

Explanation of
GRT – PIT Swap

Under this bill, each municipality receives a distribution from the state of either:

a) 1.225% of the 5.125% state gross receipts tax from business locations within the municipality (existing law): or

b) 1% of the 5.125% state gross receipts tax from business locations within the municipality plus a percentage of the personal income tax revenue from returns reported by residents of the municipality for the income tax year.

Bill Section	NMSA Section	Description
1	7-1-6.4	Reduces the municipal distribution percentage from 1.225% to 1%.
2	7-1-6.62	New distribution section offering each municipality the greater of 0.225% of the gross receipts tax revenues from businesses in the municipality versus a ratio times the reported New Mexico adjusted gross income on returns from residents of the municipality. The percentage is calculated by TRD annually. It is the ratio of 0.225% times the taxable gross receipts tax from all municipalities to the reported New Mexico adjusted gross income on returns from all municipal residents. Requires TRD to report annually to LFC, the municipalities, NM Municipal League, and DFA.
3	New	Requires TRD, DFA and NM Municipal League to report to the Revenue Stabilization and Tax Policy Review Committee each year for the period 2020 through 2023 the distributions made to municipalities under Sections 7-1-6.4 and 7-1-6.62.
4	---	Effective date: January 1, 2020.

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Bill

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

INTRODUCED BY

AN ACT

RELATING TO TAXATION; REALLOCATING GROSS RECEIPTS AND INCOME TAX REVENUES AMONG THE STATE AND MUNICIPALITIES; AMENDING AND ENACTING SECTIONS OF THE TAX ADMINISTRATION ACT.

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 section, a distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be made to each municipality in an amount, subject to any increase or decrease made pursuant to Section 7-1-6.15 NMSA 1978, equal to the product of the quotient of one [~~and two hundred twenty five thousandths~~] percent divided by the tax rate imposed by Section 7-

1 9-4 NMSA 1978 multiplied by the net receipts for the month
2 attributable to the gross receipts tax from business locations:

3 (1) within that municipality;

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

7 (3) outside the boundaries of any municipality on
8 land owned by that municipality; and

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

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

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

19 B. If the reduction made by Laws 1991, Chapter 9,
20 Section 9 to the distribution under this section impairs the
21 ability of a municipality to meet its principal or interest
22 payment obligations for revenue bonds outstanding prior to July 1,
23 1991 that are secured by the pledge of all or part of the
24 municipality's revenue from the distribution made under this
25 section, then the amount distributed pursuant to this section to

1 that municipality shall be increased by an amount sufficient to
2 meet any required payment, provided that the distribution amount
3 does not exceed the amount that would have been due that
4 municipality under this section as it was in effect on June 30,
5 1992.

6 C. A distribution pursuant to this section may be
7 adjusted for a distribution made to a tax increment development
8 district with respect to a portion of a gross receipts tax
9 increment dedicated by a municipality pursuant to the Tax
10 Increment for Development Act.”

11 **SECTION 2.** A new section of the Tax Administration Act,
12 Section 7-1-6.62 NMSA 1978, is enacted to read:

13 “7-1-6.62. [NEW MATERIAL] DISTRIBUTION TO MUNICIPALITIES–
14 GREATER OF PORTION OF INCOME TAX OR GROSS RECEIPTS TAX. –

15 A. Beginning with January, 2020, a distribution
16 pursuant to Section 7-1-6.1 NMSA 1978 shall be made to each
17 municipality in an amount equal to the greater of:

18 (1) the amount that would be distributed pursuant
19 to Section 7-1-6.4 NMSA 1978 to the municipality if the percentage
20 used for purposes of that section for the month were two hundred
21 twenty-five thousandths percent; or

22 (2) one-twelfth of an amount shown in the
23 schedule prepared in accordance with Subsection C of this section
24 for the municipality for the applicable year.

25 B. For the purposes of this section:

1 (1) “adjusted gross income reported” means the
2 sum for returns for a taxable year filed in the period January 1
3 through October 31 of the year following the taxable year of the
4 product of the adjusted gross income multiplied by the New Mexico
5 percentage;

6 (2) “municipal gross receipts share” means the
7 total taxable gross receipts reported in a calendar year for all
8 municipalities multiplied by two hundred twenty-five ten
9 thousandths;

10 (3) “municipal income base” means the sum for an
11 income taxable year of the adjusted gross income reported by
12 residents of all New Mexico municipalities; and

13 (4) “New Mexico percentage” means a percentage
14 equal to one hundred percent minus the non-New Mexico percentage
15 determined pursuant to Section 7-2-11 NMSA 1978, expressed as a
16 decimal to at least three significant places.

17 C. The taxation and revenue department will determine
18 by December 1, 2020 the ratio of municipal gross receipts share to
19 municipal income base for 2019 and by each subsequent December 1
20 the ratio for the year ending the prior December 31. The ratio
21 shall be calculated in decimal form, to at least three significant
22 places. The department shall report to the municipalities, the
23 New Mexico municipal league, the legislative finance committee and
24 the department of finance and administration no later than
25 December 10, 2020 and December 10 of each year thereafter the

1 ratio determined and a schedule showing for each municipality an
2 amount equal to the sum of the adjusted gross income reported by
3 the residents of the municipality for the prior taxable year
4 multiplied by the ratio.

5 D. The distribution made pursuant to this section is
6 subject to and impressed with any pledge in effect on January 1,
7 2020, of all or part of the municipality's revenue from the
8 distribution made pursuant to Section 7-1-6.4 NMSA 1978 until the
9 obligation secured by the pledge is discharged."

10 **SECTION 3. [NEW MATERIAL] REPORT TO REVENUE STABILIZATION**
11 **AND TAX POLICY COMMITTEE.** --The secretary of taxation and revenue,
12 the secretary of finance and administration and the executive
13 director of the New Mexico municipal league shall report annually
14 in the period 2020 through 2023 to the revenue stabilization and
15 tax policy committee the distributions made in the most recent
16 fiscal year or calendar year to the municipalities pursuant to
17 Sections 7-1-6.4 and 7-1-6.62 NMSA 1978 and any recommendation for
18 changes in the distribution formulas or revenue sources.

19 **SECTION 4. EFFECTIVE DATE.** --The effective date of the
20 provisions of this act is January 1, 2020.