F I S C A L   I M P A C T   R E P O R T

ORIGINAL DATE 02/18/17
SPONSOR HFL **LAST UPDATED** 03/15/17 **HB** 412/HFlS

SHORT TITLE Tax Reform **SB**

ANALYST Clark/Iglesias

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY17	**FY18**	**FY19**	**FY20**	**FY21**		
$0	Unknown, Target of Revenue Neutral, Significant Uncertainty Becoming More Certain in Subsequent Years					General Fund
$0	Unknown, Target of Revenue Neutral, Significant Uncertainty Becoming More Certain in Subsequent Years & Potentially Stabilized by New Fund Below					Local Governments
$0	$0 – Positive Inflows, Possible Outflows	$0 – Positive Inflows, Possible Outflows	Possible Outflows		Nonrecurring	Local Government Tax Stabilization Fund
$0	$0	$45.9 million	$47.7 million	$48.6 million	Recurring	State Road Fund
$0	$0	$45.9 million	$47.7 million	$48.6 million	Recurring	Local Road Fund
$0	$0	$9,100.0	$8,800.0	$8,800.0	Recurring	Local DWI Grant Fund
$0	$0	$4,900.0	$4,700.0	$4,700.0	Recurring	AOC Drug Courts
$0	$0	$14,800.0	$14,200.0	$14,200.0	Recurring	County-Supported Medicaid

Parenthesis ( ) indicate revenue decreases

*The impacts are largely determinant on estimation of the taxable base, and currently there are substantial uncertainties in determining this base that could cause the resulting rates to create significant revenue shortfalls or windfalls in the near term. For the first year after the new rates are calculated, the general fund shortfall or windfall could be in the tens or possibly hundreds of millions of dollars.

For each of the two years following the initial reset of the tax code and tax rates, the rates will be recalculated to achieve revenue neutrality, and the uncertainty should substantially diminish during each step of that process.

TAX RATES

Tax Rates by Revenue Source			Revenue Source
Current – Statutory Rate	**Current – Effective Rate**	**Proposed – Effective Rate**	
5.125%	4.16%	~3.28% - 3.58%	GRT (state rate)
n/a	2.77% (inc. 1.225% state distribution to munis)	Additional Estimation Needed	GRT (local rate)
5.125%	5.125%	~3.28% - 3.58% State Rate (Plus Local Rate)	Compensating Tax

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
$25.0	$5,878.0	$5,878.0	$11,756.0	Nonrecurring Costs (Short Term) but Recurring Savings (Long Term)	Taxation and Revenue Department
$25.0	$75.0	$100.0	$200.0	Nonrecurring but for Prolonged Timeframe	Department of Finance and Administration
$25.0	$75.0	$100.0	$200.0	Nonrecurring but for Prolonged Timeframe	Legislative Finance Committee

Parenthesis ( ) indicate expenditure decreases

Conflicts with a variety of bills that make changes to the tax code

SOURCES OF INFORMATION
LFC Files

Responses Received From
New Mexico Municipal League
Taxation and Revenue Department (TRD) – shown in its entirety as Attachment 1
New Mexico Department of Transportation (DOT)
New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of House Floor Substitute

House Floor substitute for House Bill 412 is a substantial tax reform package, making major modifications to the gross receipts tax (GRT), compensating tax, income taxes, and other taxes. It endeavors to remove a significant portion of the tax pyramiding that currently remains in GRT and lower GRT rates by eliminating a wide array of tax exemptions, deductions, and credits and changing other tax revenue sources that under this bill would also result in impacts to GRT rates. Below is a detailed list of the bill's actions.

Gross Receipts Tax (GRT)

