty-six~~] thirty-one hundredths percent
2 less than the face value of the first thirty thousand dollars
3 (\$30,000) of stamps purchased in one calendar month;

4 (2) [~~thirty-six~~] twenty-four hundredths
5 percent less than the face value of the second thirty thousand
6 dollars (\$30,000) of stamps purchased in one calendar month;
7 and

8 (3) [~~twenty-two~~] fifteen hundredths percent
9 less than the face value of stamps purchased in excess of sixty
10 thousand dollars (\$60,000) in one calendar month.

11 E. Tax-credit stamps shall be provided only to
12 distributors and shall be provided free of charge; provided
13 that the distributor is in full compliance with the reporting
14 requirements of the Cigarette Tax Act and rules adopted
15 pursuant to that act.

16 F. If the face value of tax stamps sold in a single
17 sale is less than one thousand dollars (\$1,000), the discount
18 provided for in this section shall not be allowed.

19 G. Payment for tax stamps shall be made on or
20 before the twenty-fifth day of the month following the month in
21 which the sale of stamps by the department is made.

22 H. Tax-exempt stamps shall be provided only to
23 distributors and shall be free of charge; provided that the
24 distributor is in full compliance with the reporting
25 requirements of the Cigarette Tax Act and rules adopted

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1 pursuant to that act."

2 SECTION 6. Section 7-12A-2 NMSA 1978 (being Laws 1986,
3 Chapter 112, Section 3, as amended) is amended to read:

4 "7-12A-2. DEFINITIONS.--As used in the Tobacco Products
5 Tax Act:

6 A. "department" means the taxation and revenue
7 department, the secretary or any employee of the department
8 exercising authority lawfully delegated to that employee by the
9 secretary;

10 B. "cigar" means a roll for smoking made wholly or
11 in part of tobacco and weighing greater than four and one-half
12 pounds per thousand;

13 C. "distribute" means to sell or to give;

14 D. "closed system cartridge" means a single-use,
15 pre-filled disposable cartridge containing five milliliters or
16 less of e-liquid for use in an e-cigarette;

17 E. "e-cigarette" means ~~[any electronic oral device,~~
18 ~~whether composed of a heating element and battery or an~~
19 ~~electronic circuit, that provides a vapor of nicotine or any~~
20 ~~other substance the use or inhalation of which simulates~~
21 ~~smoking and includes any such device, or any part thereof,~~
22 ~~whether manufactured, distributed, marketed or sold as an~~
23 ~~e-cigarette, e-cigar, e-pipe or any other product, name or~~
24 ~~descriptor. "E-cigarette" does not include any product~~
25 ~~regulated as a drug or device by the United States food and~~

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1 ~~drug administration under the Federal Food, Drug, and Cosmetic~~
2 ~~Act]~~ a device that can be used to deliver aerosolized or
3 vaporized nicotine to the person inhaling from the device and
4 includes any component, part or accessory of such a device that
5 is used during the operation of the device but does not include
6 a battery or battery charger;

7 F. "e-liquid" means liquid or other substance
8 intended for use in an e-cigarette [~~not including any substance~~
9 ~~containing cannabis or oil derived from cannabis~~];

10 G. "engaging in business" means carrying on or
11 causing to be carried on any activity with the purpose of
12 direct or indirect benefit;

13 H. "first purchaser" means a person engaging in
14 business in New Mexico that manufactures tobacco products or
15 that purchases or receives on consignment tobacco products from
16 any person outside of New Mexico, which tobacco products are to
17 be distributed in New Mexico in the ordinary course of
18 business;

19 I. "little cigar" means a roll for smoking made
20 wholly or in part of tobacco, using an integrated cellulose
21 acetate or other similar filter, and weighing not more than
22 four and one-half pounds per thousand;

23 J. "person" means any individual, estate, trust,
24 receiver, cooperative association, club, corporation, company,
25 firm, partnership, joint venture, syndicate, limited liability

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1 company, limited liability partnership, other association or
2 gas, water or electric utility owned or operated by a county or
3 municipality or other entity of the state; "person" also means,
4 to the extent permitted by law, a federal, state or other
5 governmental unit or subdivision or an agency, department or
6 instrumentality;

7 ~~[K. "product value" means the amount paid, net of~~
8 ~~any discounts taken and allowed, for tobacco products or, in~~
9 ~~the case of tobacco products received on consignment, the value~~
10 ~~of the tobacco products received or, in the case of tobacco~~
11 ~~products manufactured and sold in New Mexico, the proceeds from~~
12 ~~the sale by the manufacturer of the tobacco products; and~~

13 L.] K. "tobacco product":

14 (1) means:

15 ~~[(1) any]~~ (a) a product, other than
16 cigarettes, ~~[cigars and little cigars]~~ made from or containing
17 tobacco or nicotine, whether natural or synthetic, that is
18 intended for human consumption or is likely to be consumed,
19 whether smoked, heated, chewed, absorbed, dissolved or inhaled;

20 ~~[(2)]~~ (b) e-liquid;

21 ~~[(3)]~~ (c) e-cigarettes; and

22 ~~[(4)]~~ (d) closed system cartridges; and

23 (2) does not mean a product regulated as a
24 drug or device by the United States food and drug
25 administration pursuant to the Federal Food, Drug, and Cosmetic

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1 Act; and

2 L. "wholesale price" means the amount paid, net of
3 any discounts taken and allowed, for tobacco products or, in
4 the case of tobacco products received on consignment, the value
5 of the tobacco products received or, in the case of tobacco
6 products manufactured and sold in New Mexico, the proceeds from
7 the sale by the manufacturer of the tobacco products."

