

Overview of State and Local Taxes In New Mexico

**Presentation to the
Blue Ribbon Tax Reform Commission**

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Introduction

- This presentation is designed to provide important background information concerning the system of state and local taxation as it exists today in New Mexico.
- The data provided concerning revenue collections are historical, mostly involving the last five fiscal years.
- There is no discussion of policy issues or potential changes to the tax system.
- The department continues to assemble additional information that may be useful to the Commission, including data on how New Mexico's tax system compares with those of other states.
- The presentation is designed to provide a "medium" level of detail on the state's tax system. The department can provide additional details on any aspect of the system as needed.
- The order of presentation of the various tax programs is designed to start with the largest categories of revenue first and work through to the smallest.
- For each category of revenue, a brief description is provided of the current statutes, and data on collections and distributions of the revenue over the last five fiscal years is provided.

Historical Data on Tax Collections

Total State and Local Taxes in New Mexico

- Figure 1 presents a summary of total State and Local Tax collections in New Mexico in Fiscal Year 2002¹.
- Total collections were \$5.22 billion, a decrease of 2.1% from FY 2001.
- General Sales Taxes (Gross Receipts Tax, Compensating Tax and others) are the largest single category of revenue, with collections of \$2.11 billion, an increase of 1.7%.
- Income Taxes on individuals and corporations contributed \$1.19 billion, a 2.9% increase.
- Property Taxes contributed \$743 million, a 9.9% increase.²
- Mineral production tax collections were \$533 million, a 34% decrease.
- Motor fuel taxes and fees were \$403 million, a 2.5% increase.
- Selective sales taxes were \$235 million, a 8.1% increase.

¹ The totals exclude taxes collected by the Public Regulation Commission as well as certain taxes collected by local governments, including the lodgers tax, local franchise taxes and others.

² This figure excludes the mineral ad valorem taxes.

Figure 1
Summary of NM Taxes: FY 2002

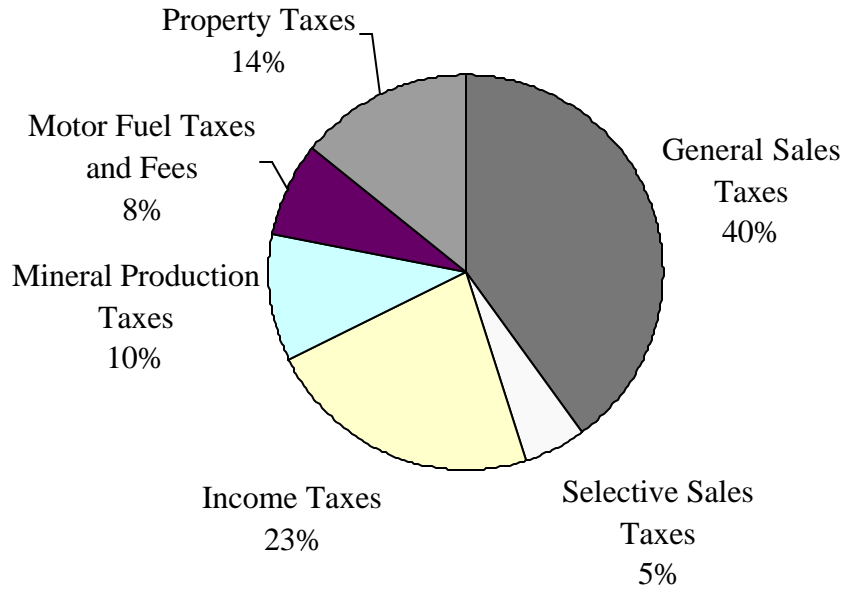


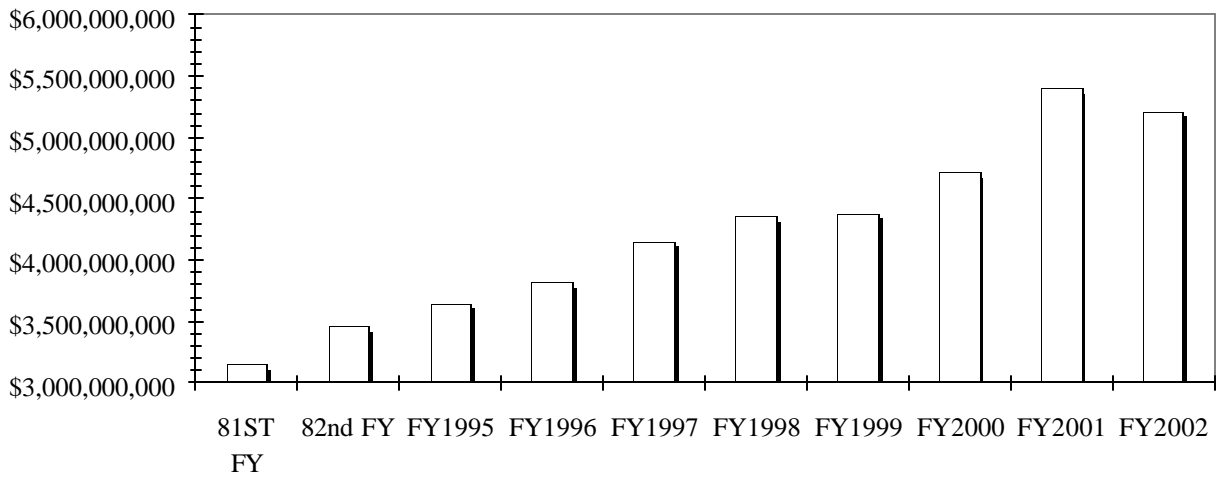
Table 1
Major Categories of New Mexico State and Local Taxes

	FY1998 (1997-1998)	FY1999 (1998-1999)	FY2000 (1999-2000)	FY2001 (2000-2001)	FY2002 (2001-2002)
Total Collections:					
General Sales Taxes	\$1,790,442,387	\$1,848,648,652	\$1,910,877,223	\$2,076,445,487	\$2,111,377,101
Income Taxes	\$992,358,266	\$993,668,299	\$1,062,749,058	\$1,160,126,520	\$1,193,654,192
Property Taxes	\$546,000,000	\$578,000,000	\$634,000,000	\$676,000,000	\$743,000,000
Road Use Taxes and Fees	\$397,601,679	\$408,297,138	\$407,622,785	\$393,619,816	\$403,352,720
Mineral Production Taxes	\$420,103,394	\$313,190,158	\$449,580,065	\$807,228,345	\$533,288,849
Selective Sales Taxes	\$177,524,492	\$184,671,785	\$213,186,488	\$217,813,734	\$235,388,605
Total--All Taxes	\$4,324,030,217	\$4,326,476,032	\$4,678,015,619	\$5,331,233,902	\$5,220,061,467
Share of Total Taxes:					
General Sales Taxes	41.4%	42.7%	40.8%	38.9%	40.4%
Income Taxes	22.9%	23.0%	22.7%	21.8%	22.9%
Property Taxes	12.6%	13.4%	13.6%	12.7%	14.2%
Road Use Taxes and Fees	9.2%	9.4%	8.7%	7.4%	7.7%
Mineral Production Taxes	9.7%	7.2%	9.6%	15.1%	10.2%
Selective Sales Taxes	4.1%	4.3%	4.6%	4.1%	4.5%
Total--All Taxes	100.0%	100.0%	100.0%	100.0%	100.0%
Annual Growth Rate:					
General Sales Taxes	6.3%	3.3%	3.4%	8.7%	1.7%
Income Taxes	3.1%	0.1%	7.0%	9.2%	2.9%
Property Taxes	6.8%	5.9%	9.7%	6.6%	9.9%
Road Use Taxes and Fees	6.0%	2.7%	-0.2%	-3.4%	2.5%
Mineral Production Taxes	1.2%	-25.4%	43.5%	79.6%	-33.9%
Selective Sales Taxes	3.6%	4.0%	15.4%	2.2%	8.1%
Total--All Taxes	5.0%	0.1%	8.1%	14.0%	-2.1%

This table excludes taxes collected by the Public Regulation Commission as well as certain taxes collected by Local Governments, including the lodgers tax, local franchise taxes and others.

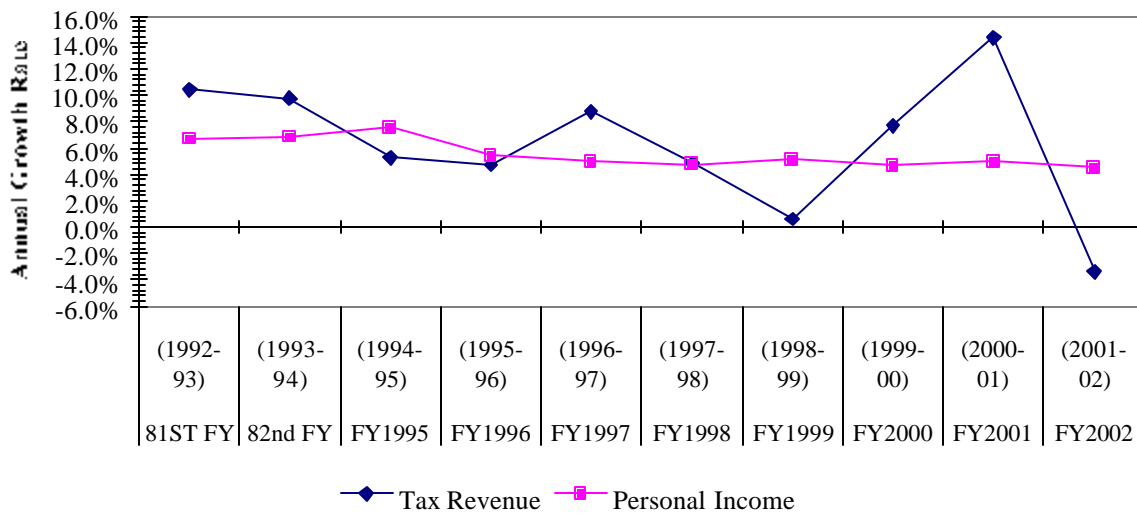
- Property tax share of total revenue is growing over time
- Road use taxes and fees are declining as a share
- Mineral revenue fluctuations are the main cause of variation in total revenue

Figure 2
New Mexico State and Local Tax Collections



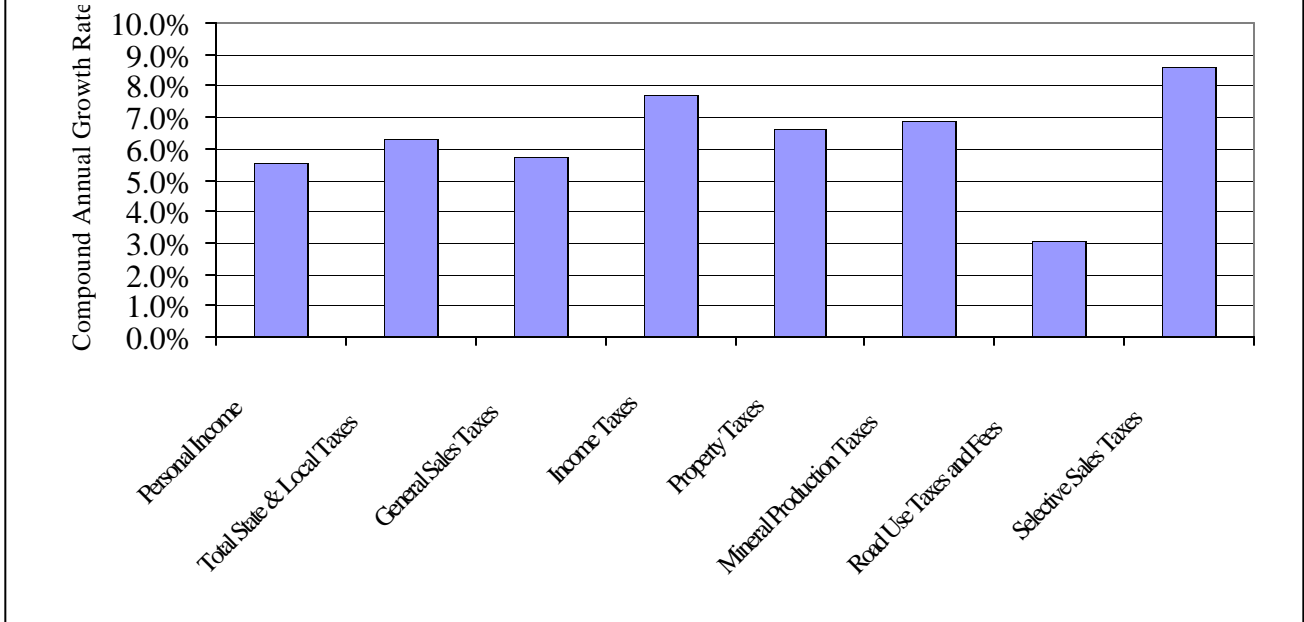
- From 1992 to 2002, total annual tax collections increased from \$3.2 billion to \$5.2 billion, an increase of 84%.
- During this time period, total personal income in the state increased from \$26.8 billion to \$43.1 billion, an increase of 71%.

Figure 3
Growth Rate of Total State and Local Tax Collections



- Both income and revenue growth decelerated in the late 1990's.
- Revenue growth has been distorted by wide swings in the value of oil and gas revenues.

Figure 4
Growth of Tax Collections and Personal Income: 1992-2002



- Most taxes have grown at least as fast as personal income over the last ten years.
- The exception is road use taxes and fees.
- Some taxes have increased because the tax base or tax rates have been increased by legislation. This describes Selective sales taxes, to which new taxes like the Gaming Tax have been added.
- Income tax grows faster than personal income because of the “bracket creep” phenomenon—i.e. rising incomes pushing taxpayers into higher tax rate brackets
- General sales tax rates have remained fairly stable—the tax base growth has kept pace with personal income.