- Broadens the tax base by removing nearly all exemptions, deductions, and credits not associated with removing pyramiding
    - Lowers state and local tax rates
    - Improves uniformity
    - Improves stability of revenue and restores revenue streams that grow with inflation
- Removes tax pyramiding for business-to-business professional services and inputs
- Simplifies compliance and improves administration by reducing number of non-taxable transaction certificates (NTTCs)
    - Provides for alternative evidence in the case of a missing NTTC during audit
- Levels the playing field for local brick and mortar businesses by taxing internet sales transactions
- Removes the nonprofit exemption to GRT
    - Increases fairness and uniformity in industries, particularly the medical industry, by treating nonprofit and for-profit facilities the same
    - Guards against revenue losses from potential future changes in the organizational structure of national laboratory prime contractors
- Correctly attributes the 1.225 percent municipal share of the state tax to the municipalities' tax rates versus the current mechanism, which buries that municipal increment within the state tax rate
- Provides flexibility to local governments by converting all county and municipal earmarks to general purpose
- Re-brands GRT as "sales tax"
- Leaves three classes of exemptions, deductions and credits
    - Anti-pyramiding – consolidated and rolled into a new anti-pyramiding section
    - Recent economic incentives that reportedly resulted in substantial investment in the state
        - Sunsets added to these remaining deductions and credits
    - Federal preemption doctrine: the state is not allowed to impose a tax because federal law prohibits it
- Requires the Taxation and Revenue Department (TRD), in consultation with LFC and the Department of Finance and Administration (DFA) to estimate the taxable base for the state and every tax jurisdiction
    - The fiscal impacts of every other function of the bill shall be included in determining the taxable base and therefore the rate to apply to each jurisdiction

Compensating Tax

- Removes perverse incentive to purchase out of state by aligning with GRT (now sales tax) base and requires the rate be the same as the sales tax rate (as opposed to lower, which is currently the case)
- Re-brands comp tax as "use tax"

Liquor Excise Tax

- Distributes liquor excise tax revenue to state and county DWI treatment and prevention programs (60 percent), drug court programs (10 percent), and to the state as a match for Medicaid expenditures (30 percent)

Motor Vehicle Excise Tax (MVX)

- Addresses significant statewide road infrastructure problems by sending 30 percent of MVX to the state road fund and 30 percent to the local road fund; the remaining 40 percent will continue to go to the general fund

Local Government Tax Stabilization Fund

- Creates a fund to which any "excess" sales tax revenue is distributed in FY18 and FY19, and TRD is given appropriation authority to use these funds to supplement local government distributions for the purpose of making up any potential losses due to the actions of the bill

The effective date of most of the provisions of the bill is July 1, 2018 with some provisions effective July 1, 2017 or January 1, 2018.

FISCAL IMPLICATIONS

It is impossible to score precisely the fiscal impact of this bill, or any tax reform bill of this magnitude, due to limitations in available data. The modeling performed incorporated direct reporting, detailed analysis, assumptions from a variety of sources, and educated guesses where no data exists. Because of the inexact nature of this estimating process, the estimated GRT rates shown are ranges that attempt to encompass the most likely results. However, it is possible the resulting impacts could fall outside these ranges. The significant number of interactive effects in this bill could have unanticipated consequences that could lead to revenue shortfalls for the state and local governments or unanticipated revenue windfalls from tax increases for certain groups of taxpayers.

There is significant uncertainty of bill's initial impact at a time with historically low reserves; every effort should be made to increase reserves before the effective date of the majority of the bill's provisions. As a way to help address this concern, the bill has a two-stage trigger to increase general fund revenues if revenues fall below estimates. The first stage trigger temporarily suspends distributions of liquor excise and motor vehicle excise revenues to other funds and can instead send some revenues to the general fund to help make up any potential shortfall. The trigger needs a technical correction – as is, a shortfall in FY19 would suspend the distributions for the first half of FY20.

The motor vehicle excise revenues that would be distributed to the state and local road funds should temporarily go into a suspense fund; if a revenue shortfall is projected, the entire amount could go to the general fund (with excess to the local government tax stabilization fund); if a shortfall is not projected, the distributions would be made to the road funds late in the fiscal year.

The second stage trigger would allow recalculation of rates in 0.1 percent increments, up to a maximum increase of 0.3 percent, if revenues are projected to fall below estimates. This trigger also needs a technical correction, as it would not become effective until FY20.

The greatest source of uncertainty in the fiscal impact is due to the cost of pyramiding under existing statute and under the proposal in the bill. Tax pyramiding occurs when the GRT is applied to business-to-business purchases of services, supplies, raw materials, and equipment, creating an extra layer of taxation at each stage of production. Legislation enacted in 2012 to address tax pyramiding in the manufacturing and construction sectors was onerous to administer and more open-ended than intended, doubling its estimated fiscal impact and requiring legislation to reduce the revenue losses. LFC encourages additional anti-pyramiding efforts to be constructed narrowly to limit uncertainty and minimize further tax revenue losses.

