

AN ACT

RELATING TO TAX ADMINISTRATION; REQUIRING THE SECRETARY OF TAXATION AND REVENUE TO DEVELOP A TAX EXPENDITURE BUDGET; REQUIRING REPORTING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. A new section of the Tax Administration Act is enacted to read:

"TAX EXPENDITURE BUDGET--MANDATORY REPORT--SECRETARY'S DUTY--DEADLINE.--

A. No later than October 15 of each year, the secretary shall compile a tax expenditure budget for the upcoming fiscal year and present the tax expenditure budget, including an analysis, of tax expenditures to the governor and the legislative finance committee. The tax expenditure budget shall report on tax expenditures with revenue impacts of more than one million dollars (\$1,000,000) in the aggregate for a specific tax expenditure.

B. A tax expenditure budget shall detail the approximate costs in foregone revenue from tax expenditures. A tax expenditure budget shall:

(1) include a projection of the costs of tax expenditures for all significant general fund revenue sources;

(2) identify each tax expenditure and its statutory basis, year of enactment, date of repeal, if any,

and purpose;

(3) quantify the revenue lost to the state from each tax expenditure;

(4) identify the beneficiaries of the tax expenditure, including the number of businesses that used the tax expenditure and the number of businesses that potentially qualify but failed to use the tax expenditure, to the extent possible;

(5) identify unintended consequences of the tax expenditure that have come to the attention of the department; and

(6) provide a total of all of the costs in each fiscal year for all tax expenditures.

C. The department is authorized to request from a state agency or a local government agency or official, information necessary to complete the tax expenditure budget required by this section. An agency or official shall comply with a request made pursuant to this section by the department.

D. As used in this section:

(1) "significant general fund revenue sources" means state taxes, including the gross receipts tax, compensating tax, corporate income tax, personal income tax, tobacco excise tax, liquor excise tax, taxes levied on natural resource production and sale, motor vehicle excise tax, gaming

excise tax and other sources of revenue such as rents and royalties, tribal revenue sharing, fire protection fund reversions, premium taxes and the leased vehicle surcharge;

(2) "tax expenditure" means a deduction, credit, exemption, exclusion, preferential tax rate, subtraction or allowance that reduces tax liability when compared with a normal tax system as determined by the secretary; and

(3) "tax expenditure budget" means a compilation of information about New Mexico's tax expenditures that includes data from the three years preceeding the current fiscal year, the current fiscal year and the upcoming fiscal year."

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