

Explanation of  
**Take-back Big**

This bill continues a struggle to return to a sensible and understandable policy on adjusting in the current period amounts that had been distributed or transferred to local governments in prior periods. This is the main goal.

Along the way, a number of subsidiary issues have emerged and are dealt with in this draft.

Background: Section 7-1-6.15 of the Tax Administration Act, is the main theater. Originally enacted in 1983, it dealt primarily with gross receipts taxes but also covered other excise taxes shared with local governments. It granted Taxation and Revenue Department authority to adjust in the current period prior distributions to local governments while protecting the locals against undue fiscal hardship. Responding to a fundamental change in TRD's administration of this section a generation later, a substantially revised version became law in 2015. Local governments, however, feel that last-minute amendments to that revision emptied this provision of the protection the original version rightly offered.

### Section 7-1-6.15

**Subsection A** This specifies which tax and distribution programs are covered.

The design of the relief mechanism spelled out in subsections B through F most clearly applies to the distributions and transfers of state and local gross receipts tax revenue and compensating tax revenue. Hence, for easy reference, the listing of programs covered is re-ordered a bit to group the taxes to which this mechanism applies. Also, added to this group is Section 7-1-6.54, the transfer of portions of municipal or county gross receipts tax revenue to tax increment development districts for completeness.

**Subsection B:** Under current law, any negative amount relating to any period prior to the 3 calendar years preceding the year of the current month may not be recovered by TRD. This is cut to one calendar year preceding the year of the current month.

**Subsection J (new):** Proposes a new mechanism for adjusting the gasoline tax distribution at 7-1-6.9. Essentially it is an annual true-up made in September of each year based on a review and correction, if required, of the distributions made in the prior fiscal year. All positive distributions amounts would be added in September. Negatives would be subtracted from the "regular" distribution amount in September unless the negative exceeds 50% of the "regular" distribution. In that case, the negative take-back can be spread over up to 6 months.

The relief mechanism in subsections B through F simply cannot be applied to distributions of gasoline taxes. Gasoline taxes are imposed generally at the distributor level, not at the retail outlet; so locality of the actual retail sale can be uncertain at the time of reporting. Most importantly, gasoline revenue distributions are linked together by formula; conceptually, an adjustment to any municipality or county implies countervailing adjustments to every other municipality and county. An annual clean-up procedure seems sufficient.

**Subsection J** (new): Requires the calculation of the gasoline tax portion of the county government road fund distribution be based on the annual true-up gasoline gallonages determined under Subsection K. Because of lags build into the distribution, there will not be two “true-up” gallonage reports available until the distribution determination for 2021.

**Subsection L** - definitions: Definition of “average distribution or transfer amount” converted from an annual to a monthly basis. The length of the calendar period over which the average is determined – 36 months – remains the same. Language for determining an average when distributions/transfers have occurred for fewer than 36 months is simplified.

#### Conforming amendments made to

7-1-6.27 Distribution—Municipal Roads

7-1-6.54 Transfer---Tax Increment Development Districts

7-1-6.55 Distribution to Municipality Equivalent to a Portion of Compensating Tax. Also removes obsolete language.

Transition Provision: TRD implemented the 2015 version of 7-1-6.15 in a manner that suggested that clear transition provisions were necessary for any subsequent amendment of that section.

Effective Date: January 1, 2020. This is meant to accommodate in advance pleas for implementation time.

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Bill

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

INTRODUCED BY

AN ACT

RELATING TO TAXATION; AMENDING SECTION 7-1-6.15 NMSA 1978 (BEING LAWS 1983, CHAPTER 211, SECTION 20, AS AMENDED BY LAWS 2015, CHAPTER 89, SECTION 1 AND LAWS 2015, CHAPTER 100, SECTION 1) TO AUTHORIZE THE TAXATION AND REVENUE DEPARTMENT TO MAKE ADJUSTMENTS TO CERTAIN DISTRIBUTIONS AND TRANSFERS, REVISE AND ADD PROCESSES BY WHICH THOSE DISTRIBUTIONS AND TRANSFERS ARE ADJUSTED AND AMEND THE DEFINITION OF "AVERAGE DISTRIBUTION OR TRANSFER AMOUNT" AND MAKING CONFORMING AMENDMENTS TO OTHER SECTIONS OF THE TAX ADMINISTRATION ACT.