General Sales Taxes

- General sales taxes in New Mexico include the gross receipts tax, the compensating tax and two companion taxes, the governmental gross receipts tax and the interstate telecommunications gross receipts tax.
- A major component of the gross receipts tax program is the various local option gross receipts taxes.

Gross Receipts Tax (Section 7-9 NMSA 1978)

- Levied on *sellers* of goods and services for the privilege of doing business in the state.
- A broader base than sales taxes employed by other states.

Tax Base

- “Gross receipts” is defined as the total amount of money or value of other consideration received from
 - selling property in New Mexico;
 - leasing property employed in New Mexico;
 - selling research and development services performed outside New Mexico when the product of the service is initially used in New Mexico; or
 - performing services in New Mexico.
- Gross receipts excludes
 - cash discounts allowed and taken,
 - New Mexico gross receipts tax,
 - taxes imposed by Indian tribes,
 - local option gross receipts taxes and
 - any type of time-price differential (such as consumer interest).
- All receipts of a person engaging in business in the state are subject to the tax unless specifically exempt or deductible.

Exemptions

- Certain receipts are not taxable because they do not follow from the definition of gross receipts or because the transactions are taxable under another statute. A complete listing of exemptions is provided in an accompanying document, *Overview of Gross Receipts and Compensating Taxes*.

Deductions

- Most deductions are provided to avoid taxing tangible products more than once in the ordinary chain of commerce and to avoid interfering with interstate commerce. A complete listing of deductions is provided in an accompanying document, *Overview of Gross Receipts and Compensating Taxes*
- In order to prove eligibility for most deductions from tax, taxpayers must request and hold on file a non-taxable transaction certificate (NTTC) issued by the purchaser of the goods or services generating the receipts.

Credits³

- Credits are subtractions from tax due, not subtractions from the taxable base. Current credits available against the GRT are:
- Technology jobs credit (total claims were \$690 thousand in FY 2002; taxpayers have \$1.7 million in credit balances outstanding);
- Laboratory Partnership with Small Business Credit (\$3.2 million in credits have been applied to tax liabilities since July 2001; total annual credits are currently limited by law to \$1.8 million per year)
- Investment credit for manufacturers (approximately 35 taxpayers claim between \$10 million and \$12 million in credits each year; approximately 63% of these credits are applied against withholding tax liability; most of the remainder is applied against compensating tax; taxpayers currently have balances of more than \$30 million in approved credits outstanding)
- Call Center Investment Credit applies to call centers locating or expanding in rural areas (no taxpayers have taken advantage of this credit).
- Rural Job Tax Credit (in 2001 taxpayers applied \$189 thousand to their CRS liabilities; taxpayers currently have balances of \$346 thousand outstanding)
- Capital Equipment Tax Credit
- Compensating Tax paid on construction projects
- Intergovernmental coal credit (in 2002 taxpayers utilized nearly \$5 million worth of credits).

Tax Rates

- The statewide gross receipts tax rate was last increased on July 1, 1990, from 4.75% to 5.00%.
- A credit of .5% applies for receipts within municipal boundaries. This credit yields the equivalent of a state rate of 4.5% imposed in municipal areas, (of which 1.225% is returned to the municipality) and a state rate of 5.0% in unincorporated areas. Thus, the net state rate is 3.275% in municipal areas and 5.0% in non-municipal areas.
- Local Option tax rates are described in another section of this report.
- The statewide tax base in FY 2004 is estimated to be about \$36.4 billion. Thus, a 0.25% increase in the statewide tax rate would raise about \$90 million per year in state revenues.

Tax Base by Industry

- The table below presents taxable gross receipts by major industry classification. The data are subject to uncertainty because each business is assigned only one industry code, although many businesses perform more than one kind of operation.
- Almost 90% of the tax base is attributable to one of three industries: Retail Trade; Services and Construction
- Of the three major industries, Construction is the fastest growing and also the most volatile
- Over a ten-year span 1992 to 2001 the tax base grew at a compound rate of 5.7%. This compares with compound personal income growth of 5.7%. Thus, the GRT tax base grew at the same rate as personal income over this time period.

³ Additional information is provided in an accompanying document *FYI-106, Claiming Tax Credits for CRS Taxes and Business-Related Income*.

Taxable Gross Receipts by Industry Group

Industry	Calendar 2001 Taxable Gross Receipts	Calendar 2001 Industry Share of Total	10-Year Compound Growth Rate: 1992 to 2001	Variation of Growth Rate: 1992 to 2001
Agriculture	\$69,720,151	0.2%	0.8%	6.7%
Mining	\$1,167,119,898	3.4%	3.4%	10.8%
Construction	\$4,570,465,572	13.2%	9.3%	6.6%
Manufacturing	\$836,688,365	2.4%	3.8%	5.3%
Utilities	\$2,543,883,319	7.3%	3.3%	6.3%
Wholesale trade	\$1,686,693,336	4.9%	4.7%	3.0%
Retail trade	\$12,540,638,926	36.2%	5.4%	1.5%
Finance & Real estate	\$756,465,255	2.2%	5.7%	4.6%
Services	\$10,311,567,009	29.7%	6.0%	1.8%
Government	\$157,619,721	0.5%	2.1%	10.3%
Not classified	\$35,225,541	0.1%	30.0%	78.6%
Total	\$34,676,086,745	100.0%	5.7%	1.9%
Interstate telecomm.	\$171,238,646	0.5%	0.5%	22.8%

Source: Report 80, "Analysis of Gross Receipts by Standard Industrial Classification."

Revenue Collections and Distributions (Table 2)

- The GRT is the largest single revenue source of the state general fund. In fiscal year 2002 the state collected \$2.05 billion in gross receipts tax. Roughly 62%, or \$1.27 billion was allocated to the state general fund.
- The GRT is also a primary source of revenue for municipalities, with 1.225% of the statewide gross receipts base returned to each municipality based on transactions in that municipality. There is no comparable distribution of state gross receipts tax to county governments.
- General Fund share of total revenue has been declining due to the adoption of new local option taxes.

**Table 2
Gross Receipts Tax Revenue Collections and Distributions**

	FY1998	FY1999	FY2000	FY2001	FY2002
Collections	\$1,729,345,130	\$1,789,718,857	\$1,849,600,833	\$2,009,686,598	\$2,062,327,136
Distributions:					
State General Fund	\$1,085,229,237	\$1,120,709,851	\$1,141,904,124	\$1,251,743,308	\$1,273,813,667
Counties and Municipalities	\$637,050,123	\$661,706,368	\$684,557,380	\$744,469,769	\$768,651,342
Other	\$7,065,770	\$7,302,639	\$23,139,329	\$13,473,521	\$19,862,127
		(Percent Change vs. Prior Year)			
Collections	6.5%	3.5%	3.3%	8.7%	2.6%
Distributions:					
State General Fund	4.8%	3.3%	1.9%	9.6%	1.8%
Counties and Municipalities	9.0%	3.9%	3.5%	8.8%	3.2%
Other	96.3%	3.4%	216.9%	-41.8%	47.4%

Notes: Other includes RMTA intercepts for state purposes, TRMS funding, County-Supported Medicaid funding and Aviation Fund transfers.

Compensating Tax (Section 7-9)

- An excise tax of 5% is imposed on the value of tangible personal property being used, consumed, or stored in New Mexico.
- The tax is imposed upon the person using the property.
- Property value is determined at the time of acquisition or introduction into the state, whichever is later, or of conversion to use. Property is valued at its federal income tax basis.
- Property to be subsequently sold in the ordinary course of business or used outside the state of New Mexico is not subject to tax, nor is the value of intangible property.
- Tax is imposed upon services if the transaction would have been gross receipts taxable had the seller not accepted a NTTC from the buyer.
- The state collects compensating tax on mail order purchases from businesses but not individuals. Although tax is imposed on the use of property by individuals – including magazines, mailorder and Internet purchases -- the department is estopped from taking any action to collect these liabilities.

Credits⁴

- Credit is allowed for gross receipts, sales, compensating or similar tax paid to another state.
- Investment credit for manufacturers
- Capital Equipment Tax Credit
- Rural Job Tax Credit
- Laboratory Partnership With Small Business Credit
- Technology Jobs Tax Credit

Collections and Distributions

- Collections, net of refunds, are distributed to the state general fund after appropriate transfers are made to the small cities and small counties assistance funds.
- Ten percent of net tax receipts are transferred to the small cities assistance fund. An additional 10 percent of net compensating tax receipts are transferred to the small counties assistance fund. Any money remaining in either fund after distribution reverts to the state general fund.

⁴ Additional information on compensating tax credits is provided in an accompanying document *FYI-106, Claiming Tax Credits for CRS Taxes and Business-Related Income*.

Table 3
Compensating Tax Revenue Collections and Distributions

	FY1998 (1997-98)	FY1999 (1998-99)	FY2000 (1999-2000)	FY2001 (2000-2001)	FY2002 (2001-2002)
Collections	\$44,237,382	\$40,335,652	\$41,903,496	\$45,761,334	\$44,888,539
Distributions:< 1>					
State General Fund	\$35,389,906	\$32,268,521	\$33,522,797	\$36,609,067	\$36,241,367
Small Cities Assistance Fund	\$4,423,738	\$4,033,565	\$4,190,350	\$4,576,133	\$4,488,854
Small Counties Assistance Fund	\$4,423,738	\$4,033,565	\$4,190,350	\$4,576,133	\$4,488,854
		(Percent Change vs. Prior Year)			
Collections	0.1%	-8.8%	3.9%	9.2%	-1.9%
Distributions:					
State General Fund	0.1%	-8.8%	3.9%	9.2%	-1.0%
Counties and Municipalities	0.1%	-8.8%	3.9%	9.2%	-1.9%
Other	0.1%	-8.8%	3.9%	9.2%	-1.9%

Notes:

< 1> Amounts not expended from the Small Cities and Small Counties Funds revert to the General Fund. Total reversions from the two funds were \$3.7 million in FY 2002.

Interstate Telecommunications Gross Receipts Tax (Section 7-9C)

- An excise tax of 4.25% is imposed for the privilege of engaging in the interstate telecommunications business.
- Deductions are provided for the provision of WATS service; for sales for resale; for services consumed by an affiliate; and for bad debts.
- A credit is provided for similar taxes paid to another state.
- Total collections were \$7.8 million in FY 2002, \$6.3 million of which was distributed to the state general fund. This amount is included in the gross receipts tax revenue reported in Table 2.

Governmental Gross Receipts Tax (Section 7-9-4)

- Tax of 5% is imposed on the receipts of state and local governments from:
 - The sale of sewer and refuse collection services;
 - The performance of or admissions to recreational, athletic or entertainment events or services in facilities open to the general public;
 - The sale of water by a utility owned or operated by a county, municipality or other political subdivision of the state; and
 - The sale of tangible personal property from facilities open to the general public.

Exemptions

- Receipts of hospitals operated by state or local governments are excluded altogether from the governmental gross receipts tax. Other exemptions are:
- Receipts of school districts and
- Receipts from sale of livestock

Deductions

- Receipts from selling tangible personal property for resale

- Receipts from transactions in interstate commerce
- Receipts from selling tangible personal property to the government, Indian tribes for use on the reservation or 501(c)(3) organizations; and
- Bad debts.

Collections and Distributions

- Net revenue is earmarked as follows:
 - 1% to the Office of Cultural Affairs for capital improvements at state museums and monuments;
 - 24% to the Energy, Minerals and Natural Resources Department, where 10% is devoted to the Youth Conservation Corps and 14% to State Parks Capital Improvement;
 - 75% passes to the New Mexico Finance Authority, where 35% is spent on specified types of capital construction and 40% is used to pay off bonds financing local infrastructure projects.

Table 4
Governmental Gross Tax Revenue Collections and Distributions

	FY1998	FY1999	FY2000	FY2001	FY2002
Collections	\$16,859,875	\$18,594,143	\$19,372,893	\$20,997,555	\$20,616,433
Distributions:< 1>					
Youth Conservation Corp	\$1,685,987	\$1,859,414	\$1,937,289	\$2,099,756	\$2,061,643
State Park & Rec. Cap. Improv.	\$2,528,981	\$2,789,121	\$2,905,934	\$3,149,633	\$3,092,465
NM Finance Authority	\$12,644,906	\$13,945,607	\$14,529,670	\$15,748,166	\$15,462,325
		(Percent Change vs. Prior Year)			
Collections	2.9%	10.3%	4.2%	8.4%	-1.8%
Distributions:					
Youth Conservation Corp	2.9%	10.3%	4.2%	8.4%	-1.8%
State Park & Rec. Cap. Improv.	2.9%	10.3%	4.2%	8.4%	-1.8%
NM Finance Authority	2.9%	10.3%	4.2%	8.4%	-1.8%

Local Option Gross Receipts Taxes

- Seventeen local option general gross receipts taxes have been authorized to date. Although the taxes differ somewhat in requirements for adoption and purposes for which their receipts may be used, they share a number of common features:
 - All of the taxes must conform to the state gross receipts tax, and must be adopted using model ordinances provided by the Taxation and Revenue Department.
 - All are administered by the department; the department collects them at the same time and in the same manner as the state gross receipts tax.
 - The department is authorized to charge an administrative fee of 3% against a portion of these receipts.
 - All local option taxes must have an effective date of January 1 or July 1. Enactment tables for local option gross receipts taxes are revised every six months and are available from the Taxation and Revenue Department.