The anti-pyramiding proposal in this bill keeps existing anti-pyramiding provisions (consolidated in new sections and reworded) and expands upon them by providing broader anti-pyramiding language and by providing a deduction for business-to-business professional services and inputs – a key GRT complaint among business owners and prospective businesses.

SIGNIFICANT ISSUES

The last time the state enacted significant tax reform was in 1969, when Franklin Jones, revenue commissioner, succeeded in promoting major changes to the Gross Receipts and Compensating Tax Act. Since then, the tax code has become increasingly complex as more exemptions, deductions, and credits were added over the years. As a result of the revenue reductions caused by many of these tax deviations[1], GRT rates at the state and local levels increased, placing a greater tax burden on those taxpayers left without the protection of a tax deviation.

To maintain revenues in the wake of the Great Recession, the statewide GRT rate increased 1/8 percent to 5.125 percent. Combined with local options, the GRT rate is as high as 8.94 percent in some municipalities. Contributing to the increase in local rates was a 2013 amendment to the food and medical deductions law that allowed local governments to raise the GRT rate by ¾ percent to compensate for the phase-out of "hold-harmless" payments the state initially made to local governments to compensate for the loss of GRT revenue.

For years, tax experts have advised state policymakers that New Mexico needs a tax structure overhaul built on a broad base and focused on adequacy, efficiency, and equity. The lack of tax reform has contributed to the fiscal distress of FY16 and FY17 and the downgrade of state bond ratings.

The increase in GRT rates has also exacerbated the effect of tax pyramiding, still an issue in many industries. The New Mexico Tax Research Institute estimated effective GRT could reach 17 percent in certain sectors, such as manufacturing and research and development, a significant disincentive to businesses considering expanding or locating in New Mexico.

The policy implications are so numerous and substantial, this fiscal impact report (FIR) is incapable of properly capturing all the issues or properly discussing them; to do so would require an FIR at least as long as the bill itself. This means it can be difficult for legislators and citizens to understand all of the policy implications without thoroughly reading the bill and discussing implications with experts.

The bill largely appeals to the general tax policy ideals of broadening the base and lowering the rate. However, food remains untaxed, which is a significant policy consideration and requires a higher GRT rate because of a smaller tax base. Additionally, certain economic development incentives remain in place either indefinitely or with a prolonged delayed repeal date.

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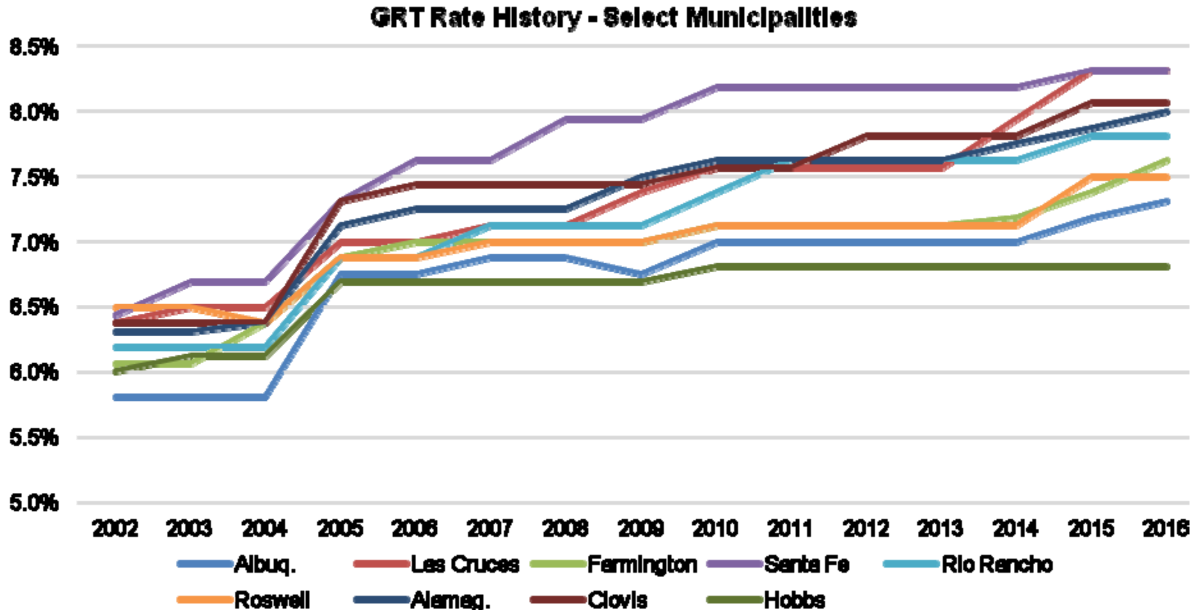
[1] "tax deviations" is used here to broadly describe any alteration to the tax code, which could be classified as a tax expenditure designed to give preferential tax treatment to a group of taxpayers for a specific purpose (stated, inferred, or unclear) or classified as language necessary to appropriately define the tax base



