

# Administrative Update

N.M. Taxation & Revenue Department  
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Presented to  
Interim Revenue Stabilization and Tax Policy Committee  
July 25, 2018

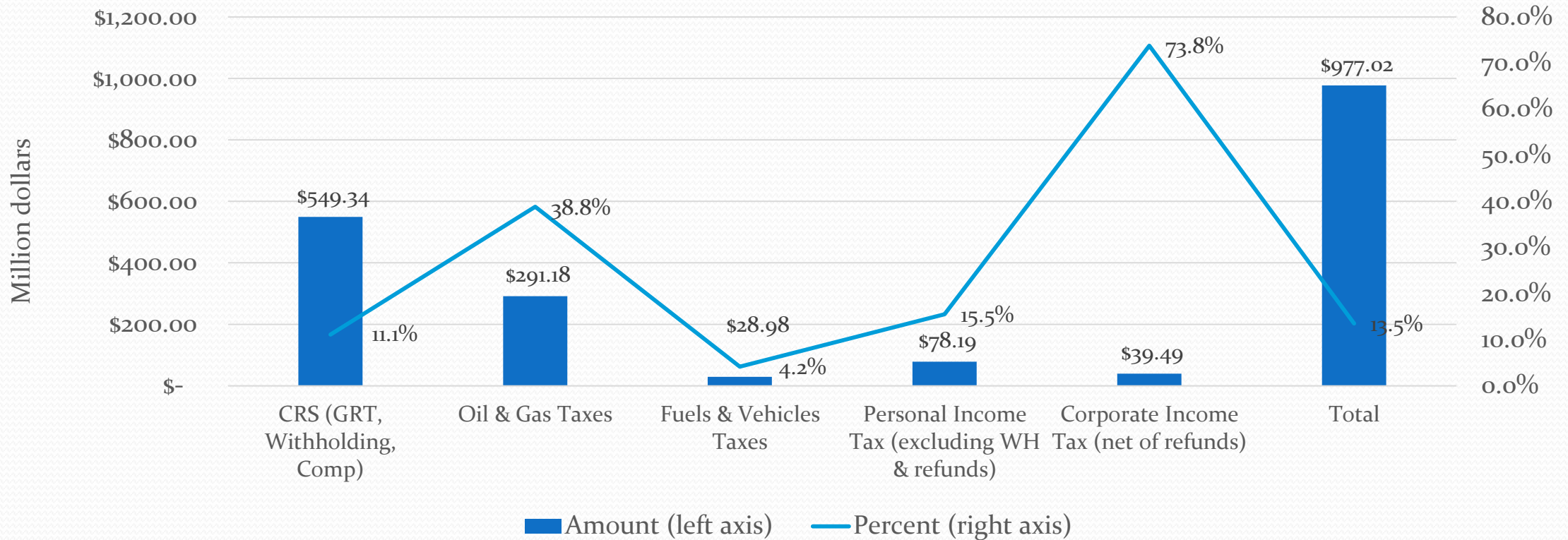
# Overview

- Revenue tracking
- New statutes
- Other TRD initiatives
- Interim and 2019 Issues
- Governor Martinez Initiatives and Successes: 2011-2018

# Revenue Tracking

- FY18 distributions to all funds up 14<sup>0</sup>%
- Increase of almost \$1 billion brings total revenue over \$8 billion
- Growth rate more than double forecast General Fund growth
- In addition to O&G taxes, GRT, PIT and CIT up sharply

### FY18 Revenue Distributions vs FY17 Through June 30, 2018



Source: TRD's Administrative Services Division

## New Statutes

### 2018 HB 194: Alternative Evidence for GRT Deductions

- Publications/Filer's packet updated; Updating audit manual, procedures and all notices that reference NTTCS
- Note change from Comp Tax to GRT plus P&I on buyer for taxable transactions initially claimed as deductible (7-9-43(F))

# 2018 HB 223: Insurance Premiums Tax Transferred to Taxation & Revenue Department

- Long term best state interest but questions abound in the short term
- Personnel & IT support needed to improve oversight per 2017 Special Audit recommendations
- IT system development/conversion will require funding: Effective date 1/1/20; system development will take more than 12 months
- Stakeholder input needed
- *Very important to include this tax in the Tax Administration Act*

# 2018 HB 88: Delinquent Property Sales

- Liquidating delinquent properties in large, failed subdivisions has proven extremely difficult
- HB 88 targets subdivisions of more than 5,000 vacant lots plotted before 1980 with delinquent liability of at least 10 years
- Additional notice and title research required – no resources provided
- Online sales and right of first offer to land grants and pueblos
- Proceeds may be less than total liability, all go to counties
- Working with counties to ID properties, notify land grants, and contract title research
- Issues include due process, debt forgiveness

## Other New Laws:

- Thanksgiving Saturday GRT Holiday
- Foster Youth Employment Credit
- GRT deduction for TPP in government/IRB projects
- Annual withholding statements reporting
- Aircraft training construction GRT deduction
- MVX to Road Fund



## Other TRD Initiatives

- O&G Production Taxes converted to Gentax
- Business Credit Bureau
- Data Analytics
- Taxpayer Advocate
- Local distributions analysis
- Regulation update