Municipal Gross Receipts Tax (Section 7-19D-9)

- Currently, municipalities may impose a rate of up to 1.25% in .25% increments (but cities of 45,000 or more in population may use increments of 1/8%).
- The municipality may dedicate the revenues to specific purposes.

Municipal Infrastructure Gross Receipts Tax (Section 7-19D-11)

- Revenues can be dedicated to building, repairing or replacing infrastructure, economic development projects, or used for general purposes.
- Tax rate increased in 1998 to a maximum 1/4%.
- Voter approval is not required for the adoption of the first .125% of this tax. The second .125% does require voter approval.

Municipal Environmental Services Gross Receipts Tax (Section 7-19D-10)

- Revenue from these taxes must be dedicated to acquire and operate solid waste, water or wastewater facilities or sewer systems.
- Tax rate of 1/16% of gross receipts from business activity in incorporated municipalities.

Municipal Capital Outlay Gross Receipts Tax (Section 7-19D-12)

- Between January 1, 2002, and July 1, 2005, eligible municipalities can impose a maximum municipal capital outlay gross receipts tax of .25% in increments of .0625%.
- An eligible municipality is one that has imposed all increments of the municipal gross receipts tax and the municipal infrastructure gross receipts tax. The tax does require voter approval.
- Proceeds may be dedicated to any municipal infrastructure purpose or for the payment of gross receipts tax revenue bonds for infrastructure purposes.

Supplemental Municipal Gross Receipts (Sections 7-19-10 through 18)

- Currently, only two municipalities (Raton and Ruidoso) have imposed this tax.
- The proceeds from this tax are used to pay bonds associated with the reconstruction of water supply systems. Once the bonds for these two municipalities are paid, this tax will cease to exist.
- No new enactments of this tax have been permitted since February 1986.

County Gross Receipts Tax

- The governing board of any county may impose by ordinance a county gross receipts tax of up to

- .375% (in three increments of .125%).
- Varying adoption requirements and use restrictions apply to the three .125% increments.
- Proceeds from the first .125% increment can be used for general county purposes.
- The additional two .125% increments replaced the prior county sales tax and a portion of the proceeds from these taxes must be dedicated to indigent health care.
- A county equalization distribution is made in September of each year to any county that has in effect a county gross receipts tax, proceeds of which are less on a per capita basis than the per capita amount of the statewide gross receipts tax during the preceding year calculated at a .125% rate. The distribution amount is the difference between the statewide per capita amount times the population of the county and the county's actual collections attributable to a .125% enactment.
- New enactments of the third 1/8% may be used for any general county purpose. The first and third 1/8% enactments may be used for economic development purposes, as may the new County Infrastructure Gross Receipts Tax imposed on business in unincorporated areas.

County Health Care Gross Receipts Tax (Section 7-20E-18)

- Counties have the option of imposing a 1/16% gross receipts tax or transferring revenues to support the state-wide County-supported Medicaid fund from other sources that may include property tax levies.
- Currently eleven counties have imposed the county health care gross receipts tax. The remaining counties are providing support from other sources.

Special County Hospital Gross Receipts Tax (Section 7-20E-13)

- Quay, Otero, and Luna counties are authorized to impose a special hospital gross receipts tax of .125%.
- Funds from this tax support of the counties' hospitals.
- Quay county imposed the tax in 1988, Luna county imposed the tax in 2001.
- This tax is subject to voter approval.

Local Hospital Gross Receipts Tax (Section 7-20C)

- **Ten** counties - Taos, Cibola, Sierra, Torrance, Luna, Roosevelt, Valencia, **Hidalgo, Los Alamos and San Juan** - are authorized to impose a local hospital gross receipts tax – generally at a rate of .5%.
- Funds from this tax support of county hospitals. As of January 2003, only Cibola, Taos, and Roosevelt have availed themselves of this authorization. The Taos county ordinance imposing the Local Hospital Gross Receipts Tax expired on December 31, 2001.

County Environmental Services Gross Receipts Tax (Section 7-20E-17)

- Dedicated to acquisition and operation of solid waste, water or wastewater facilities or sewer systems.
- A rate of 1/8% to gross receipts from business activity *in a county's unincorporated areas*.

County Fire Protection Excise Tax (Section 7-20E-15)

- Applies only in *county unincorporated areas*.
- The governing board of any county may impose tax by ordinance, subject to approval of the electorate as specified in the act.

- Tax is levied for a period of not more than ten years from the effective date at a rate of .125% or .25% of gross receipts in the county area outside of incorporated municipal boundaries. Counties can enact subsequent ordinances for succeeding periods of not more than five years.
- Proceeds support of independent fire districts or ambulance services provided by the county.

County Correctional Facility Gross Receipts Tax (Section 7-20F)

- Allows counties to impose a 1/8% tax on countywide gross receipts for the construction, rehabilitation, or equipping of judicial-correctional facilities.
- Voters must approve the issuance of general obligation bonds sufficient to raise at least half the revenue needed for projects.
- The tax may only be imposed for a period of time sufficient to repay the principle and interest on revenue bonds secured by pledge of tax revenue. Currently, Chavez, Dona Ana and Valencia counties are authorized to impose the tax.

County Hospital Emergency GRT (Section 7-20E-12.1)

- Sierra and Hidalgo Counties are the only counties authorized to impose a county hospital emergency gross receipts tax at a rate of .25%. The tax is imposed on all persons engaging in business in the county.
- Sierra County imposed the tax in 1994 and has pledged the proceeds to acquire, equip, remodel or improve a county hospital.
- Hidalgo County imposed the tax in 2001 and has dedicated the revenue to repay bonds issued to acquire or equip a county health facility.

County Infrastructure Gross Receipts Tax (Section 7-20E-19)

- Allows county commissions to impose gross receipts tax in the unincorporated areas of a county at a rate of up to one-eighth percent in increments of one-sixteenth percent.
- Tax may be pledged to revenue bonds, and the uses of bonds is expanded to include “other water, wastewater or related facilities”, for “acquiring, constructing, extending, bettering, repairing or otherwise improving public transit systems or any regional transit systems or facilities.” or for “regional jails or county or regional juvenile detention facilities.”
- New impositions may also be pledged to “economic development gross receipts tax revenue bonds” under the Local Economic Development Act.
- The enactment of this tax is subject to voter approval.

County Capital Outlay Gross Receipts Tax (Section 7-20E-21)

- Between January 1, 2002, and July 1, 2005, eligible counties can impose a maximum county capital outlay gross receipts tax of .25% in increments of .0625%. The tax is imposed countywide.
- An eligible county is one that has imposed all increments of the county gross receipts tax and county infrastructure gross receipts tax. This tax is subject to voter approval.
- Proceeds may be dedicated to various county building and infrastructure projects and for the payment of revenue bonds for infrastructure purposes.

County Emergency Communications and Medical Services Gross Receipts Tax

- Counties that operate, or pursuant to a joint powers agreement, are served by an emergency communications center determined to be a “consolidated public safety answering point” by the Local Government Division of the Department of Finance and Administration are eligible to impose this tax in increments of .0625% to a maximum rate of .25%.
- The tax is subject to voter approval, and may be imposed countywide, or be restricted to the county area.
- Five counties are not eligible to impose the tax: Chaves, Cibola, Eddy, Lea and Otero.
- Any ordinance imposing this tax can be effective for no more than ten years. Eligible counties may enact subsequent ordinances for succeeding periods of not more than ten years.

County Education Gross Receipts Tax (Section 7-20E-20)

- Taos County is the only county eligible to impose the county education GRT. The Taos county ordinance imposing the .5% tax was enacted on July 1, 2002 and is set to expire on June 30, 2012.

Income Taxes

- Three separate taxes are included under this heading: the Personal Income Tax, the Corporate Income and Franchise Tax and the Estate Tax.

Personal Income Tax (Section 7-2)

- Tax is imposed on the net income of every resident and upon the net income from business, property, or employment in New Mexico earned by nonresidents. The tax also applies to fiduciaries.
- New Mexico “base income” generally equals federal adjusted gross income. From this amount deductions are allowed for:
 - personal exemptions;
 - the greater of standard deduction amounts or itemized deductions;
 - amounts nontaxable by the laws or constitution of this state or of the United States;
 - income earned by Native Americans from reservation business or employment;
 - other special deductions or exclusions including up to \$8,000 of income for low- and middle-income persons aged 65 or over; certain railroad retirement benefits taxable under federal law, and,
 - [beginning tax year 2003, the greater of 10% of net capital gains income or \\$1,000 in capital gains.](#)
- In some cases a credit is allowed for tax paid to another state.
- First-year and part year residents must apportion their income tax liability.
- Separate tables are provided for single individuals, married individuals filing separately, married individuals filing jointly, and heads of household.
- [Table 5 presents the new tax rates approved by the Legislature in 2003.](#)
- Taxpayers due an income tax refund may contribute all or some of their refund to the following:
 - non-game wildlife fund of Game and Fish Department;
 - the Santa Fe National Cemetery;
 - the substance abuse education fund;
 - tree planting; or
 - a named political party. [A check-off provision is automatically repealed if less than \\$5,000 is donated in two consecutive years.](#)
- TRD is authorized by law to intercept tax refunds to individuals who owe the state money under various programs.

Personal Income Tax Credits

Child Care

Credit is allowed for 40% of child day care expenses of certain low-income taxpayers up to a maximum of \$1,200 per year. The credit may be claimed by resident individuals who are gainfully employed and whose modified gross income (MGI) is [\\$21,424](#) or less. Any excess over the taxpayer’s liability is returned to the taxpayer as a refund.

Cultural Property Preservation

A maximum credit of \$25,000 per project is allowed for 50% of restoration, rehabilitation, or preservation costs for properties listed on the official New Mexico register of cultural properties. The project must be approved by the cultural properties review committee. A credit may only be claimed against tax liability; it is not refundable. Unused credits may be carried forward for four consecutive years.

Business Facility Rehabilitation

A maximum credit of \$50 thousand per project is allowed for 50% of the costs incurred in restoring, rehabilitating, or preserving a qualified business facility. A “qualified business facility” is defined as one located in a New Mexico enterprise zone, vacant at least 24 months prior to renovation, and put into service in manufacturing, distribution, or service immediately after restoration.

Low Income Comprehensive Tax Rebate (LICTR)

- LICTR is designed to return a portion of the gross receipts and property taxes paid by low-income households.
- The size of the credit is intended to prevent the tax burden borne by low income households from exceeding burdens borne by taxpayers with incomes above the poverty level.
- Any excess of credits over the taxpayer’s tax liability is returned to the taxpayer as a refund. The rebate may be claimed even if the qualified resident has no taxable income under the New Mexico Income Tax Act.
- The amount of LICTR is determined by the number of allowable exemptions and by the claimant’s modified gross family income (“MGI”).
- Additional exemptions are allowed for filers aged 65 and over, and for filers who are blind.
- The maximum qualifying MGI is \$22,000. Rebate amounts now vary from \$10 for taxpayers claiming one exemption and an MGI exceeding \$21,000 to \$450 for taxpayers claiming six exemptions and MGI between \$1,500 and \$5,000.

New Mexico Low Income Tax Rebate (LICTR) Aggregates by Filing Status, Tax Year 2001						
Filing Status	Adjusted Gross Income (AGI)	Modified Gross Income (MGI)	MGI % of AGI	LICTR Payments	% of Total LICTR Payments	Number of Returns
Joint	355,763,453	551,326,931	155.0	4,279,225	16.9	39,546
Single	1,014,210,615	1,468,058,202	144.7	13,118,515	51.9	145,470
Separate	15,421,719	20,338,797	131.9	92,239	.4	1,767
H of H	886,850,411	954,752,450	107.7	7,790,825	30.8	77,573
Total/Avg	2,272,246,198	2,994,476,380	131.8	25,280,804	100.0	264,356

Property Tax Rebate for Persons 65 or Older

- This rebate for property taxes is available to residents who own or rent their principal place of residence, are 65 years of age or older, and have MGI not exceeding \$16,000 per year.
- In 1997 the limit on MGI was increased to \$25,000 per year contingent on willingness by the county in which the individual’s principle residence was located to reimburse the state for additional costs.
- The maximum rebate is \$250.
- For renters, an imputed property tax payment of 6% of gross rent paid during the taxable year is used.
- Any excess of rebates over the taxpayer’s liability is returned to the taxpayer as a refund. The rebate may be claimed even though the claimant has no taxable income under the New Mexico Income Tax Act.

County Property Tax Rebate for Low Income Taxpayers

- The board of county commissioners of any county may put before county voters the option of raising property tax rates by up to than \$1 per \$1000 in taxable value to fund a property tax rebate for low income taxpayers.
- The maximum tax rebate is \$350 and maximum eligible modified gross income is \$24,000.

One-time Property Tax Credit for Certain Permanently Disabled Veterans

A one-time refundable rebate against income tax in an amount equal to what the property tax savings for 1999 would have been was enacted. The credit is applicable to income tax years beginning 2000.

Job Mentorship Tax Credit

A credit is allowed for employing full-time students in accredited New Mexico secondary schools. The credit is 50% of the gross wages paid.

Technology Jobs Tax Credit

- Any taxpayer qualifying for the basic technology jobs credit may qualify for an additional credit equal to 4% of qualified expenditures.
- The taxpayer must boost its in-state payroll over the base period by \$75,000 for every \$1,000,000 in New Mexico payroll claimed, with a \$75,000 minimum.
- The credit doubles if the qualified facility is in a rural area.

