

GRT Policy Issues: Economic Aspects (Pyramiding Issues)

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The Pyramiding Issue

Pyramiding

- **Although NM's GRT imposition and base is broader than most states, it does contain anti-pyramiding provisions for direct sales for resale of tangibles and services, and some consumed B2B transactions.**
- **New Mexico has looked at pyramiding specifically a couple of times in studies and more broadly in tax reform efforts, most notably:**
 - **NMTRI Study 2005**
 - **EY 2018**
 - **Professional Tax Study Committee**
 - **Blue Ribbon Tax Reform Commission (2003-4)**
 - **Governor Richardson's Budget Balancing Task Force (2009)**

Anti-Pyramiding Provisions

- **New Mexico’s GRT has historically contained “anti-pyramiding” deductions:**
 - **Direct sales for resale (goods and services)**
 - **The deduction for services for resale being a trap for the unwary as only as every other sale is taxable, regardless if resold and a recommended change from the BRTRC)**
 - **Intercompany administrative and accounting services**
 - **Chemical and reagents**
 - **Wind and solar generation sold to governments**
 - **Certain internet and world wide web related services**
 - **Most things agricultural**

Issues with Reform

Broad reform has proven mostly elusive (e.g. HB 367 from 2023) however changes have been made as a result of these efforts, but typically have been narrowly focused. Recent changes include:

- **Manufacturing equipment deduction (eventually replacing investment tax credit)**
- **Construction related services**

Changes have been proposed in the past to reduce pyramiding and generally reform the GRT, but have faced challenges:

- **Fiscal impact**
 - **Note: changes to the GRT impact local government revenues more than NM's GF**
- **Consensus on the “problem”**