Critics note that not repealing all incentives has the appearance of picking winners and losers, which is at odds with the rest of the bill, since the bill overall attempts to get the state out of the practice of picking winners and losers. Examples of incentives left in place, at least temporarily, include tax increment development districts (TIDDs), locomotive fuel deduction (delayed repeal), and multiple aircraft-related deductions (delayed repeal).

Supporters note the state's economic development community essentially made promises to companies that located in New Mexico with the understanding they would receive certain incentives; keeping these promises, at least for a period of time, would help the state's standing with the existing business community and could assist future recruitment efforts.

The bill would offer both benefits and drawbacks for economic development in the state. Some companies are attracted to simple tax code systems and lower overall rates. However, many economic development incentives are repealed by the bill either immediately or in the future, so some companies that might have located in New Mexico and been able to largely avoid paying GRT would now be subject to the tax, albeit at a lower rate. Additionally, many companies value stability in the tax code, and the very nature of a major tax reform effort such as this creates uncertainty and possibly temporary instability; this could pose a setback for economic development efforts in the near term until revenues and rates stabilize.

After this initial period of uncertainty and transition, the bill substantially simplifies the tax code, which offers other benefits in addition to economic development promotion. Repealing so many tax deviations could make it less likely for companies or individuals to find and exploit loopholes in the tax code. It might be easier for economists to estimate revenues under a simpler tax code with fewer deviations, and the broader base and reduced rates would likely result in less volatility in revenues.

The New Mexico Municipal League provided the following estimated fiscal impacts and analysis.

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
	FY20			
Estimate state rate*	Millions		Recurring	State Genl Fund
Estimate muni rates*	Millions		Recurring	Muni Funds
Estimate county rates	Millions		Recurring	County Funds
Local use taxes	Millions		Recurring	Cty & Muni Funds

(Parenthesis ( ) Indicate Expenditure Decreases)
*In what should be a revenue-neutral shift (both for the governments involved and the taxpayers), the distribution to municipalities of a share (1.225% of 5.125%) of the state's gross receipts tax revenue is converted into a part of the tax rate for each municipality through adjustment of the state tax rate and each municipality's.

This review looks only at the parts of the bill that impact municipalities. The bill has additional effects on counties and the state.

HB-412 has many major moving parts.

(1) Municipal tax rate authorizations are collapsed into one, all-purpose rate. In itself, this is a good thing since it entrusts municipalities with the responsibility to raise and expend funds in response to federal and state requirements and local demands and conditions. At the same HB-412 streamlines the statutes granting authority to bond the municipal sales tax revenues.

(2) Because of the uncertainty as to the size of the reformed sales tax base, local option sales taxes will have to be estimated for a two-year period. The estimation process appears reasonable but does cause concern, especially since TRD determines each local rate. Municipalities have been in litigation with the department over its administration of the existing local option gross receipts taxes. Helpfully, two other state agencies, LFC and DFA, are granted a consulting role in making these determinations. This same concern exists with respect to the conversion of other amounts in acts and distributions affecting local governments.

(3) Although the reasons for the freeze are understandable, local governments are prohibited from changing their imposed gross receipts/sales rates from the effective date of the bill through the transition period. This could tie the hands of local officials should new fiscal demands occur.

(4) Distributions to municipalities, most notably the 1.225% distribution at 7-1-6.4, are converted into equivalent municipal sales tax rates. Although there could be some small losses because the tax authorization does not exactly match the basis for the 7-1-6.4 distribution, the conversion should be close to revenue neutral for municipalities. As a result of this transfer, local option rates will fall less compared with the state's rate.