Withholding Tax

- All employers who have direct or indirect control of wages paid for services performed in New Mexico and who withhold a portion of wages for federal income tax purposes must withhold and pay New Mexico personal income taxes from the employee's wages.
- Amounts needed to pay income tax refunds, rebates and credits are transferred to the PIT suspense fund and the remainder each month is transferred to the state general fund.

**Table 5:
Personal Income Tax Rates – Tax Years 2002 Through 200**

<i>Filing Type:</i>	<i>Joint</i>		<i>Single</i>		<i>Separate</i>		<i>Head of Household</i>																																																																																																																																																																																																																																																																																																																												
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Table 6
Personal Income Tax Revenue Collections and Distributions

	FY1998	FY1999	FY2000	FY2001	FY2002
Collections:					
Withholding	\$612,024,126	\$641,790,446	\$692,299,903	\$760,578,841	\$798,037,293
Estimated Payments	\$136,101,229	\$151,665,665	\$230,749,968	\$215,592,938	\$213,730,160
Final Settlements	\$185,742,035	\$238,215,774	\$178,930,226	\$121,666,177	\$245,530,364
Fiduciary Tax	\$9,295,560	\$9,678,969	\$10,210,281	\$11,032,513	\$12,318,872
Refunds and Rebates	(\$145,364,638)	(\$229,713,643)	(\$227,214,526)	(\$195,810,479)	(\$237,631,822)
Net Revenue	\$797,082,183	\$807,791,772	\$880,859,423	\$907,206,690	\$1,031,119,646
Distributions:					
State General Fund	\$792,826,626	\$803,280,881	\$876,077,879	\$902,138,253	\$1,025,747,103
Retiree Health Care Fund	\$4,255,557	\$4,510,891	\$4,781,544	\$5,068,436	\$5,372,543

(Percent Change vs. Prior Year)

Collections:					
Withholding	8.9%	4.9%	7.9%	9.9%	4.9%
Estimated Payments	70.6%	11.4%	52.1%	-6.6%	-0.9%
Final Settlements	-25.2%	28.3%	-24.9%	-32.0%	101.8%
Fiduciary Tax	75.9%	4.1%	5.5%	8.1%	11.7%
Refunds and Rebates	-4.8%	58.0%	-1.1%	-13.8%	21.4%
Net Revenue	6.5%	1.3%	9.0%	3.0%	13.7%

Corporate Income and Franchise Tax

- Tax is imposed on the net income of every domestic corporation doing business in New Mexico and on the income of foreign corporations from sales, property, or employment in New Mexico.
- Net income is defined as federal taxable income adjusted to exclude amounts nontaxable by the laws or Constitution of the state or of the United States.
- The tax is not imposed on insurance companies that pay a state premiums tax, nonprofit organizations (except as subject to federal taxation for unrelated business income), retirement trust funds, and S corporations (shareholders are taxed under the personal income tax).
- Subject to certain restrictions, corporations may elect to report their income using one of three reporting methods:
 - separate corporate entity;
 - combination of unitary corporations (but income of foreign corporations not doing business in the U.S. must be excluded); or
 - federal consolidated group.
- Multi-state manufacturers may elect a single-weighted or double-weighted sales factor in apportioning their income.
- The Uniform Division of Income for Tax Purposes Act (UDITPA) provides for the allocation and apportionment of multi-state corporations' income tax.
- Net revenue is distributed monthly to the state general fund. Occasionally, refunds exceed gross revenues and a negative general fund transfer is made that month.

Tax Rates

- Graduated rates apply to federal taxable income: 4.8% on the first \$500,000, 6.4% on income over \$500,000 up to \$1 million, and 7.6% on income in excess of \$1 million.
- A special credit is allowed equal to the tax on non-New Mexico source income. This credit has the effect of taxing New Mexico source income (only) at the state corporate income tax rate determined by total federal income.
- Final tax payments are due 75 days following the close of the corporation's fiscal year.

Tax Base by Industry

- The mineral extraction industry is the largest single contributor to the tax base, with over 40% of current liabilities.
- During the late 1990's, the manufacturing industry share was the largest.
- Utilities are the next largest contributor at over 10%.

**Table 7
Largest 100 NM Corporate Income Taxpayers: Payments by Type of Business**

<i>Business Activity</i>	1999 FY		2000 FY		2001 FY		2002 FY	
	<i>Payments</i>	<i>Percent of Total</i>	<i>Payments</i>	<i>Percent of Total</i>	<i>Payments</i>	<i>Percent of Total</i>	<i>Payments</i>	<i>Percent of Total</i>
Construction	1,993,653	1.7	4,767,035	3.9	1,762,414	1.2	4,524,657	3.4
Communications	5,674,500	4.7	4,256,630	3.5	7,547,674	5.1	9,328,676	7.1
Finance	8,695,349	7.2	4,179,142	3.5	5,732,647	3.9	12,131,726	9.2
Manufacturing	37,990,453	31.5	37,615,561	31.2	19,642,681	13.2	6,503,564	4.9
Mineral Extraction	17,601,687	14.6	32,152,929	26.6	68,129,857	45.8	58,198,288	44.0
Wholesale	4,106,290	3.4	2,772,641	2.3	4,552,347	3.1	3,539,810	2.7
Retail	7,975,719	6.6	7,426,371	6.2	9,348,173	6.3	7,860,304	5.9
Service	6,848,464	5.7	9,267,916	7.7	6,090,802	4.1	5,305,560	4.0
Transportation	7,239,880	6.0	4,518,504	3.7	6,123,105	4.1	5,331,273	4.0
Utility	20,526,400	17.0	13,139,913	10.9	16,484,571	11.1	18,683,174	14.1
Not Reported	2,089,049	1.7	622,884	0.5	3,360,379	2.3	780,703	0.6
Total	120,741,443	100.0	120,719,527	100.0	148,774,651	100.0	132,187,734	100.0
Actual Revenues	163,964,427		165,802,241		219,787,123		141,673,292	

Corporate Franchise Tax

- A tax of \$50 per year is imposed on every domestic and foreign corporation doing business in the state and upon every corporation, whether engaged in active business or not, which has or exercises a corporate franchise in the state even if no corporate income tax is due.
- The tax is not imposed on insurance companies that pay a state premiums tax, nonprofit corporations (provided they have no unrelated trade or business income), and retirement trust funds.

Credits:

Corporate Child Care

A credit is allowed for 30% of certain child care services provided by or paid for by a corporation for employees' children up to a maximum of \$30,000 per year. Only a few corporations have claimed any credit under this provision.

Cultural Property Preservation

A maximum credit of \$25,000 per project against corporate or individual income tax liability is allowed for 50% of restoration, rehabilitation, or preservation costs for properties listed on the official New Mexico register of cultural properties. The project must be approved by the cultural properties review committee. Unused credits may be carried forward for four consecutive years.

Job Mentorship Tax Credit

A credit is allowed for employing full-time students in accredited New Mexico secondary schools. The credit is 50% of the gross wages paid.

Technology Jobs Tax Credit

- Any taxpayer qualifying for the basic technology jobs credit (described under Gross Receipts Tax credits) may qualify for an additional credit equal to 4% of qualified expenditures.

- The taxpayer must boost its in-state payroll over the base period by \$75,000 for every \$1,000,000 in New Mexico payroll claimed, with a \$75,000 minimum.
- The credit doubles if the qualified facility is in a rural area.
- The credit may be recaptured.

Business Facility Rehabilitation

A maximum credit of \$50 thousand per project is allowed for 50% of the costs incurred in restoring, rehabilitating, or preserving a qualified business facility. A “qualified business facility” is defined as one located in a New Mexico enterprise zone, vacant at least 24 months prior to renovation, and put into service in manufacturing, distribution, or service immediately after restoration.

Table 8
Corporate Income Tax Revenue Collections and Distributions

	FY1998 (1997-98)	FY1999 (1998-99)	FY2000 (1999-2000)	FY2001 (2000-2001)	FY2002 (2001-2002)
Collections:					
Gross Collections	\$202,127,651	\$180,868,659	\$189,603,537	\$240,500,707	\$179,305,442
Refunds	(\$22,056,840)	(\$16,812,380)	(\$23,793,055)	(\$20,614,448)	(\$37,621,065)
Net Revenue	\$180,021,173	\$163,964,427	\$165,802,241	\$219,763,489	\$141,673,292
Distributions:					
State General Fund	\$180,021,173	\$163,964,427	\$165,802,241	\$219,763,489	\$141,673,292
(Percent Change vs. Prior Year)					
Collections:					
Gross Collections	7.1%	-10.5%	4.8%	26.8%	-25.4%
Refunds	43.0%	-23.8%	41.5%	-13.4%	82.5%
Net Revenue	3.9%	-8.9%	1.1%	32.5%	-35.5%
Distributions:					
State General Fund	3.9%	-8.9%	1.1%	32.5%	-35.5%

Estate Tax

- Tax is imposed on the transfer of the net estate of every resident in an amount equal to the federal credit, i.e., the maximum amount of credit for state death taxes allowed under the federal estate tax (Section 2011, U.S. Internal Revenue Code).
- Net estate means taxable estate as defined in Section 2051 of the Internal Revenue Code.
- The federal credit is gradually being phased out so that New Mexico’s tax will be eliminated in Tax Year 2005.

Table 9
Estate Tax Revenue Collections and Distributions

	FY1998	FY1999	FY2000	FY2001	FY2002
Collections:					
Gross Collections	\$12,978,482	\$22,402,856	\$18,412,923	\$25,385,898	\$22,127,061
Refunds	(\$911,477)	(\$490,756)	(\$2,304,548)	(\$1,147,118)	(\$1,231,958)
Net Revenue	\$12,067,005	\$21,912,100	\$16,087,393	\$24,228,504	\$20,870,022
Distributions:					
State General Fund	\$12,067,005	\$21,912,100	\$16,087,393	\$24,228,504	\$20,870,022
(Percent Change vs. Prior Year)					
Collections:					
Gross Collections	-29.8%	72.6%	-17.8%	37.9%	-12.8%
Refunds	38.6%	-46.2%	369.6%	-50.2%	7.4%
Net Revenue	-32.4%	81.6%	-26.6%	50.6%	-13.9%
Distributions:					
State General Fund	-32.4%	81.6%	-26.6%	50.6%	-13.9%

Property Taxes

Tax Base

- One-third of assessed value of property is taxable.
- Assessed value of residential properties whose ownership does not change may generally be increased by no more than 3% annually.
- Unless expressly exempt, all tangible real and personal property located in New Mexico is subject to property tax.
- Exemptions include personal property held as inventory for sale or resale, certain personal property warehoused in New Mexico, household personal effects, licensed vehicles and property owned by the federal government, State of New Mexico and New Mexico local governments. Property used for educational or charitable purposes is also generally exempt.
- Statutes also provide a \$2,000 head-of-family exemption and a \$2,500 veterans exemption in Tax Year 2003. The veterans exemption will increase by \$500 annually until it reaches a maximum of \$4,000 in Tax Year 2006.
- Property is classified as residential or nonresidential. Different assessment methods and tax rates apply to the two classifications. A number of “special valuation methods” are applied to various types of nonresidential property, including property used for agricultural purposes, mineral extraction and similar purposes.
- A valuation freeze is effective for a single-family, owner occupied residence whose owner is 65 years of age or older and has a modified gross income not above approximately \$18,600.

Rates

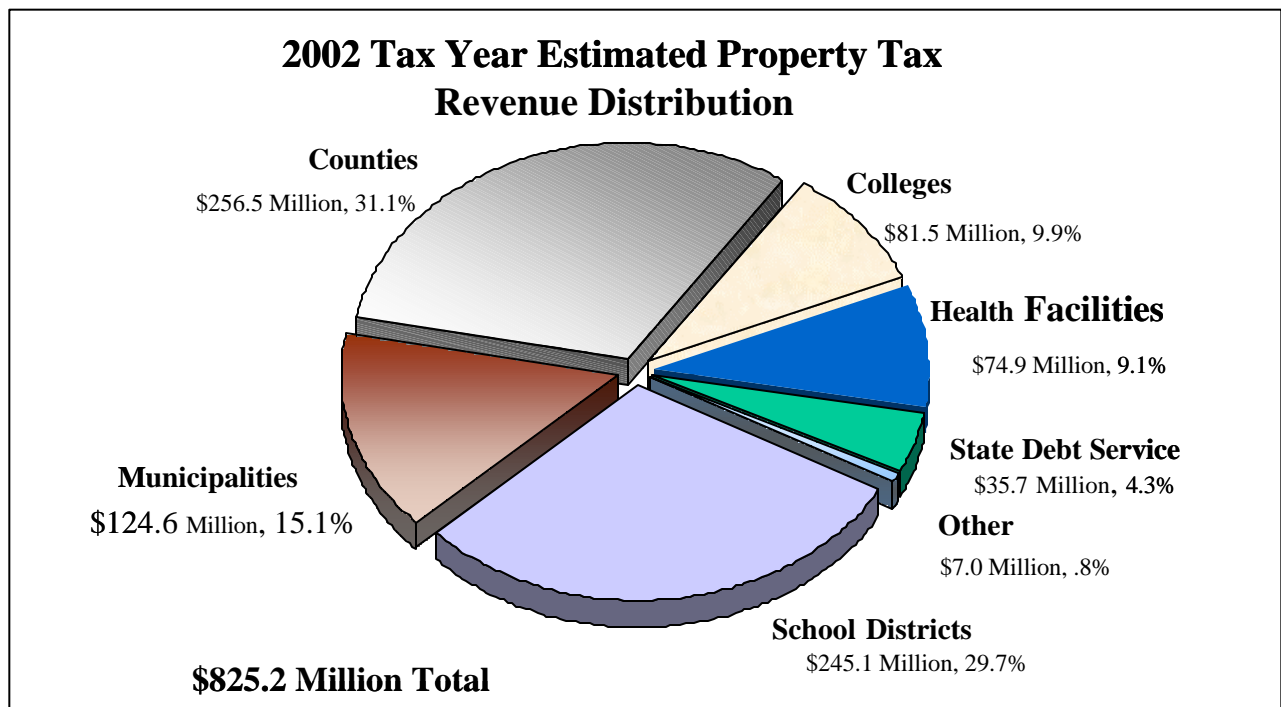
- Rates vary from about 9 to 42 mills. They average approximately 26 mills -- \$26 per \$1,000 of net taxable value -- on residential properties, and 29 mills on nonresidential properties. Since net taxable value is approximately one-third of assessed value, residential rates average about .86 percent of assessed value, while nonresidential rates average about .96 percent of assessed value.
- By decreasing rates in response to reassessment, a “yield control” provision limits annual operating revenue increases to the sum of the rate of inflation and additions to the base from new construction or annexation. Total revenue increases tend to exceed this amount, however, due to voter-approved – generally non-operating – rate increases.
- The New Mexico Constitution limits rates that have not been approved by voters to a total of 20 mills. Statutes distribute the 20-mill authority as follows: municipalities may impose up to 7.65 mills; counties may impose a maximum of 11.85 mills, while school districts may impose a maximum of .5 mills without voter approval.

