

## **Outline of Potential Areas of Consideration for Review by the Blue Ribbon Tax Commission:**

*Compiled by the Taxation and Revenue Department*

### **Gross Receipts Tax and Compensating Tax (GRT & Comp)**

- Pyramiding
- Deductions and Exemptions
  - 501(C)(3) of greatest substance and controversy (sale/purchase)
  - Exemptions of less interest
  - Deductions other than resale tend to be of smaller financial significance
- Modernization (given GRT is much newer than most sales tax structures)
  - Streamlined Sales Tax conformity (internet sales)
  - Other current and future tax base erosion concerns
  - Structural and base issues (i.e. comp tax on services, situs of taxation of services, intangibles, governmental transactions)
- Local Option Compensating Tax, or other method of rate equalization to GRT
- Public Policy Tax Issues
  - Medical services and/or tangibles
  - Food
  - Other?

#### *Other issues*

- Reviewing all Deductions and Exemptions
  - Some very necessary
  - Highly political landscape
  - Questionable items of limited financial importance
  - Very time consuming
- Special-interest issues can easily distract from broader issues and concerns

*Caveat:* Any change in GRT base or rate, positive or negative, will have a corresponding effect on cities/counties

### **Personal Income Tax (PIT)**

- The bill requires review of PIT
- Bracket relief and indexing were not addressed (tax cuts only affected the highest marginal brackets)

- Lower brackets can be adjusted to alleviate regressivity of GRT

## **Corporate Income Tax (CIT)**

- New Mexico is fairly unique in its allowable filing method options
  - The filing method options create administrative burdens and ease tax minimization planning
  - Filing method options should be limited
  - Combined/Unitary filing is widely considered to be the toughest method to plan around
- Revenues trending sharply downward
- Fairly inefficient, litigious and resource intensive administration
- Repeal as economic development/marketing tool is an alternative to mandatory combined filing
- Other anti-pic (passive investment company tax planning) legislation is also an alternative
- Tiered-rates?

## **Motor Vehicle Excise Tax (MVX)**

- 3% MVX rate is very low in relation to other states
- Registration fees very low in comparison to other states
- Transactional tax is regressive in nature

## **State and Local Highway Funding**

### **Gasoline and Special Fuels (diesel) taxes**

- Competing state, tribal/pueblo, and industry concerns
  - Dual Taxation
  - Tax base erosion of highway funds
  - Administrative and enforcement concerns
- Governor convening task force (4 industry reps, 4 tribal, 3 state) to study fuel tax problems

## Other revenue sources?

### Property Taxes

- NM is among lowest in nation (rates)
- Current structure would require massive revision to provide fair and consistent state benefit
- Likely the most inefficient significant tax
- Valuation of mineral and agricultural resources?

### Severance Taxes

- Rates
- Simplification
- Volatility considerations

### Taxpayer Administration

- Interest Rates and Penalties
  - Interest rates high/punitive
  - Ideally, interest rates would float (system limitations)
  - Penalties low, some limited departmental discretion
  - Drives dysfunctional taxpayer and department behavior
- Fraud Issues
- Other (i.e. NTTCs)

### Economic Development

- Tax competition increasingly important in an increasingly mobile multi-state marketplace
- Fairness to existing taxpayers or non-favored groups should be considered
- Economic Incentives
  - Dependent in part on final form of tax structure
  - How well are current incentives working?
  - Are new incentives needed? Should others be eliminated?

### General Policy Principles and Considerations

Taxes must provide adequate and stable revenue

Efficiency of tax structure is important

Taxes must be enforceable

Business and Economic Development require competitive and predictable tax structure  
Taxes and their administration should be perceived as fair and equitable