

Explanation of

Food – Local Only

Summary: Bill proposes to revamp local government tax finances in several ways. Reinstates the local option (only) gross receipts taxation of retail purchases of food. Terminates the municipal and county food hold harmless distributions. Converts the 1.225% municipal distribution (of state gross receipts tax revenues) into a municipal gross receipts tax and lowers the state gross receipts and compensating tax rates from 5.125% to 3.9%. Increases the income tax working families tax credit from 10% to 15% of the federal earned income credit.

Bill Section	NMSA Section	Description
1	7-1-6.4	Ends the 1.225% distribution to municipalities of gross receipts tax revenues from business locations within the municipality (but see Section 9); retained are the 1.225% distributions from the Expo NM grounds, land owned by municipalities outside their boundaries and certain areas within Española that are part of a pueblo.
2	7-1-6.46	Repeals the municipal food hold harmless distribution and makes (long overdue) technical corrections.
3	7-1-6.47	Repeals the county food hold harmless distribution and makes (long overdue) technical corrections.
4	7-2-18.15	Boosts the working families tax credit from 10% to 15% of the federal earned income tax credit.
5	7-9-4	Cuts the rate of the gross receipts tax from 5.125% to 3.9%
6	7-9-7	Cuts the rate of the compensating tax from 5.125% to 3.9%. Also completes the process of changing the penalty for mis-using deductions by eliminating imposition of compensating tax on misapplication of NTTCs. (Instead, person pays what tax seller would have owed.)
7	7-9-92	Transforms existing deduction of receipts from selling food at retail into a credit against state gross receipts tax due. Effect is to allow imposition of local option gross receipts taxes. Also renames "food stamp" to "supplemental nutritional assistance" program.
8	7-19D-7	Raises the total rate of municipal gross receipts tax not subject to administrative fee to 1.725% because the 1.225% from the former municipal distribution isn't subject to the fee.
9	7-19D-9	Creates a new municipal gross receipts tax rate of 1.225%, which is deemed imposed by every existing municipality (to insure an orderly transition from the municipal distribution). For municipalities which incorporate on or after July 1, 2019,

		this rate is imposed as of the municipality's date of incorporation.
10	---	Sections 1- 3 apply to net receipts on or after July 1, 2019.
11	---	Effective dates: Sections 1 - 3, August 1, 2019 and Sections 4 - 9, July 1, 2019.

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Bill

54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019

INTRODUCED BY

AN ACT

RELATING TO TAXATION: AMENDING THE TAX ADMINISTRATION ACT, THE GROSS RECEIPTS AND COMPENSATING TAX ACT AND THE MUNICIPAL LOCAL OPTION GROSS RECEIPTS TAXES ACT TO REPLACE A DISTRIBUTION OF STATE REVENUE TO MUNICIPALITIES WITH AN EQUIVALENT IMPOSITION OF MUNICIPAL LOCAL OPTION TAX RATE AND A CREDIT AGAINST STATE GROSS RECEIPTS TAX, TO ELIMINATE A CERTAIN MUNICIPAL AND COUNTY HOLD-HARMLESS DISTRIBUTION AND TO CONVERT A GROSS RECEIPTS DEDUCTION TO A CREDIT; AMENDING AND ENACTING CERTAIN SECTIONS OF THE NMSA 1978.

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

SECTION 1. Section 7-1-6.4 NMSA 1978 (being Laws 1983, Chapter 211, Section 9, as amended) is amended to read:

"7-1-6.4. DISTRIBUTION--MUNICIPALITY FROM GROSS RECEIPTS TAX.--

A. Except as provided in Subsection B of this

1 section, a distribution pursuant to Section 7-1-6.1 NMSA 1978
2 shall be made to each municipality in an amount, subject to any
3 increase or decrease made pursuant to Section 7-1-6.15 NMSA 1978,
4 equal to the product of the quotient of one and two hundred
5 twenty-five thousandths percent divided by the tax rate imposed by
6 Section 7-9-4 NMSA 1978 multiplied by the net receipts for the
7 month attributable to the gross receipts tax from business
8 locations:

9 (1) [~~within that municipality;~~
10 ~~+2~~] on land owned by the state, commonly known
11 as the "state fairgrounds", within the exterior boundaries of that
12 municipality;

13 [~~+3~~] (2) outside the boundaries of any
14 municipality on land owned by that municipality; and

15 [~~+4~~] (3) on an Indian reservation or pueblo
16 grant in an area that is contiguous to that municipality and in
17 which the municipality performs services pursuant to a contract
18 between the municipality and the Indian tribe or Indian pueblo if:

19 (a) the contract describes an area in
20 which the municipality is required to perform services and
21 requires the municipality to perform services that are
22 substantially the same as the services the municipality performs
23 for itself; and

24 (b) the governing body of the municipality
25 has submitted a copy of the contract to the secretary.