Revenues

- Tax Year 2002 obligations – revenues assuming 100 percent collection -- totaled approximately \$825 million. They were distributed roughly as follows: one-third to counties, one-third to school districts, one-sixth to municipalities, and one-sixth to other entities, including health facilities, debt service on state capital construction projects, community colleges, and conservancy districts.
- Owners of residential properties currently pay approximately 53 percent of the \$825 million total; roughly 36 percent is paid by owners of traditional nonresidential property, and about 11 percent is paid by owners of oil and natural gas production assets.
- Revenues increased at an average rate of approximately 8 percent between 1988 and 2002. This figure does not include the very unstable portion of revenues resulting from oil and gas production, however.

Administration

- Most administrative functions associated with property taxes in New Mexico are performed by county governments. They collect and distribute most the taxes. County assessors perform most of the property appraisals.
- The Taxation and Revenue Department, however: 1) collects and distributes the ad valorem production and equipment taxes, 2) sells properties on which taxes are delinquent for three years or more, 3) assesses certain types of property – typically associated with mineral production, electrical power generation and distribution and similar activities, and 4) supervises county assessors and assists them in complying with the Property Tax Code.
- Primary property-tax related administrative activities of the Department of Finance and Administration include: 1) supervising county treasurers and assists them in complying with the Property Tax Code and 2) setting most of the tax rates.



Mineral Production Taxes

- A total of nine different taxes are covered in this section: Resources Excise Tax, Severance Tax (Hard Minerals), Copper Ad Valorem Tax, Oil and Gas Severance Tax, Oil and Gas Emergency School Tax, Oil and Gas Ad Valorem Production Tax, Natural Gas Processors Tax and Oil and Gas Production Equipment Ad Valorem Tax.

Resources Excise Tax (Section 7-25)

- Three related excise taxes, the “Resources Tax”, “Processors Tax” and “Services Tax” are referred to collectively as the “Resources Excise Tax” and are collected under this section.
- “Natural resource” includes timber or timber products and metalliferous or nonmetalliferous mineral products or their combinations. It excludes oil, natural gas and liquid hydrocarbons, or their combinations, and carbon dioxide. These are taxed under separate laws.
- Taxable value is usually the sale price of the natural resource. Deduction is allowed for royalty payments to the United States, to the state, and to Indian tribes and pueblos.
- A deduction is also allowed for sales of natural resources, other than metalliferous mineral ores, to the United States, the State of New Mexico, Indian tribes or pueblos and certain 501(c)(3) organizations.
- Net revenue collections are transferred monthly to the state general fund.

Resources Excise Tax Rates by Mineral

<u>Mineral:</u>	<u>Resources Tax Rate:</u>	<u>Processors Tax Rate:</u>
Potash	0.5%	0.125%
Molybdenum	0.125%	0.125%
Timber	0.75%	0.375%
All others	0.75%	0.75%

- The owner of natural resources is exempted from paying the processors tax if the resources tax has been paid on the severed mineral.
- The service tax is imposed on the service charge of any person severing or processing natural resources in New Mexico that are owned by another person. The tax is at the same rate as the resources tax above.

Table 10
Resources Excise Tax Revenue Collections and Distributions

	FY1998	FY1999	FY2000	FY2001	FY2002
Collections:	\$8,752,376	\$7,621,706	\$6,117,526	\$5,690,968	\$5,355,893
Distributions:					
State General Fund	\$8,752,376	\$7,621,706	\$6,117,526	\$5,690,968	\$5,355,893
		Percent Change vs. Prior Year			
Collections:	3.8%	-12.9%	-19.7%	-7.0%	-5.9%
Distributions:					
State General Fund	3.8%	-12.9%	-19.7%	-7.0%	-5.9%

Severance Tax (Section 7-26)

- For the privilege of severing natural resources, an excise tax is imposed on the severer based on the taxable value or the quantity of natural resources severed and save.
- Natural resource means timber and any metalliferous or nonmetalliferous mineral product, combination or compound thereof (but does not include oil, gas, liquid hydrocarbons, any combination thereof, or carbon dioxide, all of which are taxed under the Oil and Gas Severance Tax Act).
- Severer means any person engaging in the business of severing natural resources owned by the severer or any owner of natural resources who has another person perform the severing.

Resources Other Than Coal and Uranium

- All natural resources, except potash, molybdenum, copper, lead, zinc, gold, silver, coal and uranium, are taxed on their gross (sales) value less a deduction for certain costs.
- The value is determined at the first marketable point after severance.
- The deductions allowed vary according to whether the product has a posted field or market price or must be processed or beneficiated before sale.
- In addition to their other cost deductions, all severers of natural resources, except coal and uranium, may deduct rental or royalty payments paid to the United States or the state. Separate provisions for coal and uranium are described below.

Severance Tax Rates by Mineral

<u>Mineral</u>	<u>Tax Rate</u>
Potash	2.5%
Copper, gold and silver	0.5%
Timber, pumice, gypsum, sand, gravel, clay, fluorspar and other non-metallic minerals, lead, zinc, thorium, molybdenum, manganese, rare earth and other metals	0.125%
Coal:	
Surface-mined	\$0.57 per short ton
Underground-mined	\$0.55 per short ton
Coal Surtax:<1>	
Surface-mined	\$0.60 per short ton
Underground-mined	\$0.58 per short ton
Uranium	3.5%

Notes:

<1> The surtax rate is indexed to increases in the producer price index for coal compared with the base year 1992. The surtax does not apply to any new contracts entered into after July 1, 1990.

Coal

- The severance tax on coal is a tax per ton, without deductions, imposed on the quantity of coal “severed and saved”.
- The taxable event is sale, transportation out of New Mexico, or consumption of the coal, whichever occurs first.
- As of 1994, coal surtax rates were supposed to increase in accordance with the producer price index and be so adjusted every July 1. Because of declines in the PPI for coal, severance tax rates

have remained at their 1994 levels. The tax rates, including the surtax, are \$1.17 for surface coal and \$1.13 for underground coal.

- Starting 1999, all new contracts for sales of coal are exempt from the severance tax surtax on coal.
- A tax credit is available for severance taxes on coal paid to tribal governments. The credit is equal to 75% of the lesser of the tax owed to the state or the tax paid to the tribe. The credit reduced FY 2002 revenue by approximately \$4 million.

Uranium

- The severance tax on uranium is 3.5% applicable to 50% of the sales price per pound of the content of U₃O₈ contained in the severed and saved or processed uranium.

Collection and Distribution

- Tax must be reported and paid on or before the 25th of the month following severance.
- Collections are transferred to the severance tax bonding fund, which is pledged to payment of principal and interest on outstanding severance tax bonds.

	FY1998	FY1999	FY2000	FY2001	FY2002
Collections:	\$29,821,171	\$29,765,660	\$27,747,677	\$27,757,682	\$21,607,893
Distributions:					
Severance Tax Bonding Fund	\$29,821,171	\$29,765,660	\$27,747,677	\$27,757,682	\$21,607,893
		Percent Change vs. Prior Year			
Collections:	6.5%	-0.2%	-6.8%	0.0%	-22.2%
Distributions:					
Severance Tax Bonding Fund	6.5%	-0.2%	-6.8%	0.0%	-22.2%

Notes:

The distribution of June 2002 revenue collections was delayed to July 2002, resulting in the shift of about \$1.9 million from FY 2002 to FY 2003.

Copper Production Ad Valorem Tax (Section 7-39)

- Ad valorem tax is imposed on the market value of copper produced.
- This tax replaces the ad valorem taxation of copper properties under the Property Tax Code.
- Taxable values will be set annually, based on market value of copper produced.

Table 12
Copper Ad Valorem Tax Revenues Collections and Distributions

	FY1998 (1997-98)	FY1999 (1998-99)	FY2000 (1999-2000)	FY2001 (2000-2001)	FY2002 (2001-2002)
Collections:	\$4,702,319	\$4,982,800	\$3,703,266	\$1,415,357	\$1,189,955
Distributions:					
General Obligation Bond Fund	\$317,295	\$340,273	\$285,874	\$123,013	\$122,679
County Treasurers	\$4,385,024	\$4,642,527	\$3,417,392	\$1,292,344	\$1,067,276
Grant Co. Treas.	\$3,590,799	\$3,864,875	\$2,779,556	\$1,051,729	\$826,661
Hidalgo Co. Treas.	\$505,211	\$489,544	\$391,118	\$147,988	\$147,988
Animas School District	\$289,015	\$288,108	\$246,718	\$92,627	\$92,627
Total Disbursements	\$4,702,319	\$4,982,800	\$3,703,266	\$1,415,357	\$1,189,955
		Percent Change vs. Prior Year			
Collections:	25.0%	6.0%	-25.7%	-61.8%	-15.9%
Distributions:					
General Obligation Bond Fund	-4.8%	7.2%	-16.0%	-57.0%	-0.3%
County Treasurers	27.9%	5.9%	-26.4%	-62.2%	-17.4%
Grant Co. Treas.	34.4%	7.6%	-28.1%	-62.2%	-21.4%
Hidalgo Co. Treas.	8.4%	-3.1%	-20.1%	-62.2%	0.0%
Animas School District	0.0%	-0.3%	-14.4%	-62.5%	0.0%
Total Disbursements	25.0%	6.0%	-25.7%	-61.8%	-15.9%

Oil and Gas Severance Tax (Section 7-29)

- Tax is imposed on the taxable value of all oil, natural gas or liquid hydrocarbons and carbon dioxide severed from the soil and sold.
- Except for the incentive programs described in the following table, the tax rate is generally 3.75% of taxable value which is defined to exclude
 - (1) royalties paid to federal, state or tribal governments;
 - (2) transportation costs to the first point of sale; and
 - (3) Processing expenses.
- A credit, equal to 75% of the lesser of the total taxes owed to the state or the total paid to the tribe, is available for taxes paid to tribal governments. Less than 2 percent of statewide oil production and less than 4 percent of gas production comes from Indian land

Oil and Gas Severance Tax Incentive Programs

<u>Incentive Category:</u>	<u>Incentive Tax Rate:</u>	<u>Threshold price below which incentive rate applies:</u>	<u>Qualified Production as a percent of FY 2003 total:</u>
Restoration wells	0.0%	\$24.00 per barrel ¹	0.1% Oil 0.1% Natural Gas
Well workover projects	2.45%	\$24.00 per barrel ¹	2.4% Oil 6.8% Natural Gas
Stripper wells	1.875%	\$1.15 per mcf-Gas ² \$15.00 per barrel-Oil ²	0.0% Natural Gas ³ 0.0% Oil
	2.8125%	\$1.35 per mcf-Gas ² \$18.00 per barrel-Oil ²	
Enhanced oil recovery	1.875%	\$28.00 per barrel ¹	3.4% Oil

Notes:

1. Average price for West Texas Intermediate crude oil. Price for period ending May 30, 2002 was \$21.06.
2. Average annual taxable value of natural gas or oil sold in New Mexico during the preceding calendar year. Taxable value equals gross sales value less deductions for royalties paid to governments and certain transportation and processing expenses.
3. No natural gas or oil volumes qualify for the stripper well incentives during FY 2003 because average taxable value exceeded the threshold levels in calendar 2001.

Collections and Distributions

- The severance tax is distributed to the state severance tax bonding fund, with any excess after meeting severance tax bonding fund obligations being distributed to the severance tax permanent fund.

Table 13
Oil and Gas Severance Tax Revenues Collections and Distributions

	FY1998	FY1999	FY2000	FY2001	FY2002
Collections:	\$152,151,944	\$106,358,691	\$165,126,221	\$315,584,045	\$200,740,385
Distributions:					
Severance Tax Bonding Fund	\$152,151,944	\$106,358,691	\$165,126,221	\$315,584,045	\$200,740,385
		Percent Change vs. Prior Year			
Collections:	-0.8%	-30.1%	55.3%	91.1%	-36.4%
Distributions:					
Severance Tax Bonding Fund	-0.8%	-30.1%	55.3%	91.1%	-36.4%

Oil and Gas Conservation Tax (Section 7-30)

- Tax is levied on the sale of all oil, natural gas, liquid hydrocarbons, carbon dioxide, uranium, coal and geothermal energy severed from the soil of the state.
- The tax rate is .18% or .19% of the taxable value (sales price less deductions for state, federal and Indian royalties) of products, depending on the balance in the oil and gas reclamation fund. If the balance in that fund is over \$1.15 million, the lower rate goes into effect.
- Proceeds from the tax are distributed to the state general fund and the oil and gas reclamation fund.

