

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”