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

**SECTION 1.** Section 7-1-6.15 NMSA 1978 (being Laws 1983, Chapter 211, Section 20, as amended by Laws 2015, Chapter 89, Section 1 and Laws 2015, Chapter 100, Section 1) is amended to read:

"7-1-6.15. ADJUSTMENTS OF DISTRIBUTIONS OR TRANSFERS TO

1 MUNICIPALITIES OR COUNTIES.--

2 A. The provisions of this section apply to:

3 (1) any distribution to a municipality pursuant to Section  
4 7-1-6.4, 7-1-6.36 or 7-1-6.46 NMSA 1978;

5 (2) any transfer to a municipality with respect to any local  
6 option gross receipts tax imposed by that municipality;

7 (3) any transfer to a county with respect to any local  
8 option gross receipts tax imposed by that county;

9 (4) any distribution to a county pursuant to Section 7-1-  
10 6.16 or 7-1-6.47 NMSA 1978;

11 (5) ~~[any distribution to a municipality or a county of~~  
12 ~~gasoline taxes pursuant to Section 7-1-6.9 NMSA 1978]~~ any distribution to a  
13 municipality of compensating taxes pursuant to Section 7-1-6.55 NMSA 1978;

14 (6) any transfer to a county with respect to any tax  
15 imposed in accordance with the Local Liquor Excise Tax Act;

16 (7) any transfer to a tax increment development district  
17 pursuant to Section 7-1-6.54 MNSA 1978;

18 (8) any distribution to a county from the county  
19 government road fund pursuant to Section 7-1-6.26 NMSA 1978;

20 ~~[(8)]~~ (9) any distribution to a municipality of gasoline  
21 taxes pursuant to Section 7-1-6.27 NMSA 1978; and

22 ~~[(9)]~~ (10) ~~[any distribution to a municipality of~~  
23 ~~compensating taxes pursuant to Section 7-1-6.55 NMSA 1978]~~ any distribution  
24 to a municipality or a county of gasoline taxes pursuant to Section 7-1-6.9  
25 NMSA 1978.

1           B. Before making a distribution or transfer specified in  
2 Paragraphs (1) through (7) of Subsection A of this section to a municipality or  
3 county for the month, amounts comprising the net receipts shall be  
4 segregated into two mutually exclusive categories. One category shall be for  
5 amounts relating to the current month, and the other category shall be for  
6 amounts relating to prior periods. The total of each category for a municipality  
7 or county shall be reported each month to that municipality or county. If the  
8 total of the amounts relating to prior periods is less than zero and its absolute  
9 value exceeds the greater of one hundred dollars (\$100) or an amount equal  
10 to twenty percent of the average distribution or transfer amount for that  
11 municipality or county, then the following procedures shall be carried out:

12                   (1) all negative amounts relating to any period prior to the  
13 [~~three calendar years~~] calendar year preceding the year of the current month,  
14 net of any positive amounts in that same time period for the same taxpayers  
15 to which the negative amounts pertain, shall be excluded from the total  
16 relating to prior periods. Except as provided in Paragraph (2) of this  
17 subsection, the net receipts to be distributed or transferred to the municipality  
18 or county shall be adjusted to equal the amount for the current month plus the  
19 revised total for prior periods; and

20                   (2) if the revised total for prior periods determined  
21 pursuant to Paragraph (1) of this subsection is negative and its absolute value  
22 exceeds the greater of one hundred dollars (\$100) or an amount equal to  
23 twenty percent of the average distribution or transfer amount for that  
24 municipality or county, the revised total for prior periods shall be excluded  
25 from the distribution or transfers and the net receipts to be distributed or

1 transferred to the municipality or county shall be equal to the amount for the  
2 current month.

3 C. The department shall recover from a municipality or county  
4 the amount excluded by Paragraph (2) of Subsection B of this section. This  
5 amount may be referred to as the "recoverable amount".

6 D. Prior to or concurrently with the distribution or transfer to the  
7 municipality or county of the adjusted net receipts, the department shall notify  
8 the municipality or county whose distribution or transfer has been adjusted  
9 pursuant to Paragraph (2) of Subsection B of this section:

10 (1) that the department has made such an adjustment,  
11 that the department has determined that a specified amount is recoverable  
12 from the municipality or county and that the department intends to recover  
13 that amount from future distributions or transfers to the municipality or  
14 county;

15 (2) that the municipality or county has ninety days from  
16 the date notice is made to enter into a mutually agreeable repayment  
17 agreement with the department;

18 (3) that if the municipality or county takes no action within  
19 the ninety-day period, the department will recover the amount from the next  
20 six distributions or transfers following the expiration of the ninety days; and

21 (4) that the municipality or county may inspect, pursuant  
22 to Section 7-1-8.9 NMSA 1978, an application for a claim for refund that gave  
23 rise to the recoverable amount, exclusive of any amended returns that may be  
24 attached to the application.