**Table 14
Oil and Gas Conservation Tax Revenues Collections and Distributions**

	FY1998	FY1999	FY2000	FY2001	FY2002
Collections:	\$9,066,535	\$7,081,993	\$9,641,280	\$17,604,508	\$11,327,939
Distributions:					
State General Fund	\$8,667,005	\$6,796,129	\$9,150,726	\$16,687,450	\$10,763,218
Oil and Gas Reclamation Fund	\$399,530	\$285,864	\$490,554	\$917,058	\$564,722
		Percent Change vs. Prior Year			
Collections:	8.5%	-21.9%	36.1%	82.6%	-35.7%
Distributions:					
State General Fund	9.1%	-21.6%	34.6%	82.4%	-35.5%
Oil and Gas Reclamation Fund	-3.2%	-28.4%	71.6%	86.9%	-38.4%

Oil and Gas Emergency School Tax (Section 7-31)

- Tax is imposed for the privilege of engaging in the business of severing oil, natural gas or liquid hydrocarbons, and carbon dioxide from New Mexico soil.
- Except for the incentive rates described in the table below, the tax rate is 3.15% on the net taxable value of the products listed, with the exception of natural gas, which is taxed at 4%.
- Net taxable value is defined as the actual price received for products at the production unit less federal, state, or Indian royalties and the cost of transporting oil or gas to the first place of market.
- The school tax is distributed to the state general fund each month.

Oil and Gas Emergency School Tax Incentive Programs

<u>Incentive Category:</u>	<u>Incentive Tax Rate:</u>	<u>Threshold price below which incentive rate applies:</u>	<u>Qualified Production as a percent of FY 2003 total:</u>
Stripper wells ¹	2.0% (Gas)	\$1.15 per mcf-Gas ²	0.0% Natural Gas ³
	1.58% (Oil)	\$15.00 per barrel-Oil ²	0.0% Oil
	3.0% (Gas)	\$1.35 per mcf-Gas ²	
	2.36% (Oil)	\$18.00 per barrel-Oil ²	

Notes:

1. Stripper wells are oil wells that produce 10 barrels of oil per day and gas wells that produce less than 60 thousand cubic feet of gas per day.
2. Prices are measured by the average annual taxable value of the product reported to the Department during the calendar year preceding the start of the fiscal year to which the tax rate applies. Taxable value equals gross sales value less allowable deductions for royalties and certain costs of production.
3. Average taxable value was above both threshold values in calendar 2001 so no production was eligible for these incentives in FY 2003.

**Table 15
Oil and Gas School Tax Revenues Collections and Distributions**

	FY1998	FY1999	FY2000	FY2001	FY2002
Collections:	\$153,679,051	\$107,853,086	\$169,506,301	\$329,031,138	\$205,121,207
Distributions:					
State General Fund	\$153,679,051	\$107,853,086	\$169,506,301	\$329,031,138	\$205,121,207
		Percent Change vs. Prior Year			
Collections:	1.5%	-29.8%	57.2%	94.1%	-37.7%
Distributions:					
State General Fund	1.5%	-29.8%	57.2%	94.1%	-37.7%

Oil and Gas Ad Valorem Production Tax

- Tax is levied monthly on the sale of all oil, natural gas, liquid hydrocarbons and carbon dioxide severed from the soil of the state.
- Tax is based on the assessed value of products. Assessed value is equivalent to 50% of market value less royalties.
- The tax rate is the property tax rate for the taxing district in which products are severed. This rate changes annually, effective each September 1.
-

Table 16
Oil and Gas Ad Valorem Production Tax Revenues Collections and Distributions

	FY1998	FY1999	FY2000	FY2001	FY2002
Collections:	\$41,385,102	\$29,626,329	\$48,926,233	\$90,354,748	\$53,187,392
Distributions:					
General Obligation Bond Fund	\$2,833,244	\$2,008,241	\$3,409,735	\$6,537,469	\$4,242,240
County Treasurers	\$38,509,421	\$27,617,730	\$45,516,498	\$83,787,830	\$48,890,043
Total Disbursements	\$41,385,102	\$29,626,329	\$48,926,233	\$90,354,748	\$53,187,392
		Percent Change vs. Prior Year			
Collections:	-2.5%	-28.4%	65.1%	84.7%	-41.1%
Distributions:					
General Obligation Bond Fund	-6.8%	-29.1%	69.8%	91.7%	-35.1%
County Treasurers	-2.1%	-28.3%	64.8%	84.1%	-41.7%
Total Disbursements	-2.5%	-28.4%	65.1%	84.7%	-41.1%

Natural Gas Processors Tax (Section 7-33)

- Privilege tax is levied on processors based on the value of products processed.
- Tax is measured by the heating content of natural gas at the plant's inlet, measured in million British Thermal Units (mmbtu).
- The rate is set initially at \$.0065 per mmbtu but will be adjusted every July 1. An adjustment factor is equal to the average value of natural gas produced in New Mexico the preceding calendar year divided by \$1.33.
- Deductions are added for gas legally flared or lost through plant malfunction.
- Revenue is distributed to the state general fund.

Table 17
Natural Gas Processors Tax Revenue Collections and Distributions

	FY1998 (1997-98)	FY1999 (1998-99)	FY2000 (1999-2000)	FY2001 (2000-2001)	FY2002 (2001-2002)
Collections:	\$12,842,693	\$11,276,291	\$12,262,271	\$12,111,143	\$20,270,225
Distributions:					
State General Fund	\$12,842,693	\$11,276,291	\$12,262,271	\$12,111,143	\$20,270,225
		Percent Change vs. Prior Year			
Collections:	-7.5%	-12.2%	8.7%	-1.2%	67.4%
Distributions:					
State General Fund	-7.5%	-12.2%	8.7%	-1.2%	67.4%

Oil and Gas Production Equipment Ad Valorem Tax (Section 7-34)

- Tax is levied annually on assessed value of equipment used at each production unit.
- Assessed value is equivalent to 9% of the previous calendar year sales value of the product of each production unit.
- The tax rate is the certified property tax rate for the taxing district in which products are severed.
- The production equipment tax is distributed to property tax beneficiaries, primarily counties and school districts.

Table 18
Oil and Gas Production Equipment Ad Valorem Tax Revenue Collections and Distributions

	FY1998	FY1999	FY2000	FY2001	FY2002
Collections:	\$7,702,202	\$8,623,602	\$6,549,292	\$7,841,320	\$14,487,960
Distributions:					
General Obligation Bond Fund	\$506,112	\$600,135	\$459,653	\$581,588	\$1,226,756
County Treasurers	\$7,196,089	\$8,023,467	\$6,089,639	\$7,259,732	\$13,261,206
Total Disbursements	\$7,702,202	\$8,623,602	\$6,549,292	\$7,841,320	\$14,487,962
		Percent Change vs. Prior Year			
Collections:	42.4%	12.0%	-24.1%	19.7%	84.8%
Distributions:					
General Obligation Bond Fund	24.9%	18.6%	-23.4%	26.5%	110.9%
County Treasurers	44.4%	11.5%	-24.1%	10.2%	82.7%

Road Use Taxes and Fees

Gasoline Tax

- Tax of \$0.17 per gallon is levied on all gasoline received in New Mexico for the privilege of its receipt in the state.
- The tax is paid by distributors or **rack operators**.
- After provision of satisfactory proof, certain amounts of gasoline may be deducted from the total for tax:
 - Gasoline received in New Mexico but sold for export or exported from the state by a distributor; and
 - Gasoline sold to the United States or any agency or instrumentality thereof or to an Indian tribe or nation for the exclusive use by the tribe.
 - Gasoline sold at retail on the tribal territory if the Indian nation, tribe or pueblo has imposed its own gasoline tax. This deduction was enacted in 1999 and extended to persons other than registered Indian tribal distributors in 2000.
 - Gasoline sold at wholesale for off-reservation retail sale by certain Indian distributors operating on their own pueblo or reservation.
 - Fuel dyed in accordance with applicable state or federal regulations.

Collections and Distributions

- Distribution allotments of gasoline tax revenues have remained stable since fiscal year 1996. For that and subsequent years, all taxes imposed by the Gasoline Tax Act, including all civil penalties and interest, are distributed monthly as outlined below:
 - 26% of net gasoline tax receipts (exclusive of penalty and interest) to the state aviation fund;
 - 13% of net gasoline tax receipts to the motorboat fuel fund;
 - 10.38% of net gasoline tax receipts (exclusive of penalty and interest) to counties and municipalities, as follows:
 - 9/10 goes to municipalities and H-class counties (Los Alamos) in the proportion that the taxable motor fuel sales in each of them bears to the aggregate of such sales in all municipalities and H-class counties; and
 - 1/10 goes to all counties in the proportion that the taxable motor fuel sales outside incorporated municipalities in each county bears to the aggregate of such sales outside incorporated municipalities in all counties;
- 5.76% of net gasoline tax receipts (inclusive of penalty and interest) to the county government road fund;
- 5.76% of net gasoline tax receipts (inclusive of penalty and interest) to municipal road fund;
- 1.44% of the net gasoline tax receipts (inclusive of penalty and interest) to the municipal arterial program (administered as a grant program by the State Highway and Transportation Department);
- the remaining taxes, about 76% of the total to the state road fund.

Petroleum Products Loading Fee

- A fee of \$150.00 a truck load (8,000 gallons) is imposed on distributors of petroleum products—gasoline and special fuel. This is equivalent to \$.01875 or 1.875¢ per gallon.

- Proceeds of the tax are distributed as follows: 1/2¢ per gallon to local governments road fund; and, the remainder to the corrective action fund, which finances the clean up of contamination sites.

Table 19
Gasoline Tax and Petroleum Product Loading Fee Revenue Collections and Distributions

	FY1998 (1997-98)	FY1999 (1998-99)	FY2000 (1999-2000)	FY2001 (2000-2001)	FY2002 (2001-2002)
Collections:					
Gasoline Tax	\$155,250,518	\$151,943,420	\$147,516,866	\$142,737,836	\$143,179,771
Petroleum Products Loading Fee	\$23,238,633	\$20,675,467	\$15,752,409	\$16,956,277	\$21,855,534
Penalty and Interest	\$72,923	\$139,990	\$28,863	\$30,059	\$31,046
Refunds and Returned Checks	(\$1,024,415)	(\$655,513)	(\$992,350)	(\$561,252)	(\$448,817)
Net Receipts	\$177,537,658	\$172,103,364	\$162,305,787	\$159,162,920	\$164,617,534
Distributions:					
Counties and Municipalities	\$15,896,795	\$15,569,663	\$14,912,120	\$14,540,571	\$14,571,511
NMFA Intercepts	\$137,490	\$155,245	\$321,903	\$226,861	\$250,207
State Road Fund	\$117,879,845	\$115,659,836	\$111,961,399	\$108,534,031	\$108,941,115
County Govt. Road Fund	\$8,901,838	\$8,734,035	\$8,455,224	\$8,196,376	\$8,227,044
Municipal Road Fund	\$8,901,838	\$8,734,035	\$8,455,224	\$8,196,376	\$8,227,044
Municipal Arterial Fund	\$2,225,460	\$2,183,402	\$2,113,806	\$2,049,094	\$2,056,761
Aviation Board	\$401,629	\$393,850	\$381,584	\$369,897	\$371,257
Motor Boat Fuel Tax Fund	\$200,910	\$197,113	\$190,830	\$184,988	\$185,680
Local Government Road Fund/PPL	\$6,131,167	\$6,409,875	\$6,655,974	\$6,368,968	\$6,375,372
Corrective Action/PPL	\$16,860,685	\$14,060,940	\$8,857,722	\$10,495,757	\$15,411,545
Total Disbursements	\$177,537,658	\$172,103,364	\$162,305,787	\$159,162,920	\$164,617,534

(Percent Change vs. Prior Year)

Collections:					
Gasoline Tax	2.2%	-2.1%	-2.9%	-3.2%	0.3%
Petroleum Products Loading Fee	5.8%	-11.0%	-23.8%	7.6%	28.9%
Penalty and Interest	-80.2%	92.0%	-79.4%	4.1%	3.3%
Refunds and Returned Checks	-39.9%	-36.0%	51.4%	-43.4%	-20.0%
Net Receipts	2.9%	-3.1%	-5.7%	-1.9%	3.4%
Distributions:					
Counties and Municipalities	1.8%	-2.1%	-4.2%	-2.5%	0.2%
NMFA Intercepts	-1.4%	12.9%	107.4%	-29.5%	10.3%
State Road Fund	2.2%	-1.9%	-3.2%	-3.1%	0.4%
County Govt. Road Fund	2.1%	-1.9%	-3.2%	-3.1%	0.4%
Municipal Road Fund	2.1%	-1.9%	-3.2%	-3.1%	0.4%
Municipal Arterial Fund	2.1%	-1.9%	-3.2%	-3.1%	0.4%
Aviation Board	1.8%	-1.9%	-3.1%	-3.1%	0.4%
Motor Boat Fuel Tax Fund	2.1%	-1.9%	-3.2%	-3.1%	0.4%
Local Government Road Fund/PPL	3.1%	4.5%	3.8%	-4.3%	0.1%
Corrective Action/PPL	10.3%	-16.6%	-37.0%	18.5%	46.8%
Total Disbursements	2.9%	-3.1%	-5.7%	-1.9%	3.4%

Special Fuel Tax

- A tax of \$.18 per gallon is imposed on special fuel used or received for use in vehicles registered to travel on New Mexico highways.
- The special fuel tax is imposed on distributors (and importers) of special fuel.
- The tax is passed forward to the pump and thus immediately to consumers.
- Refunds of excess amounts are allowed, although most heavy vehicle operators will apply excess fuel tax collections to their weight-distance tax liability.
- Special fuel tax revenues are distributed primarily to the state road fund.