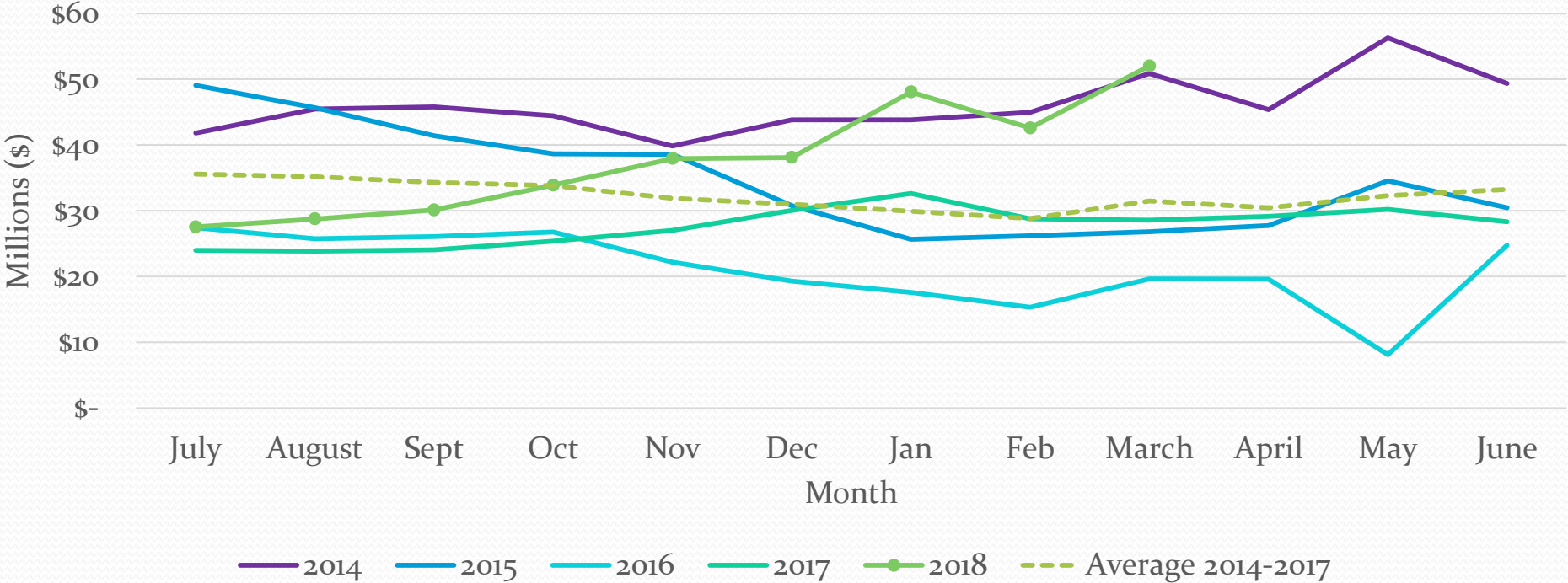
# Oil & Gas Taxes Conversion to Gentax

- Modernizing TRD systems: Gentax, Tapestry (MVD), Property Tax
- Commenced July 2016; Industry focus groups (Jan. 2017); Testing July 2017; Successful rollout March 2018
- Benefits to TRD, Local and State Beneficiaries:
  - Updated 25-year-old system improving support and accountability
  - Enforces statute compliance across all oil & gas taxes
- Taxpayer Benefits: Taxpayers can manage and view all account activity through Taxpayer Access Point (TAP)

# Oil & Gas Taxes Conversion to GenTax

- GF Revenues from Oil & Gas are back to peak levels
- Up more than 50% vs year ago and up 150% from two years ago

Monthly Distributions to GF (\$ millions)  
from O&G School, Conservation and Gas Processors Taxes



Note: General Fund includes Natural Gas Processors Tax

# Business Credit Bureau

- Over 30 credits with widely varying criteria/business rules
- Examples of complexity: Film Credit cap and HWJTC
- Expectations that TRD will carefully review prior to approval, but a credit application should not be a request for audit
- Expectations that TRD will evaluate effectiveness
- Primary purpose of Bureau: communication with stakeholders; Clean-up legislation
- Structure built and Initiation of Hiring

## Data Analytics

- Increase sophistication of fraud detection, audit selection and collections
- ID non-compliance for taxpayer education and managed audits
- Increase data and system security
- Improve economic forecasting and policy analysis
- Phase I: GRT audit selection estimated roll-out Q1 CY 2019

# Taxpayer Advocate: Since January 2016

- 594 Closed Cases
- 22 Open Cases
- Of closed cases:
  - 80 Closed due to lack of continued engagement by taxpayer
  - 35 Closed with no resolution
- Common Resolutions: Refund, Payment Plan, Innocent Spouse Relief, Abatement, Levy Reduction, Release of Liens, Hardship Granted, Entered into Managed Audit
- Average time for closure: 21 days

## Other Interim/2019 Issues

- Tax Stabilization Reserve
- GRT deduction for chemicals in lots of 18 tons or more
- Proposed regulation on partnership GRT

# Governor Initiatives and Successes: 2011-2018

- Since 2011, Governor Martinez has cut taxes and fees 57 times
- Premium Tax transfer
- Taxpayer Advocate
- Independent Hearing Office
- Corporate Income Tax Reform
- Legacy of pro growth Tax Reform (Angel Investment, Technology Jobs, R&D, Manufacturing & Construction GRT deductions)
- Modernized IT Systems: GenTax, Tapestry, ONGARD Replacement
- Record Assessments and Collections
- REAL ID compliance



# Closing thoughts

- Tax administration issues are usually more complicated than they appear at first; require a balance between complexity and feasibility
- TRD is moving to complete several initiatives before the end of the administration
- Economic changes require reevaluation of policies
- Tax code may be due for “modernization”: e.g. issues like remote commerce, pyramiding, local distributions