25 E. No earlier than ninety days from the date notice pursuant to

1 Subsection D of this section is given, the department shall begin recovering  
2 the recoverable amount from a municipality or county as follows:

3 (1) the department may collect the recoverable amount  
4 by:

5 (a) decreasing distributions or transfers to the  
6 municipality or county in accordance with a repayment agreement entered into  
7 with the municipality or county; or

8 (b) except as provided in Paragraphs (2) and (3) of  
9 this subsection, if the municipality or county fails to act within the ninety days,  
10 decreasing the amount of the next six distributions or transfers to the  
11 municipality or county following expiration of the ninety-day period in  
12 increments as nearly equal as practicable and sufficient to recover the  
13 amount;

14 (2) if, pursuant to Subsection B of this section, the  
15 secretary determines that the recoverable amount is more than fifty percent of  
16 the average distribution or transfer of net receipts for that municipality or  
17 county, the secretary:

18 (a) shall recover only up to fifty percent of the  
19 average distribution or transfer of net receipts for that municipality or county;  
20 and

21 (b) may, in the secretary's discretion, waive  
22 recovery of any portion of the recoverable amount, subject to approval by the  
23 state board of finance; and

24 (3) if, after application of a refund claim, audit  
25 adjustment, correction of a mistake by the department or other adjustment of

1 a prior period, but prior to any recovery of the department pursuant to this  
2 section, the total net receipts of a municipality or county for the twelve-month  
3 period beginning with the current month are reduced or are projected to be  
4 reduced to less than fifty percent of the average distribution or transfer of net  
5 receipts, the secretary may waive recovery of any portion of the recoverable  
6 amount, subject to approval by the state board of finance.

7 F. No later than ninety days from the date notice pursuant to  
8 Subsection D of this section is given, the department shall provide the  
9 municipality or county adequate opportunity to review an application for a  
10 claim for refund that gave rise to the recoverable amount, exclusive of any  
11 amended returns that may be attached to the application, pursuant to Section  
12 7-1-8.9 NMSA 1978.

13 G. On or before September 1 of each year beginning in 2020, the  
14 secretary shall report to the state board of finance and the legislative finance  
15 committee the total recoverable amount waived pursuant to Subparagraph (b)  
16 of Paragraph (2) and Paragraph (3) of Subsection E of this section for each  
17 municipality or county in the prior fiscal year.

18 H. The secretary is authorized to decrease a distribution or  
19 transfer to a municipality or county upon being directed to do so by the  
20 secretary of finance and administration pursuant to the State Aid Intercept Act  
21 or to redirect a distribution or transfer to the New Mexico finance authority  
22 pursuant to an ordinance or a resolution passed by the county or municipality  
23 and a written agreement of the municipality or county and the New Mexico  
24 finance authority. Upon direction to decrease a distribution or transfer or  
25 notice to redirect a distribution or transfer to a municipality or county, the



1 secretary shall decrease or redirect the next designated distribution or  
2 transfer, and succeeding distributions or transfers as necessary, by the  
3 amount of the state distributions intercept authorized by the secretary of  
4 finance and administration pursuant to the State Aid Intercept Act or by the  
5 amount of the state distribution intercept authorized pursuant to an ordinance  
6 or a resolution passed by the county or municipality and a written agreement  
7 with the New Mexico finance authority. The secretary shall transfer the state  
8 distributions intercept amount to the municipal or county treasurer or other  
9 person designated by the secretary of finance and administration or to the  
10 New Mexico finance authority pursuant to written agreement to pay the debt  
11 service to avoid default on qualified local revenue bonds or meet other local  
12 revenue bond, loan or other debt obligations of the municipality or county to  
13 the New Mexico finance authority. A decrease to or redirection of a  
14 distribution or transfer pursuant to this subsection that arose:

15 (1) prior to an adjustment of a distribution or transfer of  
16 net receipts creating a recoverable amount owed to the department takes  
17 precedence over any collection of any recoverable amount pursuant to  
18 Paragraph (2) of Subsection B of this section, which may be made only from  
19 the net amount of the distribution or transfer remaining after application of the  
20 decrease or redirection pursuant to this subsection; and

21 (2) after an adjustment of a distribution or transfer of net  
22 receipts creating a recoverable amount owed to the department shall be  
23 subordinate to any collection of any recoverable amount pursuant to  
24 Paragraph (2) of Subsection B of this section.