Alternative Fuels Tax

- Alternative fuels—liquefied petroleum gas, compressed natural gas, liquefied natural gas, and "A55" (an emulsion consisting of water and a hydrocarbon fuel) will be subject to the alternative fuels tax instead of the gasoline or special fuels taxes.
- The tax on alternative fuels is phased in, starting at \$0.03 per gallon and reaching \$0.12 per gallon on January 1, 2002.
- In lieu of the tax, operators of vehicles weighing 54,000 pounds or less may elect to pay an annual fee when the vehicle is registered.
- The fee varies with the weight of the vehicle, and is also phased in.

Table 20
Special Fuel and Alternative Fuel Tax Revenue Collections and Distributions

	FY1998 (1997-98)	FY1999 (1998-99)	FY2000 (1999-2000)	FY2001 (2000-2001)	FY2002 (2001-2002)
Collections:					
Special Fuel	\$70,488,146	\$74,578,429	\$77,721,275	\$76,936,696	\$76,394,978
Alternative Fuel	\$121,721	\$114,591	\$286,374	\$280,466	\$178,435
Refunds and Returned Checks	-\$852,825	-\$521,732	-\$241,609	\$1,286,873	-\$3,065
Net Receipts	\$69,757,042	\$74,171,288	\$77,766,039	\$78,504,035	\$76,570,348
Distributions:					
State Road Fund	\$59,732,271	\$63,763,107	\$66,648,260	\$66,939,826	\$65,689,278
Local Government Road Fund	\$7,431,327	\$7,914,366	\$8,287,113	\$8,309,255	\$8,166,730
IFTA Distributions (other states)	\$2,487,832	\$2,424,852	\$2,916,843	\$3,312,101	\$2,714,341
Total Disbursements	\$69,651,430	\$74,102,326	\$77,852,215	\$78,561,182	\$76,570,348
(Percent Change vs. Prior Year)					
Collections:					
Special Fuel	10.3%	5.8%	4.2%	-1.0%	-0.7%
Alternative Fuel	15.8%	-5.9%	149.9%	-2.1%	-36.4%
Refunds and Returned Checks	-32.2%	-38.8%	-53.7%	-632.6%	-100.2%
Net Receipts	11.1%	6.3%	4.8%	0.9%	-2.5%
Distributions:					
State Road Fund	10.8%	6.7%	4.5%	0.4%	-1.9%
Local Government Road Fund	9.2%	6.5%	4.7%	0.3%	-1.7%
IFTA Distributions (other states)	17.9%	-2.5%	20.3%	13.6%	-18.0%
Total Disbursements	10.8%	6.4%	5.1%	0.9%	-2.5%

Weight-Distance Tax

- All motor vehicles with a declared gross vehicle weight of more than 26,000 pounds that travel on New Mexico's roads and highways must pay a weight-distance tax.
- The rate of tax is determined by the gross weight of the vehicle and ranges from .797¢ per mile for vehicles weighing between 26,000 and 28,000 pounds to 3.168¢ per mile for vehicles weighing 78,001 or more.
- The rate is multiplied by the number of miles the vehicle travels in New Mexico.
- All revenues generated by the weight-distance tax, including any civil penalties and interest, are distributed to the state road fund for highway maintenance and construction.
- Each registrant, owner, or operator subject to the tax must report and pay on a quarterly basis. **1999 legislation, retroactively applicable to the first quarter 1999 return, delayed the due date of the weight distance tax from the 25th of the month following the end of the quarter to the last day of that month.**
- Exempted from the weight-distance tax are school buses, buses used exclusively to transport agricultural laborers, and buses operated by religious or nonprofit charitable organizations.

Table 21
Weight Distance Tax Revenue Collections and Distributions

	FY1998 (1997-98)	FY1999 (1998-99)	FY2000 (1999-2000)	FY2001 (2000-2001)	FY2002 (2001-2002)
Collections:	\$47,603,123	\$52,670,071	\$54,098,331	\$50,851,053	\$50,902,731
Distributions:					
State Road Fund	\$47,603,123	\$52,670,071	\$54,098,331	\$50,851,053	\$50,902,731
		(Percent Change vs. Prior Year)			
Collections:	7.4%	10.6%	2.7%	-6.0%	0.1%
Distributions:					
State Road Fund	7.4%	10.6%	2.7%	-6.0%	0.1%

Trip Tax

- Commercial motor carrier vehicles owned or operated by companies based outside of New Mexico and not otherwise required to be registered in New Mexico must pay a trip tax before operating on New Mexico highways.
- The trip tax is imposed in lieu of vehicle registration fees, annual permits and requirements, special fuel taxes, and weight-distance taxes.
- The rate is based on the gross vehicle weight and ranges from five cents per mile for vehicles weighing from 12,000 to 26,000 pounds to 12¢ per mile for vehicles exceeding 72,000 pounds.
- This tax is prepaid or collected at the ports-of-entry.
- Operation of the ports-of-entry, operated by the department from July 1987 to June 1998, will be transferred to the state department of public safety, effective July 1, 1998.
- All revenues, including penalties and interest from the trip tax are distributed to the state road fund.

Table 22
Trip Tax Revenue Collections and Distributions

	FY1998 (1997-98)	FY1999 (1998-99)	FY2000 (1999-2000)	FY2001 (2000-2001)	FY2002 (2001-2002)
Collections:	\$9,049,873	\$9,656,394	\$9,726,682	\$7,730,991	\$6,194,320
Distributions:					
State Road Fund	\$9,049,873	\$9,656,394	\$9,726,682	\$7,730,991	\$6,194,320
		(Percent Change vs. Prior Year)			
Collections:	27.6%	6.7%	0.7%	-20.5%	-19.9%
Distributions:					
State Road Fund	27.6%	6.7%	0.7%	-20.5%	-19.9%

Motor Vehicle Registration

- Motor vehicles and trailers used on New Mexico’s highways are required to be registered with the Motor Vehicle Division. Vehicles not subject to the registration requirements are farm implements, farm tractors, vehicles owned by the U.S. government, vehicles owned by nonresidents that are only temporarily in New Mexico, and vehicles designed solely for use off the highways.
- Every owner of a vehicle must register the vehicle on an annual basis and must pay a registration fee.
- The fee amount is determined by the weight and age of the vehicle.
- Registration fees for trucks, trailers and buses are determined by the declared gross weight of the vehicle and range from \$30.00 to \$129.50 per year. School buses and buses operated by religious or charitable organizations are subject to the registration fee of \$5.00 per year. Revenues from the motor vehicle registrations are distributed primarily to the state road fund (about two-thirds) and to individual counties and municipalities for general purposes and for use in constructing, repairing, and maintaining public roads and highways.

Other Vehicle Registrations

- Owners of off-highway motorcycles and vehicles, all-terrain vehicles, boats, and manufactured homes must also register and pay fees to the Motor Vehicle Division.
- Off-highway vehicles are subject to a registration fee of \$15.00, which is renewable every three years.
- Boats operated on the New Mexico's waters must be titled and registered. Boat registration fees range from \$28.50 for boats under 16 feet to \$66.00 for boats over 65 feet. Registration is renewable every three years. Transfer of title to manufactured homes requires a one-time registration by the owner with a fee of \$5.00 per unit.

Prestige and Special Plates

- Owners of motor vehicles may obtain prestige or special plates for their vehicles. Various classifications of special plates have specific requirements that must be met, but prestige plates are available to any motorist.

- Examples of special plates include amateur radio plates, veterans plates, medal of honor winners, Pearl Harbor survivors, National Guard, etc. Fees for these plates vary with the type of plate requested.

Additional Registration Fees

- When registering or titling a newly purchased vehicle or annually reregistering a motor vehicle, fees in addition to the registration fee are imposed and collected. Although these fees change periodically, fees in place at the beginning of fiscal year 1998 are presented in the attached table.

Hazardous Waste Hauling Permits

- The 1996 Hazardous Materials Transportation Act requires anyone transporting hazardous materials (with some exceptions) to receive a permit from the Taxation and Revenue Department. Permits cost \$250 annually and cover all vehicles of the carrier.
- Single trip permits are also available for \$75.
- The department may suspend or revoke a permit if the carrier violates the permit's conditions. In this case, the carrier may ask for a hearing. A civil penalty of up to \$2,000 may be levied for violating the Act.

Oversize/Overweight Permits

- New Mexico state law limits the size, weight, and shape of vehicles and loads utilizing the state's highways. The Taxation and Revenue Department and local highway authorities may, at their discretion, issue special permits authorizing applicants to operate or move vehicles or loads of a size or weight exceeding these maximums.
- Special permits for a single trip for a load and/or vehicle of excessive weight, width, length, and height cost \$35.00. Special annual permits for a vehicle or fleet cost \$120.00. Authorized manufactured home movers may self issue trip permits for \$15. Loads twenty feet or more in length and transported five or more miles are subject to a \$300 a day police escort fee.

Driver's Licenses

- Every operator of a motor vehicle on New Mexico highways must possess a valid driver's (operator's) license issued by the Motor Vehicle Division.
- Driver's licenses are valid for four or eight years and must be renewed within 30 days of the driver's birthday. Individuals must be 16 years old or older to be eligible to apply for a license, unless the individual has successfully completed an approved driver's education course, in which case the minimum age requirement is 15.
- Applicants for a license must successfully complete a written exam, a vision test and a driving exam. Persons between 18 and 45 who are applying for their first New Mexico license must also complete an approved DWI awareness course. Persons 75 years and older must renew annually at no cost to the applicant.

MVD Statutory Fees

Fees	Amount Assessed
Administrative Fee	\$0.50
Judicial Education Fee	\$1.00
Temporary Registration Permit	\$1.50

Financial Responsibility and Multi-language Testing	\$2.00
Learners Permit	\$2.00
Driver Safety	\$3.00
EDL	\$3.00
Title Fee	\$3.00
Traffic Safety Fee	\$3.00
Brain Injury Fee	\$5.00
(Original) License Fee	\$10.00
Corrections Fee	\$10.00
Court Automation Fee	\$10.00
Court Facilities (All Other Counties)	\$10.00
Duplicate License	\$10.00
Duplicate Title	\$10.00
Provisional License	\$16.00
Court Facilities (Metro Court)	\$24.00
License Reinstatement (Regular)	\$25.00
Limited License	\$45.00
License Reinstatement (DWI)	\$75.00
Amateur Radio Operator Plate	\$3.00
Veteran's Motorcycle Plate	\$7.00
Motorcycle Dealer Plate	\$10.00
Prestige Plate	\$15.00
Veteran's Plate	\$15.00
Firefighter Plate	\$25.00
Volunteer Firefighter Plate	\$25.00
Antique (Year of Manufacture) Plate	\$25.00
NMSU Plate	\$35.00
UNM Plate	\$35.00
Children's Plate	\$40.00
Dealer Plate	\$50.00
Tire Recycling Fee	\$.25 /wheel
Returned Check Penalty	\$10.00
Late Registration Penalty	\$10.00
DWI Administrative Hearing Fee	\$25.00
Excise Tax	3% of purchase price
Penalty Assessment	Varies
Registration Fees	Varies

Selective Sales Taxes

Motor Vehicle Excise Tax

- Any time the title of ownership of a motor vehicle is transferred an excise tax equal to 3% of the vehicle purchase price is collected. If the price paid does not represent the vehicle's actual value, 3% of actual value is due.
- In determining the value, an allowance for vehicle trade-ins may be deducted. Additional small transaction fees usually apply to change-of-ownership transactions (see below).

Table 23
Motor Vehicle Excise Tax Revenue Collections and Distributions

	FY1998 (1997-98)	FY1999 (1998-99)	FY2000 (1999-2000)	FY2001 (2000-2001)	FY2002 (2001-2002)
Collections:	\$84,066,171	\$86,844,885	\$96,463,493	\$97,439,041	\$106,957,812
Distributions:					
State General Fund	\$84,066,171	\$86,844,885	\$96,463,493	\$97,439,041	\$106,957,812
	(Percent Change vs. Prior Year)				
Collections:	8.0%	3.3%	11.1%	1.0%	9.8%
Distributions:					
State General Fund	8.0%	3.3%	11.1%	1.0%	9.8%

Leased Vehicle Gross Receipts Tax and Surcharge (Section 7-14A)

- Tax is imposed on the receipts from automobile leases of less than six months duration.
- The automobiles must belong to fleets of at least five vehicles.
- The 5% LVGRT is imposed in addition to regular state and local option gross receipts taxes.
- A \$2 per day surcharge is imposed on car rentals.