1 ~~[B. If the reduction made by Laws 1991, Chapter 9,~~
2 ~~Section 9 to the distribution under this section impairs the~~
3 ~~ability of a municipality to meet its principal or interest~~
4 ~~payment obligations for revenue bonds outstanding prior to July 1,~~
5 ~~1991 that are secured by the pledge of all or part of the~~
6 ~~municipality's revenue from the distribution made under this~~
7 ~~section, then the amount distributed pursuant to this section to~~
8 ~~that municipality shall be increased by an amount sufficient to~~
9 ~~meet any required payment, provided that the distribution amount~~
10 ~~does not exceed the amount that would have been due that~~
11 ~~municipality under this section as it was in effect on June 30,~~
12 ~~1992.~~

13 ~~C.]~~ A distribution pursuant to this section may be
14 adjusted for a distribution made to a tax increment development
15 district with respect to a portion of a gross receipts tax
16 increment dedicated by a municipality pursuant to the Tax
17 Increment for Development Act."

18 **SECTION 2.** Section 7-1-6.46 NMSA 1978 (being Laws 2004,
19 Chapter 116, Section 1, as amended) is amended to read:

20 "7-1-6.46. DISTRIBUTION TO MUNICIPALITIES--OFFSET FOR [~~FOOD~~
21 ~~DEDUCTION AND~~] HEALTH CARE PRACTITIONER SERVICES DEDUCTION.--

22 A. For a municipality that does not have in effect and
23 has not [~~elected to impose~~] had in effect a municipal hold
24 harmless gross receipts tax through an ordinance and that has a
25 population of less than ten thousand according to the most recent

1 federal decennial census, a distribution pursuant to Section 7-1-
2 6.1 NMSA 1978 shall be made to [a] the municipality in an amount,
3 subject to any increase or decrease made pursuant to Section 7-1-
4 6.15 NMSA 1978, equal to [~~the sum of~~

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

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

17 B. For a municipality [~~not described in Subsection A of~~
18 ~~this section]~~ that does not have and has not had in effect a
19 municipal hold harmless gross receipts tax and that has a
20 population of 10,000 or more according to the most recent federal
21 decennial census, a distribution pursuant to Section 7-1-6.1 NMSA
22 1978 shall be made to the municipality in an amount, subject to
23 any increase or decrease made pursuant to Section 7-1-6.15 NMSA
24 1978, equal to [~~the sum of~~

25 ~~(1) the total deductions claimed pursuant to Section~~

1 ~~7-9-92 NMSA 1978 for the month by taxpayers from business~~
2 ~~locations attributable to the municipality multiplied by the sum~~
3 ~~of the combined rate of all municipal local option gross receipts~~
4 ~~taxes in effect in the municipality on January 1, 2007 plus one~~
5 ~~and two hundred twenty five thousandths percent in the following~~
6 ~~percentages:~~

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

8 ~~(b) on or after July 1, 2015 and prior to July~~
9 ~~1, 2016, ninety four percent;~~

10 ~~(c) on or after July 1, 2016 and prior to July~~
11 ~~1, 2017, eighty eight percent;~~

12 ~~(d) on or after July 1, 2017 and prior to July~~
13 ~~1, 2018, eighty two percent;~~

14 ~~(e) on or after July 1, 2018 and prior to July~~
15 ~~1, 2019, seventy six percent;~~

16 ~~(f) on or after July 1, 2019 and prior to July~~
17 ~~1, 2020, seventy percent;~~

18 ~~(g) on or after July 1, 2020 and prior to July~~
19 ~~1, 2021, sixty three percent;~~

20 ~~(h) on or after July 1, 2021 and prior to July~~
21 ~~1, 2022, fifty six percent;~~

22 ~~(i) on or after July 1, 2022 and prior to July~~
23 ~~1, 2023, forty nine percent;~~

24 ~~(j) on or after July 1, 2023 and prior to July~~
25 ~~1, 2024, forty two percent;~~

1 ~~(k) on or after July 1, 2024 and prior to July~~
2 ~~1, 2025, thirty five percent;~~

3 ~~(l) on or after July 1, 2025 and prior to July~~
4 ~~1, 2026, twenty eight percent;~~

5 ~~(m) on or after July 1, 2026 and prior to July~~
6 ~~1, 2027, twenty one percent;~~

7 ~~(n) on or after July 1, 2027 and prior to July~~
8 ~~1, 2028, fourteen percent; and~~

9 ~~(o) on or after July 1, 2028 and prior to July~~
10 ~~1, 2029, seven percent; and~~

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

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

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

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

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

25 ~~(e) on or after July 1, 2018 and prior to July~~

1 ~~1, 2019, seventy-six percent;~~

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

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

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

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

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

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

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

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

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

20 ~~(o)~~ (j) on or after July 1, 2028 and prior to
21 July 1, 2029, seven percent; and

22 (k) on or after July 1, 2029, zero percent.