(5) Provisions in the bill set maximum permissible municipal local option sales tax rates. It is not clear whether some of the municipal rates determined by the TRD for January 1, 2020 may exceed these maxima. These rates carry forward from July 1, 2020, on unless the municipality takes action. Although it may be unlikely that these TRD-set rates exceed the maximum, the bill does not address what should happen if they do.

(6) The procedures for estimating the state sales (and use) tax rate seem biased toward over-estimating the required revenue. If there are excess revenues, they flow into a fund which can be used to support temporarily those local governments whose converted rates underperform what the existing gross receipts tax system would have generated. This insurance is a thoughtful addition, especially since it recognizes that there will be outliers among the municipalities and counties, even if, overall, municipal and county revenues come out close to even. Trouble is that the insurance program lasts only two years and there is no guarantee that the municipality will have unused taxing authority to tap to resolve funding issues. This may have to be re-visited in the 2021 session if actual data indicates any local government may be headed for fiscal difficulty.

(7) The elimination of a slew of deductions and exemptions increases the state and local tax base. Unfortunately, insufficient data exist to determine just how much the base will change, particularly for the smaller municipalities. Regardless, the size of the base change will vary considerably from one local jurisdiction to another because of the strikingly different economies in the various parts of New Mexico. This may result in rate changes that vary widely in size among local governments.

(8) The creation of local option use taxes (at the same rate as the local government's sales tax rate) is a welcome addition, which corrects an omission in the early 1970's when the modern local option taxes were first enacted.

(9) The bill proposes a significant change in the treatment of sales of manufacturing equipment to manufacturers. By making New Mexico's tax treatment much more equivalent to what most other states do, there should be a positive impact on efforts to recruit manufacturers to New Mexico and to encourage local manufacturers to keep up-to-date. The downside is the new treatment broadens deductions for sales to manufacturers, creating downward pressure on existing revenues in those localities with manufacturing operations. It replaces the investment credit, which is restricted to manufacturers increasing employment and requires a specific and sometimes costly effort to secure credit approval.

The New Mexico Department of Transportation (DOT) provided the following analysis.

The revenue estimate refers only to HB 412 – Section 110 – motor vehicle excise tax revenue distribution, and Section 155 (c) – repeal of Sections 7-9-83 and 7-9-84.

The bill equally redistributes the motor vehicle excise tax revenue from the general fund to the state road fund and the local governments road fund, beginning in FY19. In that fiscal year and following fiscal years, the bill increases the overall state road fund revenue and the local governments road fund revenue by about 19 percent and 330 percent, respectively.

Estimated Revenue					Recurring or Non-Recurring	Fund Affected
FY 17	**FY 18**	**FY 19**	**FY 20**	**FY 21**		
0	0	$667*	$723*	$783*	Recurring	State Aviation Fund - **Section 155 (c)**
0	0	$76,500	$79,500	$81,000	Recurring	State Road Fund **Section 110**
0	0	$76,500	$79,500	$81,000	Recurring	Local Governments Road Fund **Section 110**
0	0	$(153,000)	$(159,000)	$(162,000)	Recurring	General Fund **Section 110**