25 I. Upon the direction of the secretary of finance and

1 administration pursuant to Section 9-6-5.2 NMSA 1978, the secretary shall  
2 temporarily withhold the balance of a distribution to a municipality or county,  
3 net of any decrease or redirected amount pursuant to Subsection H of this  
4 section and any recoverable amount pursuant to Paragraph (2) of Subsection  
5 B of this section, that has failed to submit an audit report required by the  
6 Audit Act or a financial report required by Subsection F of Section 6-6-2 NMSA  
7 1978. The amount to be withheld, the source of the withheld distribution and  
8 the number of months that the distribution is to be withheld shall be as  
9 directed by the secretary of finance and administration. A distribution  
10 withheld pursuant to this subsection shall remain in the tax administration  
11 suspense fund until distributed to the municipality or county and shall not be  
12 distributed to the general fund. An amount withheld pursuant to this  
13 subsection shall be distributed to the municipality or county upon direction of  
14 the secretary of finance and administration.

15 J. By August 31, 2019 and by August 31 of each subsequent  
16 year, the department shall recompute the gasoline gallons attributed to each  
17 municipality and county and the gasoline tax distributions to them pursuant to  
18 Section 7-1-6.9 NMSA 1978 for the previous fiscal year if in that fiscal year,  
19 any taxpayer reported, whether by amended return or other method, or the  
20 department made, through audit or other process other than that of this  
21 subsection, amendments to the number of taxable gasoline gallons reported  
22 for any location for any previous month within the fiscal year. If the  
23 recomputation results in changes to the amounts that would have been  
24 distributed to one or more municipalities or counties had the amended  
25 gallonage been reported initially, then the department shall prepare a report

1 showing the difference in gallonage and distribution amount for each  
2 municipality and county for the fiscal year. The differences for each  
3 municipality and county shall be aggregated for the fiscal year. The annual  
4 difference in distribution amount may be referred to as the "net dollar amount"  
5 for the municipality or county. The report shall be distributed to all  
6 municipalities and counties by July 31. The following adjustments shall be  
7 made to the distribution for the September, and if necessary succeeding  
8 months, following the recomputation:

9 (1) If, for a municipality or county, the absolute value of  
10 the net dollar amount is less than one dollar (\$1.00), no change pursuant to  
11 this subsection shall be made to the aggregate or any monthly distribution to  
12 that municipality or county.

13 (2) In all other cases, if the net dollar amount is positive  
14 for a municipality or county, it shall be added to the distribution amount  
15 determined for that municipality or county based on returns for the current  
16 month; the municipality or county shall be notified of the net dollar amount  
17 and that it has been added to the distribution amount. If the net dollar amount  
18 is negative for a municipality or county, it shall be subtracted from the  
19 distribution amount determined for that municipality or county based on  
20 returns for the current month provided that the reduction may not result in the  
21 net distribution amount being less than fifty percent of the amount determined  
22 based on returns for the current month with any remainder of the reduction to  
23 be collected from distributions in the following six months. The department  
24 shall notify the municipality or county no later than the date of the distribution  
25 that:

1                                   (a) the distribution amount has been reduced  
2 pursuant to this subsection, the amount of the reduction and the amount of  
3 any additional reduction for which collection has been postponed pursuant to  
4 this subsection;

5                                   (b) the department intends to recover any  
6 postponed amount in equal installments over the following six distributions to  
7 that municipality or county; and

8                                   (c) that the municipality or county has thirty days to  
9 request any available additional information and to request a different  
10 repayment schedule.

11                               K. Beginning fiscal year 2021, the department shall recompute  
12 the distributions pursuant to Section 7-1-6.26 NMSA 1978 to each municipality  
13 or county based on the gallonage recomputation performed pursuant to  
14 Subsection K of this section for the appropriate fiscal year. The department  
15 shall prepare a report for each distribution showing any annual aggregate  
16 changes in distribution amounts for each municipality or county by August 31  
17 of each year.