23 C. The distribution pursuant to Subsections A and B of
24 this section is in lieu of revenue that would have been received
25 by the municipality but for the deductions provided by ~~Sections~~

1 ~~7-9-92 and~~ Section 7-9-93 NMSA 1978. The distribution shall be
2 considered gross receipts tax revenue and shall be used by the
3 municipality in the same manner as gross receipts tax revenue,
4 including payment of gross receipts tax revenue bonds. A
5 distribution pursuant to this section to a municipality [~~not~~
6 described in Subsection [A] B of this section [~~or to a~~
7 ~~municipality that has imposed a gross receipts tax through an~~
8 ~~ordinance that does not provide a deduction contained in the Gross~~
9 ~~Receipts and Compensating Tax Act]~~ shall not be made on or after
10 July 1, 2029.

11 D. If the reductions made by this [~~2013~~] 2019 act to the
12 distributions made pursuant to [~~Subsections A and~~] Subsection B of
13 this section impair the ability of a municipality to meet its
14 principal or interest payment obligations for revenue bonds that
15 are outstanding prior to July 1, 2013 and that are secured by the
16 pledge of all or part of the municipality's revenue from the
17 distribution made pursuant to this section, then the amount
18 distributed pursuant to this section to that municipality shall be
19 increased by an amount sufficient to meet the required payment;
20 provided that the total amount distributed to that municipality
21 pursuant to this section does not exceed the amount that would
22 have been due that municipality pursuant to this section as it was
23 in effect on June 30, 2013.

24 [~~E.~~] F. For the purposes of this section, "business
25 locations attributable to the municipality" means business

1 locations:

2 (1) within the municipality;

3 (2) on land owned by the state, commonly known as the
4 "state fairgrounds", within the exterior boundaries of the
5 municipality;

6 (3) outside the boundaries of the municipality on
7 land owned by the municipality; and

8 (4) on an Indian reservation or pueblo grant in an
9 area that is contiguous to the municipality and in which the
10 municipality performs services pursuant to a contract between the
11 municipality and the Indian tribe or Indian pueblo if:

12 (a) the contract describes an area in which the
13 municipality is required to perform services and requires the
14 municipality to perform services that are substantially the same
15 as the services the municipality performs for itself; and

16 (b) the governing body of the municipality has
17 submitted a copy of the contract to the secretary.

18 [~~F.~~] G. A distribution pursuant to this section may be
19 adjusted for a distribution made to a tax increment development
20 district with respect to a portion of a gross receipts tax
21 increment dedicated by a municipality pursuant to the Tax
22 Increment for Development Act.

23 H. With respect to H-class counties, the provisions of
24 this section apply only to the local option gross receipts taxes
25 authorized by Chapter 19 NMSA 1978 and imposed by the H-class

1 county."

2 **SECTION 3.** Section 7-1-6.47 NMSA 1978 (being Laws 2004,
3 Chapter 116, Section 2, as amended) is amended to read:

4 "7-1-6.47. DISTRIBUTION TO COUNTIES--OFFSET FOR [~~FOOD~~
5 ~~DEDUCTION AND~~] HEALTH CARE PRACTITIONER SERVICES DEDUCTION.--

6 A. For a county that does not have in effect and has [~~not~~
7 ~~elected to impose~~] not had in effect a county hold harmless gross
8 receipts tax through an ordinance and that has a population of
9 less than forty-eight thousand according to the most recent
10 federal decennial census, a distribution pursuant to Section 7-1-
11 6.1 NMSA 1978 shall be made to a county in an amount, subject to
12 any increase or decrease made pursuant to Section 7-1-6.15 NMSA
13 1978, equal to the sum of:

14 ~~(1) the total deductions claimed pursuant to Section~~
15 ~~7-9-92 NMSA 1978 for the month by taxpayers from business~~
16 ~~locations within a municipality in the county multiplied by the~~
17 ~~combined rate of all county local option gross receipts taxes in~~
18 ~~effect for the month that are imposed throughout the county;~~

19 ~~(2) the total deductions claimed pursuant to Section~~
20 ~~7-9-92 NMSA 1978 for the month by taxpayers from business~~
21 ~~locations in the county but not within a municipality multiplied~~
22 ~~by the combined rate of all county local option gross receipts~~
23 ~~taxes in effect for the month that are imposed in the county area~~
24 ~~not within a municipality;~~

25 ~~(3)]~~ (1) the total deductions claimed pursuant to

1 Section 7-9-93 NMSA 1978 for the month by taxpayers from business
2 locations within a municipality in the county multiplied by the
3 combined rate of all county local option gross receipts taxes in
4 effect for the month that are imposed throughout the county; and

5 [~~(4)~~] (2) the total deductions claimed pursuant to
6 Section 7-9-93 NMSA 1978 for the month by taxpayers from business
7 locations in the county but not within a municipality multiplied
8 by the combined rate of all county local option gross receipts
9 taxes in effect for the month that are imposed in the county area
10 not within a municipality.