8 SECTION 7. Section 7-12A-3 NMSA 1978 (being Laws 1986,
9 Chapter 112, Section 4, as amended) is amended to read:

10 "7-12A-3. IMPOSITION AND RATES OF TAX--REDUCTION OF RATE
11 FOR CERTAIN TOBACCO PRODUCTS--DENOMINATION AS "TOBACCO PRODUCTS
12 TAX"--DATE PAYMENT OF TAX DUE.--

13 A. For the manufacture or acquisition of tobacco
14 products in New Mexico [~~not including cigars, little cigars, e-~~
15 ~~liquid, e-cigarettes or closed system cartridges]~~ to be
16 distributed in the ordinary course of business and for the
17 consumption of tobacco products in New Mexico, there is imposed
18 an excise tax at the rate of [~~twenty five~~] sixty-seven and
19 one-half percent of the [~~product value~~] wholesale price of the
20 tobacco products; provided that for the following tobacco
21 products, the rate shall be:

22 (1) for cigars, thirty-seven and one-half
23 percent, not to exceed one dollar fifty cents (\$1.50) per
24 cigar; and

25 (2) for little cigars, the rate equal to the

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1 rate imposed on cigarettes pursuant to Section 7-12-3 NMSA
2 1978.

3 ~~[B. For the manufacture or acquisition of cigars in~~
4 ~~New Mexico to be distributed in the ordinary course of business~~
5 ~~and for the consumption of cigars in New Mexico, there is~~
6 ~~imposed an excise tax at a rate equal to twenty-five percent of~~
7 ~~the product value of the cigar, not to exceed fifty cents~~
8 ~~(\$.50) per cigar.~~

9 ~~G. For the manufacture or acquisition of little~~
10 ~~cigars in New Mexico to be distributed in the ordinary course~~
11 ~~of business and for the consumption of little cigars in New~~
12 ~~Mexico, there is imposed an excise tax at a rate equal to the~~
13 ~~rate imposed on cigarettes pursuant to Section 7-12-3 NMSA 1978~~
14 ~~per package of little cigars.~~

15 ~~D. For the manufacture or acquisition of e-liquid~~
16 ~~in New Mexico to be distributed in the ordinary course of~~
17 ~~business and for the consumption of e-liquid in New Mexico,~~
18 ~~there is imposed an excise tax at a rate equal to twelve and~~
19 ~~one-half percent of the product value of the e-liquid.~~

20 ~~E. For the manufacture or acquisition of closed~~
21 ~~system cartridges in New Mexico to be distributed in the~~
22 ~~ordinary course of business, there is imposed an excise tax at~~
23 ~~a rate of fifty cents (\$.50) per closed system cartridge.~~

24 ~~H.]~~ B. The taxes imposed by this section may be
25 referred to as the "tobacco products tax".

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1 [~~F.~~] C. The tobacco products tax shall be paid by
2 the first purchaser on or before the twenty-fifth day of the
3 month following the month in which the taxable event occurs."

4 **SECTION 8.** Section 7-12A-4 NMSA 1978 (being Laws 1986,
5 Chapter 112, Section 5, as amended) is amended to read:

6 "7-12A-4. EXEMPTION--TOBACCO PRODUCTS TAX.--

7 A. Exempted from the tobacco products tax is the
8 [~~product value~~] wholesale price of tobacco products sold:

9 (1) to or by the United States or any agency
10 or instrumentality thereof;

11 (2) to the governing body or any enrolled
12 tribal member licensed by the governing body of an Indian
13 nation, tribe or pueblo to be distributed on the reservation or
14 pueblo grant of that Indian nation, tribe or pueblo; or

15 (3) to the state of New Mexico or any
16 political subdivision thereof.

17 B. As used in this section, the term "agency or
18 instrumentality" does not include persons who are agents or
19 instrumentalities of the United States for a particular purpose
20 or only when acting in a particular capacity or corporate
21 agencies or instrumentalities."

22 **SECTION 9.** Section 7-12A-5 NMSA 1978 (being Laws 1986,
23 Chapter 112, Section 6) is amended to read:

24 "7-12A-5. DEDUCTION--INTERSTATE SALES.--The [~~product~~
25 ~~value~~] wholesale price of tobacco products sold and shipped or

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LEGISLATIVE COUNCIL SERVICE
SANTA FE, NEW MEXICO