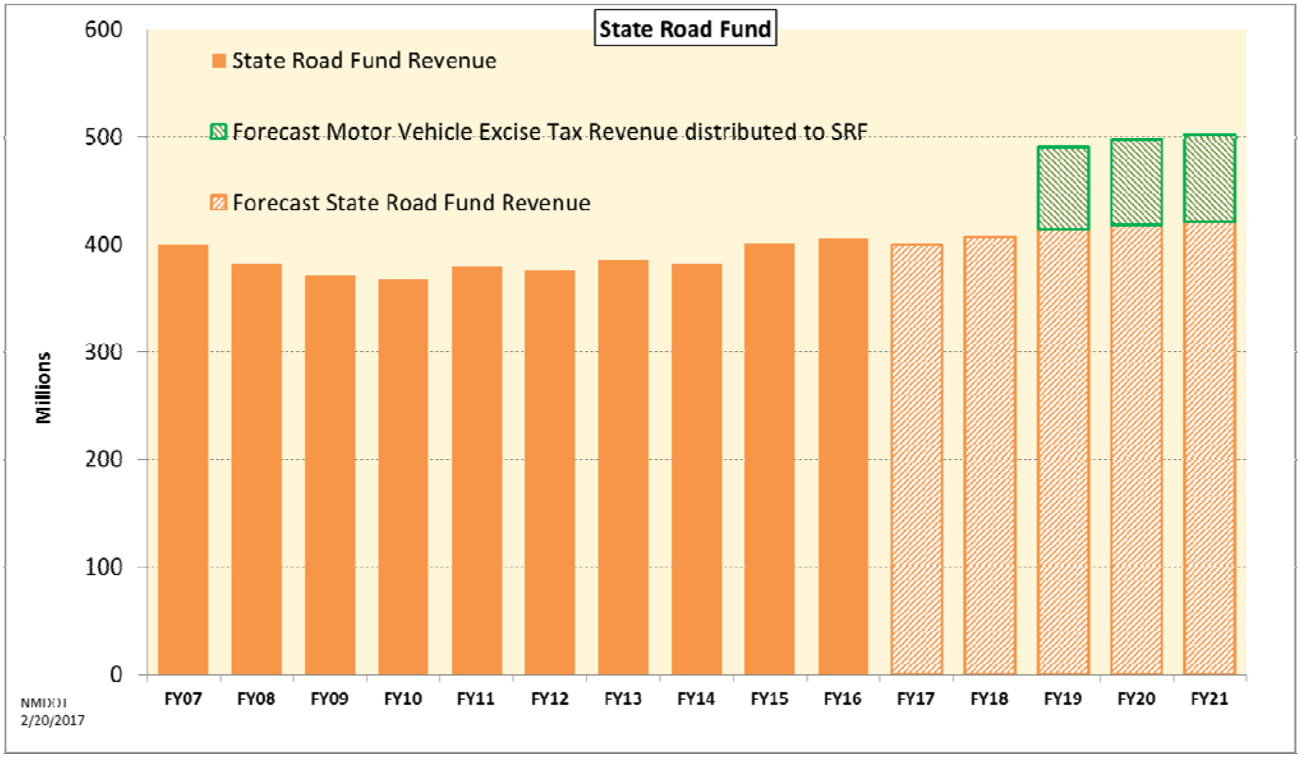
(Parenthesis ( ) Indicate Expenditure Decreases)