11 B. For a county [~~not described in Subsection A of this~~
12 ~~section~~] that does not have and has not had in effect a county
13 hold harmless gross receipts tax and that has a population of
14 48,000 or more according to the most recent federal decennial
15 census, a distribution pursuant to Section 7-1-6.1 NMSA 1978 shall
16 be made to the county in an amount, subject to any increase or
17 decrease made pursuant to Section 7-1-6.15 NMSA 1978, equal to the
18 sum of:

19 [~~(1)~~] ~~the total deductions claimed pursuant to Section~~
20 ~~7-9-92 NMSA 1978 for the month by taxpayers from business~~
21 ~~locations within a municipality in the county multiplied by the~~
22 ~~combined rate of all county local option gross receipts taxes in~~
23 ~~effect on January 1, 2007 that are imposed throughout the county~~
24 ~~in the following percentages:~~

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

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

3 ~~(c) on or after July 1, 2016 and prior to July~~
4 ~~1, 2017, eighty eight percent;~~

5 ~~(d) on or after July 1, 2017 and prior to July~~
6 ~~1, 2018, eighty two percent;~~

7 ~~(e) on or after July 1, 2018 and prior to July~~
8 ~~1, 2019, seventy six percent;~~

9 ~~(f) on or after July 1, 2019 and prior to July~~
10 ~~1, 2020, seventy percent;~~

11 ~~(g) on or after July 1, 2020 and prior to July~~
12 ~~1, 2021, sixty three percent;~~

13 ~~(h) on or after July 1, 2021 and prior to July~~
14 ~~1, 2022, fifty six percent;~~

15 ~~(i) on or after July 1, 2022 and prior to July~~
16 ~~1, 2023, forty nine percent;~~

17 ~~(j) on or after July 1, 2023 and prior to July~~
18 ~~1, 2024, forty two percent;~~

19 ~~(k) on or after July 1, 2024 and prior to July~~
20 ~~1, 2025, thirty five percent;~~

21 ~~(l) on or after July 1, 2025 and prior to July~~
22 ~~1, 2026, twenty eight percent;~~

23 ~~(m) on or after July 1, 2026 and prior to July~~
24 ~~1, 2027, twenty one percent;~~

25 ~~(n) on or after July 1, 2027 and prior to July~~

1 ~~1, 2028, fourteen percent; and~~

2 ~~(e) on or after July 1, 2028 and prior to July~~
3 ~~1, 2029, seven percent;~~

4 ~~(2) the total deductions claimed pursuant to Section~~
5 ~~7-9-92 NMSA 1978 for the month by taxpayers from business~~
6 ~~locations in the county but not within a municipality multiplied~~
7 ~~by the combined rate of all county local option gross receipts~~
8 ~~taxes in effect on January 1, 2007 that are imposed in the county~~
9 ~~area not within a municipality in the following percentages:~~

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

11 ~~(b) on or after July 1, 2015 and prior to July~~
12 ~~1, 2016, ninety four percent;~~

13 ~~(c) on or after July 1, 2016 and prior to July~~
14 ~~1, 2017, eighty eight percent;~~

15 ~~(d) on or after July 1, 2017 and prior to July~~
16 ~~1, 2018, eighty two percent;~~

17 ~~(e) on or after July 1, 2018 and prior to July~~
18 ~~1, 2019, seventy six percent;~~

19 ~~(f) on or after July 1, 2019 and prior to July~~
20 ~~1, 2020, seventy percent;~~

21 ~~(g) on or after July 1, 2020 and prior to July~~
22 ~~1, 2021, sixty three percent;~~

23 ~~(h) on or after July 1, 2021 and prior to July~~
24 ~~1, 2022, fifty six percent;~~

25 ~~- (i) on or after July 1, 2022 and prior to July~~

1 ~~1, 2023, forty nine percent;~~

2 ~~(j) on or after July 1, 2023 and prior to July~~

3 ~~1, 2024, forty two percent;~~

4 ~~(k) on or after July 1, 2024 and prior to July~~

5 ~~1, 2025, thirty five percent;~~

6 ~~(l) on or after July 1, 2025 and prior to July~~

7 ~~1, 2026, twenty eight percent;~~

8 ~~(m) on or after July 1, 2026 and prior to July~~

9 ~~1, 2027, twenty one percent;~~

10 ~~(n) on or after July 1, 2027 and prior to July~~

11 ~~1, 2028, fourteen percent; and~~

12 ~~(o) on or after July 1, 2028 and prior to July~~

13 ~~1, 2029, seven percent;~~

14 ~~(3)]~~ (1) the total deductions claimed pursuant to
15 Section 7-9-93 NMSA 1978 for the month by taxpayers from business
16 locations within a municipality in the county multiplied by the
17 combined rate of all county local option gross receipts taxes in
18 effect on January 1, 2007 that are imposed throughout the county
19 in the following percentages:

