

REQUEST FOR INFORMATION
Analysis of the New Mexico Gross Receipts Tax Base and Options for Reform

STATEMENT OF INTENT

The Legislative Council Service (LCS) is issuing this Request for Information (RFI) for the purpose of obtaining information from potential economic researchers to estimate the gross receipts tax (GRT) base in New Mexico and evaluating options for replacing or reforming the GRT.

I. Background

Legislation has been introduced in the past three regular legislative sessions to fundamentally reform the GRT by significantly broadening the tax base and lowering the rate. Although these proposals generated much discussion, the bills did not pass due to the lack of information about the potential fiscal impact such broad reforms may have on the revenue and economy of the state.

The LCS has been requested to hire an economic researcher or economic research group to estimate the GRT base and evaluate options for replacing or reforming the GRT.

II. General Questions

The LCS is requesting information from potential economic researchers to determine services available to estimate the GRT base and evaluate options for replacing or reforming the GRT. Please address the following questions in your response:

- (1) What software application or program will you use to estimate the GRT base and evaluate the options to replace or reform the GRT?
- (2) What is your experience in analyzing tax structures?
- (3) What is your experience in estimating the fiscal impact of changes to tax structures?
- (4) What is the approximate total cost, including hourly rates or fixed fees, administrative costs or any other costs, anticipated with respect to the provision of the services as provided in this RFI?

III. Project Scope

The selected vendor must:

- (1) estimate New Mexico's GRT base;

(2) evaluate at least the following three options to replace or reform the GRT, and may evaluate additional options as suggested by the selected vendor:

(a) imposing a relatively broad sales tax to replace the GRT, including on the sale of services for final consumption, while imposing a companion turnover tax on business activity at a low rate;

(b) imposing a single transaction tax at a lower rate than the current GRT, but on a broader base to maintain revenue sufficiency; and

(c) implementing incremental GRT reform to bring the rate down while broadening the base through the repeal of tax expenditures, with a focus on reducing the negative effects of pyramiding; and

(3) the evaluation for each option must address, at a minimum:

(a) the impact on state and local revenue;

(b) the risks associated with maintaining revenue sufficiency if the option is implemented;

(c) the impact on state and local revenue of the GRT paid on sales to governmental entities;

(d) whether certain selective sales taxes should be included in the broader sales tax or the GRT, such as the insurance premium tax or motor vehicle excise tax;

(e) the treatment of economic development tax incentives, especially recent tax incentives that were enacted to induce taxpayers to move to New Mexico and create new jobs; and

(f) the importance of certain deductions, exemptions, etc., that are not considered tax expenditures and are used to define the tax base.

IV. Special Considerations/Information

The selected vendor shall report progress to the legislative interim Revenue Stabilization and Tax Policy Committee at its meeting to be held December 15-16, 2015 at the State Capitol.

The selected vendor shall provide a final report to the Revenue Stabilization and Tax Policy Committee no later than July 31, 2016.

V. Instructions for Responding

Please submit your response to this RFI to Raúl Burciaga at raul.burciaga@nmlegis.gov or by mail to:

Raúl Burciaga, Director
Legislative Council Service
State Capitol, Suite 411
490 Old Santa Fe Trail
Santa Fe, NM 87501

Please provide your response in an electronic format as a WordPerfect document (.wpd), Microsoft Word document (.doc or .docx) or Adobe PDF (.pdf). Please reference **RFI #15-02** with your response. Please respond on or before **Friday, September 11, 2015**, at 5:00 p.m., MDT.