

**BLUE RIBBON TAX REFORM COMMISSION**  
**Facilitated Discussion**  
**May 2, 2003**

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**BUSINESS:**

What would success look like? What needs to happen to ensure success? How would we know that we are on this road?

What would failure look like? What need to happen to ensure success? What would be the signs that we are on the wrong road?

**Group 1:**

Success:

Reduce gross receipts tax (GRT) pyramiding  
examine Non-taxable transaction certificates (NTTC)  
More competitive  
    need state by state information  
Fairness by type of business  
    look at exemptions and deductions  
GRT versus compensating tax  
more equal legs on the "3 leg" approach  
Simplification  
Reduce compliance costs for small business  
Fairness by type of produce  
Better education  
Unitary CIT

Failure:

Not be a part of simplified sales tax  
Continue to be "too different" and "too complicated"  
Narrowing the base causing a need for immediate tax increase

Process Questions:

Start over – what should be the base, who should be taxed, etc.  
Time frame – short amount of time by committee  
Start with solutions or best answer  
Set overall blueprint – figure out how to move it  
Evaluate current system against principles

More Specific Business Issues:

Review fees – especially business permit and filing fees  
User fees are "OK"  
Even-out distributions to local governments  
Who does what?  
Alternative business tax to GRT

**GROUP 2:**

Business Success:

Improve System:

- competitive (other states)
- stability – major changes not needed hereafter
- predictability
- administratively efficient (including compliance)
- horizontal equity
  - property tax vs personal property tax
  - 501 ( c)(3)
  - county-to-county disparities
- credible non-governmental watchdog board (ongoing improvements), non political (e.g. Workers comp)
- Stool not balanced
- simplicity
- compliance burden: NTTC – good faith efforts
- inconsistent information from department
  - turnover/quality of personnel
- use of technology: e-mail, web site, e.g. EDD info
- board (e.g. workers comp)
- reduce pyramiding options
- address fairness/horizontal equity

Administration:

- better economic and tax policy
- fairer treatment of taxpayers needed to avoid initiatives for more exemptions/deductions

Failure

- not a failure if not need major changes
- not a competitive tax system
- not export as much as possible
- 20th century tax system: only sales tax tangibles
- revenue down
- revenue up
- narrow the base

-not address GRT on certain services (medical)

### **Group 3:**

#### Business Success:

- incentives that are fair and equitable for small, as well as, large businesses
- simplicity, account-ability
- competitive with other states
- vertical and horizontal equity
- adequacy – provision of good infrastructure, including education and roads
- non-profits with commercial activities need to pay their way
- pyramiding
- exemptions, deductions and credits must be more equitable
- re-examine corporate income tax
- "premium tax insurance issues"
- property tax valuation – equity

#### Failure:

- do nothing
- increase complexity
- disincentives for economic development

### **Group 4:**

#### Business Success:

- decide if commission is cutting, raising, or tax neutral
- or don't choose
- stay on curve without growth
- identify inequity
  - benefits given to business
  - equitably applied
  - return on income
  - look at tax credits, i.e. call centers, livestock, etc.
- simpler, fairer & produce money
- two lists tax increased/tax decreases
  - prepared by staff (decide by commission)
- 93 GRT exemptions
  - one day on each one (minimize impact)
- compliance opportunities
- follow-up
- commission to "stop" in 4 months
- have "Horizon" task force take this on
- establish a model for looking at system – continuous
- look at "value added taxes" – farmers, O & G, Pyramiding, final product

- find 3-5 things to make NM more economically competitive
- look at surrounding states for competitiveness
- look at what we could do
- bold change/small adjustments
- analyze weaknesses & strengths, then decision
- simplify, ways to understand – do later? Reqs
- differential tax rates

Burdens:

- regulations – ongoing committee
- NTTC

Benefits:

- simplicity
- NTTC – 1

Study – Eliminating? Escape Clause:

- capital gains
- corp tax

**Group 5:**

Business Success:

- easy to comply, includes NTTC, easy to understand
- uniform taxation of commercial activity
  - taxbase and tax rates (equal statewide)
- prompt payment of taxes due (enforcement)
- legislature adopts tax principles against which to evaluate tax bills; sunset provision on tax exemptions
- tax policy deviations should be win-win
- predictability

## **FAMILIES/INDIVIDUALS:**

What would success look like? What needs to happen to ensure success? How would we know that we are on this road?

What would failure look like? What needs to happen to ensure success? What would be the signs that we are on the wrong road?

### **Group 1:**

Property tax not related to "ability to pay"

- seniors
- low income/land rich
- residential v. non-residential
- different assessment/rates

regressivity

- GRT, property – hidden

broad base, low rate

GRT on nursing homes, certain medical services

re-visit PIT

demographics – native American

education – taxes paid, tradeoffs

### **Group 2:**

Fair Amount Paid (proportional)

stability

property tax – quarterly

- hurts new home buyers

LICTR – revisit

examine brackets for PIT

food tax

remote sales

doc's taxes

medical

export the tax

BUSINESS TAX SUCCESS=FAMILY TAX SUCCESS

BETTER EDUCATION=MORE JOBS/BETTER PAY

### **Group 3:**

lower & middle income tax rates

marriage tax penalty

- policy should not discourage marriage
- taxes on utilities
  - i.e. phone, cable, etc.
- revenue stream to address water
- medical services
- tax credit issue
  - education decision
  - day care
- GRT
  - home daycare
  - simplify
- Transportation availability
  - roads
  - gas tax, department of motor vehicles
- tax burden by age
- LICTR
  - look at this perception/education
- affordable housing
  - mobile home vs. permanent residence
  - property taxes on trophy homes
- programs that encourage divorce (retirees)
- encourage moving away
- high income elderly

## **Group 4:**

decouple from feds  
large standard deduction  
expand brackets – help low/middle income  
determine what deductions address New Mexico goals  
more control over our tax base  
how to have taxation and revenue department work better with public  
property tax – revisit rebate  
    -level \$250/eligibility level

## **PRIORITIES**

### **Group 1:**

scope out big picture, develop template  
tax pyramiding and selective sales taxes  
GRT and selective sales taxes and relationship with other taxes  
compensating tax issues  
food & medical/physician services  
other inequities  
    -profit versus nonprofit  
    -"C" corporations versus other types of business organization  
    -decoupling  
marriage penalty tax  
general excise tax alternative e.g. VAT  
highway funding  
comparative burden on extractive industries

### **Group 2:**

quick assessment of New Mexico tax system versus good tax system (simplification targets)  
impact of tax on health care  
competitiveness evaluation  
regulatory agency funding (enterprise funding) – user fees  
GRT exemptions  
    -cost versus economic impact  
fees, gas taxes relate to cost of roads, streets, etc,  
    -indebtedness  
non-profits competing with private enterprise  
GRT, compensating tax, governmental gross receipts tax fund distribution  
impact of total tax on native American lands, business, etc.  
same for federal lands

pyramiding of taxes/cost to system  
food tax – competitiveness, local tax bases, etc – regressivity  
distribution of funds  
statewide 1 mil property tax levy, how much would it raise

*Phase 2:*

Most nickel and dime fees  
land ownership  
periodic tax policy/structure review  
proper level of service by level of government