20 ~~[(a) prior to July 1, 2015, one hundred percent;~~

21 ~~(b) on or after July 1, 2015 and prior to July~~

22 ~~1, 2016, ninety four percent;~~

23 ~~(c) on or after July 1, 2016 and prior to July~~

24 ~~1, 2017, eighty eight percent;~~

25 ~~(d) on or after July 1, 2017 and prior to July~~

1 ~~1, 2018, eighty two percent;~~

2 ~~(e) on or after July 1, 2018 and prior to July~~

3 ~~1, 2019, seventy six percent;~~

4 ~~(f)]~~ (a) on or after July 1, 2019 and prior to
5 July 1, 2020, seventy percent;

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

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

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

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

14 [~~(k)]~~ (f) on or after July 1, 2024 and prior to
15 July 1, 2025, thirty-five percent;

16 [~~(l)]~~ (g) on or after July 1, 2025 and prior to
17 July 1, 2026, twenty-eight percent;

18 [~~(m)]~~ (h) on or after July 1, 2026 and prior to
19 July 1, 2027, twenty-one percent;

20 [~~(n)]~~ (i) on or after July 1, 2027 and prior to
21 July 1, 2028, fourteen percent; ~~and~~

22 [~~(o)]~~ (j) on or after July 1, 2028 and prior to
23 July 1, 2029, seven percent; and

24 (k) on or after July 1, 2029, zero percent; and

25 [~~(4)]~~ (2) the total deductions claimed pursuant to

1 Section 7-9-93 NMSA 1978 for the month by taxpayers from business
2 locations in the county but not within a municipality multiplied
3 by the combined rate of all county local option gross receipts
4 taxes in effect on January 1, 2007 that are imposed in the county
5 area not within a municipality in the following percentages:

6 ~~[(a) prior to July 1, 2015, one hundred percent;~~

7 ~~(b) on or after July 1, 2015 and prior to July~~
8 ~~1, 2016, ninety four percent;~~

9 ~~(c) on or after July 1, 2016 and prior to July~~
10 ~~1, 2017, eighty eight percent;~~

11 ~~(d) on or after July 1, 2017 and prior to July~~
12 ~~1, 2018, eighty two percent;~~

13 ~~(e) on or after July 1, 2018 and prior to July~~
14 ~~1, 2019, seventy six percent;~~

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

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

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

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

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

25 ~~[(k)]~~ (f) on or after July 1, 2024 and prior to

1 July 1, 2025, thirty-five percent;

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

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

6 [~~(n)~~] (i) on or after July 1, 2027 and prior to
7 July 1, 2028, fourteen percent; ~~and]~~

8 [~~(o)~~] (j) on or after July 1, 2028 and prior to
9 July 1, 2029, seven percent; and

10 (k) on or after July 1, 2029, zero percent.

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

23 D. If the reductions made by this [~~2013~~] 2019 act to the
24 distributions made pursuant to [~~Subsections A and~~] Subsection B of
25 this section impair the ability of a county to meet its principal

1 or interest payment obligations for revenue bonds that are
2 outstanding prior to July 1, 2013 and that are secured by the
3 pledge of all or part of the county's revenue from the
4 distribution made pursuant to this section, then the amount
5 distributed pursuant to this section to that county shall be
6 increased by an amount sufficient to meet the required payment;
7 provided that the total amount distributed to that county pursuant
8 to this section does not exceed the amount that would have been
9 due that county pursuant to this section as it was in effect on
10 June 30, 2013.

11 ~~[E-]~~ F. A distribution pursuant to this section may be
12 adjusted for a distribution made to a tax increment development
13 district with respect to a portion of a gross receipts tax
14 increment dedicated by a county pursuant to the Tax Increment for
15 Development Act.

16 G. With respect to H-class counties, the provisions of
17 this section apply only to local option gross receipts taxes
18 authorized by Chapter 20 NMSA 1978 and imposed by the H-class
19 county."

20 **SECTION 4.** Section 7-2-18.15 NMSA 1978 (being Laws 2007,
21 chapter 45, Section 9, as amended) is amended to read:

22 "7-2-18.15. WORKING FAMILIES TAX CREDIT.--

23 A. A resident who files an individual New Mexico
24 income tax return may claim a credit in an amount equal to ~~ten~~
25 fifteen percent of the federal income tax credit for which that

1 individual is eligible for the same taxable year pursuant to
2 Section 32 of the Internal Revenue Code. The credit provided in
3 this section may be referred to as the "working families tax
4 credit".