Table 24
Leased Vehicle GRT and Surcharge Revenue Collections and Distributions

	FY1998	FY1999	FY2000	FY2001	FY2002
Collections:					
LVGRT	\$5,580,202	\$5,528,291	\$6,128,131	\$6,413,417	\$6,009,902
LV Surcharge	\$6,059,324	\$5,892,113	\$6,302,503	\$6,352,396	\$6,362,310
Total	\$11,639,526	\$11,420,405	\$12,430,634	\$12,765,813	\$12,372,213
Distributions:					
State General Fund-LVGRT	\$1,860,067	\$1,685,273	\$0	\$0	\$0
State General Fund-LV Surcharge	\$6,059,324	\$5,892,113	\$6,302,503	\$6,352,396	\$6,362,310
State General Fund-Total	\$7,919,391	\$7,577,386	\$6,302,503	\$6,352,396	\$6,362,310
State Road Fund (LVGRT)	\$2,325,084	\$2,106,591	\$0	\$0	\$0
Local Government Road Fund (LVGRT)	\$1,395,050	\$1,382,073	\$1,532,033	\$1,603,354	\$1,502,476

(Percent Change vs. Prior Year)

Collections:					
LVGRT	2.5%	-0.9%	10.9%	4.7%	-6.3%
LV Surcharge	0.1%	-2.8%	7.0%	0.8%	0.2%
Total	1.3%	-1.9%	8.8%	2.7%	-3.1%
Distributions:					
State General Fund-LVGRT	2.5%	-9.4%	-100.0%	NA	NA
State General Fund-LV Surcharge	0.1%	-2.8%	7.0%	0.8%	0.2%
State General Fund-Total	0.7%	-4.3%	-16.8%	0.8%	0.2%
State Road Fund (LVGRT)	2.5%	-9.4%	-100.0%	NA	NA
Local Government Road Fund (LVGRT)	2.5%	-0.9%	10.9%	4.7%	-6.3%

Cigarette Tax

- Under laws effective July 1, 2003, excise tax of **\$0.0455** is levied for each cigarette sold, given, or consumed in the state. This amounts to **\$.91 per** package of twenty cigarettes.
- Most cigarette sales to the United States or its political subdivisions are exempted.
- Discounts are allowed to purchasers of stamps to defray the cost of affixing them. A fee is paid by those affixing stamps outside the state.
- In-state cigarette distributors may also sell unstamped cigarettes to Indian smokeshops (that resell cigarettes without the state cigarette tax). Sales by these enterprises now run about 22% of total cigarette sales in the state, or over 23 million packs of cigarettes.
- The **\$.91** cigarette tax on each package of twenty cigarettes is distributed as follows:
 - One cent (**1.36%**) is distributed to the recreational fund of each locality.
 - Two and one-half cents (**2.72%**) is distributed to the cigarette fund (typically placed in the general fund of each locality).
 - One cent (1.36%) is distributed to the Cancer Center at the University of New Mexico Medical School.
 - Thirty-five and one-half cents (38.62%) is distributed to the New Mexico Finance Authority (NMFA)
 - Two cents (2.04%) is distributed to NMFA for issuing bonds to finance Cancer Center additions.
 - Thirteen cents (14.52%) is distributed to NMFA for repayment of bonds issued on behalf of the UNM Hospital and Cancer Research and Treatment Center at the UNM Health

- Sciences Center.
- Six cents (6.11%) is distributed to NMFA for repayment of bonds issued on behalf of the Department of Health facilities.
- Fourteen and one-half cents (15.95%) is distributed to NMFA for the creation of the Credit Enhancement Account (CEA), the purpose of which is to provide additional security for those bonds mentioned above.
- The remaining fifty-one cents (55.94%) is distributed to the state General Fund.

Table 25
Cigarette Tax Revenue Collections and Distributions

	FY1998 (1997-98)	FY1999 (1998-99)	FY2000 (1999-2000)	FY2001 (2000-2001)	FY2002 (2001-2002)
Collections:	\$21,550,902	\$21,224,159	\$20,513,108	\$19,755,422	\$19,223,585
Distributions:					
State General Fund	\$15,958,634	\$15,724,062	\$15,209,971	\$14,578,184	\$14,212,603
UNM Cancer Center	\$1,016,776	\$1,000,018	\$964,207	\$941,316	\$911,088
NM Finance Authority	\$1,525,164	\$1,500,027	\$1,446,310	\$1,411,974	\$1,366,631
County and Municipal Recreation Fund	\$1,016,776	\$1,000,018	\$964,207	\$941,316	\$911,088
County and Municipal Cigarette Fund	\$2,033,552	\$2,000,035	\$1,928,413	\$1,882,632	\$1,822,175
Total Disbursements	\$21,550,902	\$21,224,159	\$20,513,108	\$19,755,422	\$19,223,585
		(Percent Change vs. Prior Year)			
Collections:	-0.9%	-1.5%	-3.4%	-3.7%	-2.7%
Distributions:					
State General Fund	-0.9%	-1.5%	-3.3%	-4.2%	-2.5%
UNM Cancer Center	-0.9%	-1.6%	-3.6%	-2.4%	-3.2%
NM Finance Authority	-0.9%	-1.6%	-3.6%	-2.4%	-3.2%
County and Municipal Recreation Fund	-0.9%	-1.6%	-3.6%	-2.4%	-3.2%
County and Municipal Cigarette Fund	-0.9%	-1.6%	-3.6%	-2.4%	-3.2%
Total Disbursements	-0.9%	-1.5%	-3.4%	-3.7%	-2.7%

Tobacco Products Tax

- Excise tax of 25% of the value of tobacco products other than cigarettes sold, shipped, or given to a person in the state is imposed on the first purchase of the products.
- Products sold to the United States or any agency or instrumentality thereof or to the state or any political subdivision are exempt from the tax.
- Payment of the tax is due on the 25th day of the month following the month of purchase.
- Proceeds of the tax are distributed monthly to the state general fund.

Table 26
Tobacco Products Tax Revenue Collections and Distributions

	FY1998 (1997-98)	FY1999 (1998-99)	FY2000 (1999-2000)	FY2001 (2000-2001)	FY2002 (2001-2002)
Collections:	\$3,545,785	\$3,524,474	\$3,729,384	\$3,843,946	\$3,683,461
Distributions:					
State General Fund	\$3,545,785	\$3,524,474	\$3,729,384	\$3,843,946	\$3,683,461
		(Percent Change vs. Prior Year)			
Collections:	7.8%	-0.6%	5.8%	3.1%	-4.2%
Distributions:					
State General Fund	7.8%	-0.6%	5.8%	3.1%	-4.2%

Liquor Excise Tax

- The liquor excise tax is imposed on any wholesaler who sells or distributes alcoholic beverages upon which the tax has not been paid.
- The tax rates are: 41¢ per gallon of beer or cider, 45¢ per liter of wine, \$1.50 per liter of fortified wine, and \$1.60 per liter of spirituous liquor.
- Wines from small wineries (those producing less than 560,000 liters annually) are taxed at 10¢ per liter for volumes below 80,000 liters and 20¢ per liter for volumes above 80,000 liters.
- Beers produced by microbreweries (those producing less than 5,000 gallons annually) are taxed at 8¢ per gallon.
- Proceeds from the liquor excise tax are distributed to the state general fund monthly
- Liquor sold to or by any instrumentality of the U.S. armed forces for resale is exempted, as are alcoholic beverages that are given away by wholesalers rather than sold.
- In 2000, an additional \$2,000,000 of liquor tax revenues was earmarked for the Local DWI Grant Fund and diverted for fiscal year 2002 to fund detoxification and treatment centers in Bernalillo and San Juan Counties.

Table 27
Liquor Excise Tax Revenue Collections and Distributions

	FY1998 (1997-98)	FY1999 (1998-99)	FY2000 (1999-2000)	FY2001 (2000-2001)	FY2002 (2001-2002)
Collections:	\$34,904,179	\$35,797,994	\$36,747,831	\$37,004,001	\$37,732,655
Distributions:					
State General Fund	\$34,043,593	\$26,062,395	\$26,752,424	\$26,687,231	\$24,688,474
DWI Grant Fund	\$860,586	\$9,735,599	\$9,995,407	\$10,316,770	\$13,044,181
Total Disbursements	\$34,904,179	\$35,797,994	\$36,747,831	\$37,004,001	\$37,732,655
		(Percent Change vs. Prior Year)			
Collections:	0.7%	2.6%	2.7%	0.7%	2.0%
Distributions:					
State General Fund	-1.8%	-23.4%	2.6%	-0.2%	-7.5%
DWI Grant Fund	100.0%	1031.3%	2.7%	3.2%	26.4%
Total Disbursements	0.7%	2.6%	2.7%	0.7%	2.0%

Railroad Car Company (Private Car) Tax

- An annual tax of 1.5% of the gross earnings from the use or operation of private railroad cars in New Mexico is imposed on organizations that own them.
- Such organizations include foreign or domestic car line companies, mercantile companies, corporations, associations for profit, individuals and other businesses that own passenger, refrigerator, oil or gas tank or freight cars, other than a railroad company operating its own or leased lines.
- The tax cannot exceed the amount that would be paid if the cars were taxed on an ad valorem (property) tax basis; this tax is in lieu of property taxes. Under this provision the rate was reduced in 1997 from 3.5% to 1.5%.
- Railroad companies using or leasing the cars of any organization are required to withhold private car taxes due when making payments to such organizations. The railroad company then files a consolidated tax report on or before March 1 of each year, showing the amount of taxes withheld for the prior calendar year.
- Collections, net of refunds, are transferred to the state general fund.

Table 28
Private Car Tax Revenue Collections and Distributions

	FY1998 (1997-98)	FY1999 (1998-99)	FY2000 (1999-2000)	FY2001 (2000-2001)	FY2002 (2001-2002)
Collections:	\$322,719	\$475,066	\$547,033	\$577,590	\$335,749
Distributions:					
State General Fund	\$322,719	\$475,066	\$547,033	\$577,590	\$335,749
	(Percent Change vs. Prior Year)				
Collections:	-15.3%	47.2%	15.1%	5.6%	-41.9%
Distributions:					
State General Fund	-15.3%	47.2%	15.1%	5.6%	-41.9%

Gaming Tax

- Gaming operator licensees are taxed at a rate of 25% of their “net take.”
- “Net take” is defined as the sum of “cash received from patrons for playing a game; cash received in payment for credit extended by a licensee to a patron for playing a game; and compensation received for conducting a game in which the licensee is not a party to a wager, less the total of all cash paid out as losses to winning patrons and those amounts paid to purchase annuities to fund losses paid to winning patrons over several years.” The definition excludes all amounts not paid as the result of a wager. Therefore, expenditures on promotions such as food and travel may not be deducted in computing “net take.”
- Manufacturer licensees and distributor licensees are subject to a 10% tax on gross receipts from the intrastate sale, lease, or transfer of gaming devices. Manufacturer-to-distributor sales are deductible. Distributor-to-distributor sales are taxable at each transaction.
- Taxation under the Gaming Control Act exempts gambling licensees from state gross receipts taxation on that portion of receipts attributable to gaming activities. The legislation also explicitly prohibits local jurisdictions from imposing any fees or taxes except property taxes on gaming licensees.
- Net revenue is allocated to the state General Fund. Pursuant to 1998 legislation, tax is due on the 15th of month following receipt of revenue.

Table 29
Gaming Tax Revenue Collections and Distributions

	FY1998 (1997-98)	FY1999 (1998-99)	FY2000 (1999-2000)	FY2001 (2000-2001)	FY2002 (2001-2002)
Collections:					
Gaming Activities Tax	\$0	\$2,004,700	\$18,848,743	\$22,979,776	\$28,466,517
Gaming Manufacturer's Tax	\$0	\$336,266	\$566,939	\$373,645	\$453,489
Total Collections	\$0	\$2,340,966	\$19,415,682	\$23,353,421	\$28,920,006
Distributions:					
State General Fund	\$0	\$2,340,966	\$19,415,682	\$23,353,421	\$28,920,006
(Percent Change vs. Prior Year)					
Collections:					
Gaming Activities Tax	N/A	100.0%	840.2%	21.9%	23.9%
Gaming Manufacturer's Tax	N/A	100.0%	68.6%	-34.1%	21.4%
Total Collections	N/A	100.0%	729.4%	20.3%	23.8%
Distributions:					
State General Fund	N/A	100.0%	729.4%	20.3%	23.8%

Other Revenue Programs

Unclaimed Property

- Property becomes “unclaimed” when the holder of the property cannot contact the owner for a period of one, five, seven, or 15 years depending on the classification of the asset. The time period for most assets is five years.
- Holders defined by statute includes banks, savings and loan associations, credit unions, currency exchanges, insurance companies, utilities, business associations, and governmental bodies.
- Net unclaimed property funds are deposited in the state general fund with \$500,000 held in the unclaimed property suspense fund for payment of claims. Monetary penalties are imposed for violation of the Act.

Workers’ Compensation Fee

- Each calendar quarter, employers with three or more employees subject to the New Mexico Workers’ Compensation Act are required to pay a \$4.00 fee per employee to the workers’ compensation fund.
- The fee provides funding for administration of the Workers’ Compensation Act.
- Fees are now imposed only for employees on payroll on the last day of a quarter.

Enhanced 911 Service

- Every telephone line providing telephone service in the state, with a few exceptions, is assessed two surcharges totaling 51¢ per month to finance a statewide enhanced emergency telephone service.
- Proceeds from the 25¢ 911 Emergency Surcharge are deposited in the enhanced 911 fund and used to pay 911 equipment, maintenance, and installation costs.
- Proceeds from the 26¢ Network and Database Surcharge are deposited in the network and database fund and used to finance network capability and database for the enhanced 911 system. Each intrastate telephone company is required to collect and remit the surcharges to TRD.