18                               L. As used in this section:

19                                   (1) "amounts relating to the current month" means any  
20 amounts included in the net receipts of the current month that represent  
21 payment of tax due for the current month, correction of amounts processed in  
22 the current month that relate to the current month or that otherwise relate to  
23 obligations due for the current month;

24                                   (2) "amounts relating to prior periods" means any  
25 amounts processed during the current month that adjust amounts processed

1 in a period or periods prior to the current month regardless of whether the  
2 adjustment is a correction of a department error or due to the filing of  
3 amended returns, payment of department-issued assessments, filing or  
4 approval of claims for refund, audit adjustments or other cause;

5 (3) "average distribution or transfer amount" means the  
6 following amounts; provided that a distribution or transfer that is negative  
7 shall not be used in calculating the amounts:

8 (a) the [~~annual~~] average [~~of the total~~] monthly  
9 amount distributed or transferred to a municipality or county in [~~each of the~~  
10 ~~three twelve-month periods~~] the thirty-six-month period preceding the current  
11 month; or

12 (b) if a distribution or transfer to a municipality or  
13 county has been made for [~~less than three years, the total amount distributed~~  
14 ~~or transferred in the year preceding the current month; or~~

15 ~~(c) if a municipality or county has received~~  
16 ~~distributions or transfers of net receipts for twelve months~~] fewer than thirty-  
17 six months prior to the current month, the monthly average of net receipts  
18 distributed or transferred to the municipality or county for the months for  
19 which distributions or transfers preceding the current month [~~multiplied by~~  
20 ~~twelve~~] have been made;

21 (4) "current month" means the month for which the  
22 distribution or transfer is being prepared;

23 (5) "repayment agreement" means an agreement between  
24 the department and a municipality or county under which the municipality or  
25 county agrees to allow the department to recover an amount determined

1 pursuant to Paragraph (2) of Subsection B of this section by decreasing  
2 distributions or transfers to the municipality or county for one or more months  
3 beginning with the distribution or transfer to be made with respect to a  
4 designated month. No interest shall be charged."

5 **SECTION 2.** Section 7-1-6.27 NMSA 1978 (being Laws 1991, Chapter  
6 9, Section 20, as amended) is amended to read:

7 "7-1-6.27. DISTRIBUTION--MUNICIPAL ROADS.--

8 A. A distribution pursuant to Section 7-1-6.1 NMSA 1978 shall  
9 be made to municipalities for the purposes and amounts specified in this  
10 section in an aggregate amount, subject to any increase or decrease made  
11 pursuant to Section 7-1-6.15 NMSA 1978, equal to five and seventy-six  
12 hundredths percent of the net receipts attributable to the gasoline tax.

13 B. The distribution authorized in this section shall be used for  
14 the following purposes:

15 (1) reconstructing, resurfacing, maintaining, repairing or  
16 otherwise improving existing alleys, streets, roads or bridges, or any  
17 combination of the foregoing; or laying off, opening, constructing or otherwise  
18 acquiring new alleys, streets, roads or bridges, or any combination of the  
19 foregoing; provided that any of the foregoing improvements may include, but  
20 are not limited to, the acquisition of rights of way;

21 (2) to provide matching funds for projects subject to  
22 cooperative agreements with the state highway and transportation department  
23 pursuant to Section 67-3-28 NMSA 1978; and

24 (3) for expenses of purchasing, maintaining and operating  
25 transit operations and facilities, for the operation of a transit authority

1 established by the municipal transit law and for the operation of a vehicle  
2 emission inspection program. A municipality may engage in the business of  
3 the transportation of passengers and property within the political subdivision  
4 by whatever means the municipality may decide and may acquire cars, trucks,  
5 motor buses and other equipment necessary for operating the business. A  
6 municipality may acquire land, erect buildings and equip the buildings with all  
7 the necessary machinery and facilities for the operation, maintenance,  
8 modification, repair and storage of the cars, trucks, motor buses and other  
9 equipment needed. A municipality may do all things necessary for the  
10 acquisition and the conduct of the business of public transportation.

11 C. For the purposes of this section:

12 (1) "computed distribution amount" means the  
13 distribution amount calculated for a municipality for a month pursuant to  
14 Paragraph (2) of Subsection D of this section prior to any adjustments to the  
15 amount due to the provisions of Subsections E and F of this section;

16 (2) "floor amount" means four hundred seventeen dollars  
17 (\$417);

18 (3) "floor municipality" means a municipality whose  
19 computed distribution amount is less than the floor amount; and

20 (4) "full distribution municipality" means a municipality  
21 whose population at the last federal decennial census was at least two  
22 hundred thousand.