5 B. The working families tax credit may be deducted
6 from the income tax liability of an individual who claims the
7 credit and qualifies for the credit pursuant to this section. If
8 the credit exceeds the individual's income tax liability for the
9 taxable year, the excess shall be refunded to the individual."

10 **SECTION 5.** Section 7-9-4 NMSA 1978 (being Laws 1966, Chapter
11 47, Section 4, as amended) is amended to read:

12 "7-9-4. IMPOSITION AND RATE OF TAX--DENOMINATION AS "GROSS
13 RECEIPTS TAX".--

14 A. For the privilege of engaging in business, an excise
15 tax equal to [~~five and one-eighth~~] three and nine-tenths percent
16 of gross receipts is imposed on any person engaging in business in
17 New Mexico.

18 B. The tax imposed by this section shall be referred to
19 as the "gross receipts tax".

20 **SECTION 6.** Section 7-9-7 NMSA 1978 (being Laws 1966, Chapter
21 47, Section 7, as amended) is amended to read:

22 "7-9-7. IMPOSITION AND RATE OF TAX--DENOMINATION AS
23 "COMPENSATING TAX".--

24 A. For the privilege of using tangible property in New
25 Mexico, there is imposed on the person using the property an

1 excise tax equal to [~~five and one eighth~~] three and nine-tenths
2 percent of the value of tangible property that was:

3 (1) manufactured by the person using the property
4 in the state; or

5 (2) acquired inside or outside of this state as
6 the result of a transaction with a person located outside this
7 state that would have been subject to the gross receipts tax had
8 the tangible personal property been acquired from a person with
9 nexus with New Mexico [~~or~~

10 ~~(3) acquired as the result of a transaction that~~
11 ~~was not initially subject to the compensating tax imposed by~~
12 ~~Paragraph (2) of this subsection or the gross receipts tax but~~
13 ~~which transaction, because of the buyer's subsequent use of the~~
14 ~~property, should have been subject to the compensating tax imposed~~
15 ~~by Paragraph (2) of this subsection or the gross receipts tax].~~

16 B. For the purpose of Subsection A of this section,
17 value of tangible property shall be the adjusted basis of the
18 property for federal income tax purposes determined as of the time
19 of acquisition or introduction into this state or of conversion to
20 use, whichever is later. If no adjusted basis for federal income
21 tax purposes is established for the property, a reasonable value
22 of the property shall be used.

23 C. [~~For the privilege of using services rendered in New~~
24 ~~Mexico, there is imposed on the person using such services an~~
25 ~~excise tax equal to five percent of the value of the services at~~

1 ~~the time they were rendered. The services, to be taxable under~~
2 ~~this subsection, must have been rendered as the result of a~~
3 ~~transaction that was not initially subject to the gross receipts~~
4 ~~tax but which transaction, because of the buyer's subsequent use~~
5 ~~of the services, should have been subject to the gross receipts~~
6 ~~tax.~~

7 D.] The tax imposed by this section shall be referred
8 to as the "compensating tax".

9 **SECTION 7.** Section 7-9-92 NMSA 1978 (being Laws 2004,
10 Chapter 116, Section 5) is amended to read:

11 "7-9-92. [~~DEDUCTION~~] CREDIT--GROSS RECEIPTS--SALE OF FOOD AT
12 RETAIL FOOD STORE.--

13 A. A credit may be claimed with respect to receipts
14 from the sale of food at a retail food store that are not exempt
15 from gross receipts taxation and are not deductible pursuant to
16 [another] a provision of the Gross Receipts and Compensating Tax
17 Act [~~may be deducted from gross receipts. The deduction provided~~
18 by this section shall be separately stated by the taxpayer]. The
19 amount of the credit equals the receipts multiplied by the tax
20 rate imposed pursuant to Section 7-9-4 NMSA 1978 for the reporting
21 period on those receipts.

22 B. For the purposes of this section:

23 (1) "food" means any food or food product for home
24 consumption that meets the definition of food in 7 USCA
25 [~~2012(g)(1)~~] 2012(k), as that section may be amended or

1 renumbered, for purposes of the federal [~~food-stamp~~] supplemental
2 nutrition assistance program; and

3 (2) "retail food store" means an establishment
4 that sells food for home preparation and consumption and that
5 meets the definition of retail food store in 7 USCA [~~2012(k)(1)~~]
6 2012(o), as that section may be amended or renumbered, for
7 purposes of the federal [~~food-stamp~~] supplemental nutrition
8 assistance program, whether or not the establishment participates
9 in the [~~food-stamp~~] program."