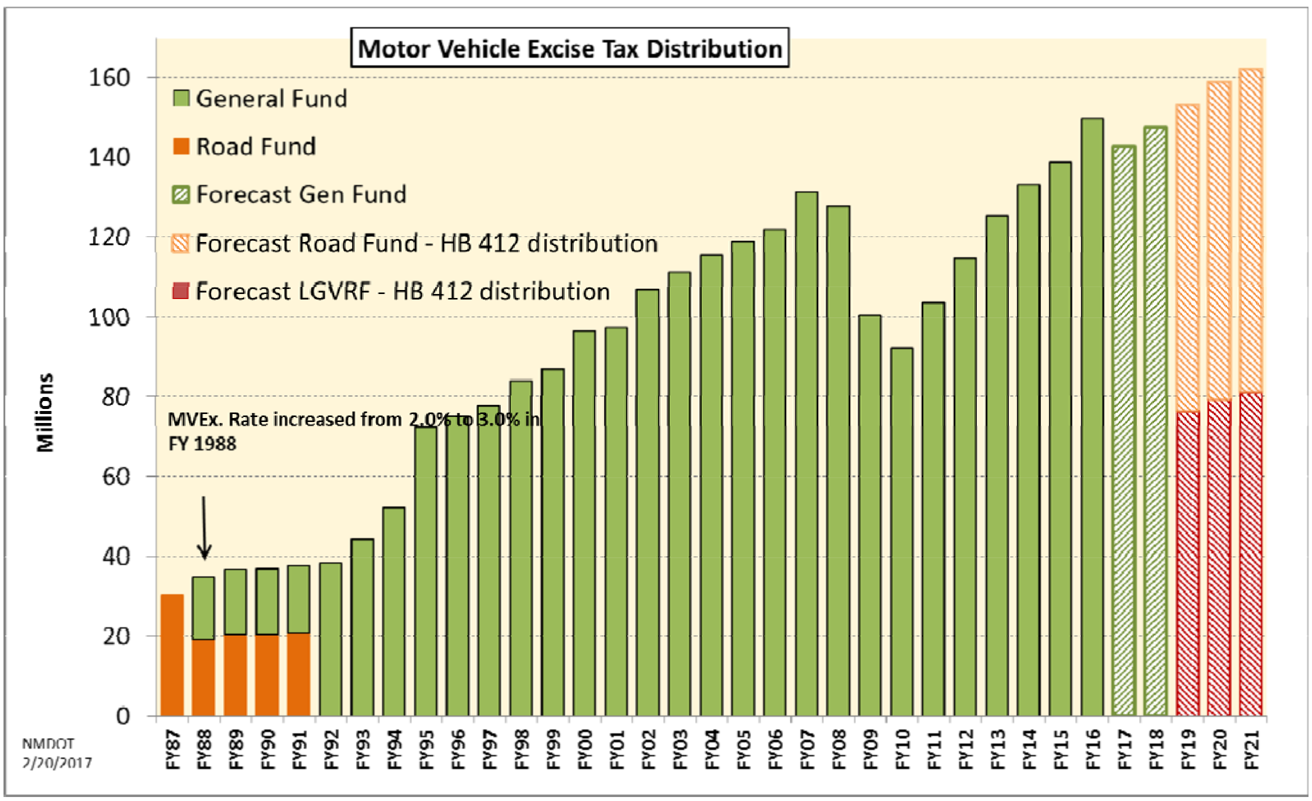
* The total impact on the state aviation fund revenue is partly uncertain. In fact, the cancellation of the deductions for the sale or use of jet fuel may slightly increase the price of jet fuel. A higher price may slightly reduce the quantity of jet fuel sold and this, consequently, may translate in a small tax base contraction. Additionally, the bill revises the revenue distribution to the state aviation fund, and it is assumed there is an unintended technical error in that new revenue distribution provision in the bill. The fiscal impact illustration assumes a technical fix to the revenue distribution calculation under Section 49, Subsection F (on page 152).

This revenue estimate is based on the December 2016 consensus general fund forecast and on the January 2017 state road fund forecast.

The bill also repeals the gross receipts tax and compensating tax deductions for the sale or use of jet fuel. Under current statute, the deduction is 55 percent and is scheduled to decrease to 40 percent beginning in FY18. The rate of distribution to the state aviation fund is probably intended to remain unchanged; however, a probable technical error in the bill would significantly increase revenue to the State Aviation Division.

The state aviation fund currently receives 0.046 percent of the net receipts attributable to the gross receipts tax "*distributable to the general fund*" (i.e., a percentage of net general fund revenue from the tax). The bill changes this formulation, and in Section 49, Subsection F states that TRD "shall estimate the state sales tax rates that will, in fiscal years 2019 and 2020, produce an amount equivalent to what would have been produced by *a gross receipts tax rate* of [0.046] percent …" (p. 152, lines 10-15). The change from 0.046 percent of "tax distributable to the general fund" to be 0.046 percent of "gross receipts" represents a significant increase to the state aviation fund. This is assumed to be unintended and was not factored into the fiscal impact estimate.





The New Mexico Finance Authority (NMFA) discusses the following concerns:

> All local governments have various and different ordinances related to, and tied with, existing GRT increments that will need to be addressed. Because of the comprehensive nature of this proposed process, local governments and the NMFA will experience a

significant administrative burden. Equally important, many of those local government ordinances are tied to outstanding PPRF revenue bonds. The proposed changes set forth in HB 412 raise significant constitutional impairment of debt issues by removing various increments of GRT.

ADMINISTRATIVE IMPLICATIONS

There will be a very significant, short-term impact to TRD to update software systems, procedures, forms and reports, and to perform the in-depth data reviews and modeling necessary to perform the tax base calculations required in the bill. There will also be moderate impacts to DFA and LFC to assist with the tax base calculations. Without an appropriation to these agencies to support additional FTE or contract staff, existing staff would need to devote significant time to perform these tasks, pulling them away from tasks ordinarily performed throughout the year.

Long-term, TRD should see significant administrative impact savings due to substantial simplification and streamlining of the tax code.