23 D. Subject to the provisions of Subsections E and F of this  
24 section, each municipality shall be distributed a portion of the aggregate  
25 amount distributable under this section in an amount equal to the greater of:

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(1) the floor amount; or

(2) eighty-five percent of the aggregate amount

distributable under this section times a fraction, the numerator of which is the municipality's reported taxable gallons of gasoline for the immediately preceding state fiscal year and the denominator of which is the reported total taxable gallons for all municipalities for the same period.

E. Fifteen percent of the aggregate amount distributable under this section shall be referred to as the "redistribution amount". Beginning in August 1990, and each month thereafter, from the redistribution amount there shall be taken an amount sufficient to increase the computed distribution amount of every floor municipality to the floor amount. In the event that the redistribution amount is insufficient for this purpose, the computed distribution amount for each floor municipality shall be increased by an amount equal to the redistribution amount times a fraction, the numerator of which is the difference between the floor amount and the municipality's computed distribution amount and the denominator of which is the difference between the product of the floor amount multiplied by the number of floor municipalities and the total of the computed distribution amounts for all floor municipalities.

F. If a balance remains after the redistribution amount has been reduced pursuant to Subsection E of this section, there shall be added to the computed distribution amount of each municipality that is neither a full distribution municipality nor a floor municipality an amount that equals the balance of the redistribution amount times a fraction, the numerator of which



1 is the computed distribution amount of the municipality and the denominator  
2 of which is the sum of the computed distribution amounts of all municipalities  
3 that are neither full distribution municipalities nor floor municipalities."

4 **SECTION 4.** Section 7-1-6.54 NMSA 1978 (being Laws 2006, Chapter  
5 75, Section 29) is amended to read;

6 "7-1-6.54. ~~[DISTRIBUTIONS]~~ TRANSFER--TAX INCREMENT  
7 DEVELOPMENT DISTRICTS.--A [distribution] transfer, subject to any increase  
8 or decrease made pursuant to Section 7-1-6.15 NMSA 1978, to a tax  
9 increment development district shall be made by the department, in  
10 accordance with a notice that is filed pursuant to the Tax Increment for  
11 Development Act with respect to a taxing entity's dedication of a portion of a  
12 gross receipts tax increment to the tax increment development district."

13 **SECTION 5.** Section 7-1-6.55 (being Laws 2007, Chapter 331, Section  
14 4) is amended to read:

15 "7-1-6.55. DISTRIBUTION TO MUNICIPALITY EQUIVALENT TO A  
16 PORTION OF COMPENSATING TAX.--

17 A A distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be  
18 made to each municipality in an amount calculated pursuant to Subsection B  
19 of this section ~~[subject to any increase or decrease made pursuant to Section~~  
20 ~~7-1-6.15 NMSA 1978; provided that the distribution shall be phased in~~  
21 ~~according to the following schedule:~~

22 ~~(1) from July 1, 2008 until June 30, 2009, the distribution~~  
23 ~~shall be equal to ten percent of the amount calculated according to Subsection~~  
24 ~~B of this section; and~~

25 ~~(2) on or after July 1, 2009, the distribution shall be equal~~

1 ~~to thirty percent of the amount calculated according to Subsection B of this~~  
2 ~~section]~~ for that municipality.

3 B. The amount of the distribution provided for in this section  
4 shall be calculated for each month in the six-month period beginning on each  
5 July 1 and January 1 and shall be equal to thirty percent of the reported  
6 taxable gross receipts for all business locations in the municipality for the  
7 month multiplied by:

8 (1) the ratio of net compensating tax receipts, subject to  
9 any increase or decrease made pursuant to Section 7-1-6.15 NMSA 1978, for  
10 the entire six-month period beginning the previous November 1 or May 1,  
11 respectively, to the reported taxable gross receipts for all business locations  
12 for the entire six-month period beginning the previous November 1 or May 1,  
13 respectively; and further multiplied by:

14 (2) the ratio of one and two hundred twenty-five  
15 thousandths percent to the average tax rate imposed by Section 7-9-7 NMSA  
16 1978 in effect for the six-month period beginning on January 1 or July 1,  
17 respectively."

18 **SECTION 6.** TEMPORARY PROVISION--TRANSITION PROVISION--The  
19 provisions of Section 1 of this act apply to distributions and transfers made on  
20 or after the effective date of this act and to repayment agreements entered  
21 into on or after the effective date of this act. Distributions and transfers made  
22 and repayment agreements entered into prior to the effective date of this act  
23 will be governed by that version of Section 7-1-6.15 NMSA 1978 in effect  
24 immediately prior to the effective date of this act.