10 **SECTION 8.** Section 7-19D-7 NMSA 1978 (being Laws 1993,
11 Chapter 346, Section 7, as amended) is amended to read:

12 "7-19D-7. COLLECTION BY DEPARTMENT--TRANSFER OF PROCEEDS--
13 DEDUCTIONS.--

14 A. The department shall collect each tax imposed
15 pursuant to the provisions of the Municipal Local Option Gross
16 Receipts Taxes Act in the same manner and at the same time it
17 collects the state gross receipts tax.

18 B. Except as provided in Subsection C of this section,
19 the department shall withhold an administrative fee pursuant to
20 Section [~~1 of this 1997 act~~] 7-1-6.41 NMSA 1978. The department
21 shall transfer to each municipality for which it is collecting a
22 tax pursuant to the provisions of the Municipal Local Option Gross
23 Receipts Taxes Act the amount of each tax collected for that
24 municipality, less the administrative fee withheld and less any
25 disbursements for tax credits, refunds and the payment of interest

1 applicable to the tax. The transfer to the municipality shall be
2 made within the month following the month in which the tax is
3 collected.

4 C. With respect to the municipal gross receipts tax
5 imposed by a municipality pursuant to Section 7-19D-9 NMSA 1978,
6 the department shall withhold the administrative fee pursuant to
7 Section [~~1 of this 1997 act~~] 7-1-6.41 NMSA 1978 only on that
8 portion of the municipal gross receipts tax arising from a
9 municipal gross receipts tax rate in excess of [~~one half of one~~]
10 one and seven hundred twenty-five thousandths percent."

11 **SECTION 9.** Section 7-19D-9 NMSA 1978 (being Laws 1978,
12 Chapter 151, Section 1, as amended and recompiled by Laws 1993,
13 Chapter 346, Section 9, as amended) is amended to read:

14 "7-19D-9. MUNICIPAL GROSS RECEIPTS TAX--AUTHORITY TO IMPOSE
15 RATE.--

16 A. The majority of the members of the governing body of
17 any municipality may impose by ordinance an excise tax not to
18 exceed a rate of one and one-half percent of the gross receipts of
19 any person engaging in business in the municipality for the
20 privilege of engaging in business in the municipality. A tax
21 imposed pursuant to this [~~section~~] subsection shall be imposed by
22 the enactment of one or more ordinances, each imposing any number
23 of municipal gross receipts tax rate increments, but the total
24 municipal gross receipts tax rate imposed by all ordinances
25 pursuant to this subsection shall not exceed an aggregate rate of

1 one and one-half percent of the gross receipts of a person
2 engaging in business. Municipalities may impose increments of one-
3 eighth of one percent or multiples thereof.

4 B. In addition to any rate of municipal gross receipts
5 tax imposed pursuant to Subsection A of this section, each
6 municipality incorporated on July 1, 2019 is deemed to have
7 imposed, effective July 1, 2019, an additional tax at the rate of
8 one and two hundred twenty-five thousandths percent of the gross
9 receipts of any person engaging in business in the municipality.
10 The revenue from the additional rate imposed pursuant to this
11 subsection is dedicated to the payment of any outstanding bonds
12 issued by the municipality to the extent that the municipality by
13 ordinance pledged the revenues received from the distribution
14 pursuant to Section 7-1-6.4 NMSA 1978 to the repayment of such
15 bonds, until such time as the bonds are discharged in full or
16 provision has been fully made therefor. If a municipality by
17 ordinance dedicated any portion of the revenues received from the
18 distribution pursuant to Section 7-1-6.4 NMSA 1978 to a purpose
19 other than repayment of bonds, the revenues from the rate of tax
20 deemed imposed by this subsection are subject to such dedication
21 but the municipality may change the dedication at any time. If no
22 bonds are outstanding and no ordinance has dedicated these
23 revenues to any other purposes, the revenues are for general
24 purposes. For a municipality incorporated after July 1, 2019, a
25 tax pursuant to this subsection is hereby imposed, effective as of

1 the date of incorporation, at the rate of one and two hundred
2 twenty-five thousandths percent of the gross receipts of any
3 person engaging in business in the municipality.

4 ~~[B.]~~ C. The tax imposed pursuant to ~~[Subsection]~~
5 Subsections A and B of this section may be referred to as the
6 "municipal gross receipts tax". The aggregate rate imposed
7 pursuant to Subsections A and B of this section may not exceed two
8 and seven hundred twenty-five thousandths percent.

9 ~~[D.]~~ D. The governing body of a municipality may, at the
10 time of enacting an ordinance imposing the tax authorized in
11 Subsection A of this section, dedicate the revenue for a specific
12 purpose or area of municipal government services, including but
13 not limited to police protection, fire protection, public
14 transportation or street repair and maintenance. If the governing
15 body proposes to dedicate such revenue, the ordinance and, if any
16 election is held, the ballot shall clearly state the purpose to
17 which the revenue will be dedicated, and any revenue so dedicated
18 shall be used by the municipality for that purpose unless a
19 subsequent ordinance is adopted to change the purpose to which
20 dedicated or to place the revenue in the general fund of the
21 municipality.

22 ~~[D.]~~ E. An election shall be called on the questions of
23 disapproval or approval of any ordinance enacted pursuant to
24 Subsection A of this section or any ordinance amending such
25 ordinance:

1 (1) if the governing body chooses to provide in
2 the ordinance that it shall not be effective until the ordinance
3 is approved by the majority of the registered voters voting on the
4 question at an election to be held pursuant to the provisions of a
5 home-rule charter or on a date set by the governing body and
6 pursuant to the provisions of the Municipal Election Code
7 governing special elections; or

8 (2) if the ordinance does not contain a mandatory
9 election provision as provided in Paragraph (1) of this
10 subsection, upon the filing of a petition requesting such an
11 election if the petition is filed:

12 (a) pursuant to the requirements of a
13 referendum provision contained in a municipal home-rule charter
14 and signed by the number of registered voters in the municipality
15 equal to the number of registered voters required in its charter
16 to seek a referendum; or

17 (b) in all other municipalities, with the
18 municipal clerk within thirty days after the adoption of such
19 ordinance and the petition has been signed by a number of
20 registered voters in the municipality equal to at least five
21 percent of the number of the voters in the municipality who were
22 registered to vote in the most recent regular municipal election.

23 [~~E~~] F. The signatures on the petition filed in
24 accordance with Subsection [~~D~~] E of this section shall be verified
25 by the municipal clerk. If the petition is verified by the

1 municipal clerk as containing the required number of signatures of
2 registered voters, the governing body shall adopt an election
3 resolution calling for the holding of a special election on the
4 question of approving or disapproving the ordinance unless the
5 ordinance is repealed before the adoption of the election
6 resolution. An election held pursuant to Subparagraph (a) or (b)
7 of Paragraph (2) of Subsection ~~[D]~~ E of this section shall be
8 called, conducted and canvassed as provided in the Municipal
9 Election Code for special elections, and the election shall be
10 held within seventy-five days after the date the petition is
11 verified by the municipal clerk or it may be held in conjunction
12 with a regular municipal election if such election occurs within
13 seventy-five days after the date of verification by the municipal
14 clerk.

15 ~~[F.]~~ G. If at an election called pursuant to Subsection
16 ~~[D]~~ E of this section a majority of the registered voters voting
17 on the question approves the ordinance imposing the tax, the
18 ordinance shall become effective in accordance with the provisions
19 of the Municipal Local Option Gross Receipts Taxes Act. If at
20 such an election a majority of the registered voters voting on the
21 question disapproves the ordinance, the ordinance imposing the tax
22 shall be deemed repealed and the question of imposing any
23 increment of the municipal gross receipts tax authorized in this
24 section shall not be considered again by the governing body for a
25 period of one year from the date of the election.

1 ~~[G-]~~ H. Any municipality that has lawfully imposed by
2 the requirements of the Special Municipal Gross Receipts Tax Act a
3 rate of at least one-fourth of one percent shall be deemed to have
4 imposed one-fourth of one percent municipal gross receipts tax
5 pursuant to this section. Any rate of tax deemed to be imposed
6 pursuant to this subsection shall continue to be dedicated to the
7 payment of outstanding bonds issued by the municipality that
8 pledged the tax revenues by ordinance until such time as the bonds
9 are fully paid. A municipality may by ordinance change the
10 purpose for any rate of tax deemed to be imposed at any time the
11 revenues are not committed to payment of bonds.

12 ~~[H-]~~ I. Any law that imposes or authorizes the
13 imposition of a municipal gross receipts tax or that affects the
14 municipal gross receipts tax, or any law supplemental thereto or
15 otherwise appertaining thereto, shall not be repealed or amended
16 or otherwise directly or indirectly modified in such a manner as
17 to impair adversely any outstanding revenue bonds that may be
18 secured by a pledge of such municipal gross receipts tax unless
19 such outstanding revenue bonds have been discharged in full or
20 provision has been fully made therefor."

21 **SECTION 10.** APPLICABILITY--The provisions of Sections 1
22 through 3 of this act apply to net receipts with respect to
23 reporting periods beginning on or after July 1, 2019.

24 **SECTION 11.** EFFECTIVE DATE--

25 A. The effective date of Sections 4 through 9 is July

1 1, 2019.

2 B. The effective date of the Sections 1 through 3 of
3 this act is August 1, 2019.

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