CONFLICT

This bill conflicts with a variety of bills that make changes to the tax code.

TECHNICAL ISSUES

Large, complex bills such as this increase the possibility for errors to be introduced either in drafting or in theory regarding implementation and effects. New Mexico has experienced such errors before in far smaller bills that had serious negative consequences for the general fund, such as a prior attempt to "fix" the high-wage jobs tax credit that created a new loophole, leading to costs rising by more than an order of magnitude. The significant number of interactive effects in this bill could have unanticipated consequences that could lead to revenue shortfalls for the state and local governments or unanticipated tax increases for certain groups of taxpayers.

LFC staff recommend required monthly or quarterly revenue updates from TRD to interim legislative committees accompanied by some type of failsafe mechanism if revenues fall below or exceed preset parameters.

ALTERNATIVES

- Delay implementation by an additional year or two or when reserves meet a certain threshold
    - The bill could raise revenues for FY18 (before the bill resets the rates) and send them to the tax stabilization reserve (and repeal the taxpayers dividend fund) to act as a buffer for the initial implementation of the tax reform proposal
- Require separate reporting for all deductions and reporting for exemptions that will be repealed or significantly altered during the delayed repeal
- Setting provisional rates in the bill and changing them if necessary might provide more certainty for businesses
- The expanded anti-pyramiding provisions could be phased in, since the greatest uncertainty in estimating the economic activity base is due to anti-pyramiding provisions

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy**: Revenue should be adequate to fund needed government services.
2. **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity**: Different taxpayers should be treated fairly.
4. **Simplicity**: Collection should be simple and easily understood.
5. **Accountability**: Preferences should be easy to monitor and evaluate

Does the bill meet the Legislative Finance Committee tax expenditure policy principles?

1. **Vetted**: The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.
2. **Targeted**: The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals.
3. **Transparent**: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies.
4. **Accountable**: The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date.
5. **Effective**: The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions "but for" the existence of the tax expenditure.
6. **Efficient:** The tax expenditure is the most cost-effective way to achieve the desired results.

JC&DI/sb/jle

ATTACHMENT 1

Repealed GRT Deductions/Credits/Exemptions

Action	Short Description	Statute	Est. Cost (in thousands)
Repeal	Advanced Energy Tax Credit against PIT or CIT or Modified Combined	7-2-18.25; 7-2A-25; 7-9G-2	$1,586.2
Repeal	Textbooks Exemption from GRT	7-9-13.4	$8,700.0
Repeal	Use of Property by Nonprofit Organizations Exemption from Comp Tax	7-9-15	see 7-9-29
Repeal	Non-Profit Elderly Care Facilities Exemption from GRT	7-9-16	Unknown
Repeal	Fuel Used in Space Vehicles Exemption from GRT or Comp	7-9-26.1	Unknown
Repeal	Receipts of Nonprofit Organizations Exemption from GRT	7-9-29	$82,000.0
Repeal	Gross Amounts Wagered Exemption from GRT	7-9-40B	Unknown
Repeal	Officiating at NM Activities Association-Sanctioned School Events Exemption from GRT	7-9-41.4	$186.0
Repeal	Space Related Transactions GRT Deduction	7-9-54.2	$100.0
Repeal	Wind and Solar Generation Equipment GRT Deduction	7-9-54.3	Unknown
Repeal	Space-Related Test Articles Comp Tax Deduction	7-9-54.4	Unknown
Repeal	Test Articles Comp Tax Deduction	7-9-54.5	Unknown
Repeal	Intrastate Transportation and Services in Interstate Commerce GRT Deduction	7-9-56	Unknown
Repeal	Hosting World Wide Web Sites GRT Deduction	7-9-56.2	$350.0
Repeal	Border Zone Trade-Support Companies GRT Deduction	7-9-56.3	$453.5
Repeal	Certain Services to an Out-of-State Buyer GRT Deduction	7-9-57	Unknown
Repeal	Software Development Services GRT Deduction	7-9-57.2	$1,480.0
Repeal	Sales to Nonprofit Organizations GRT or GGRT Deduction	7-9-60	$76,000.0
Repeal	Loans GRT Deduction	7-9-61.1	Unknown
Repeal	Sales of Tangible Personal Property to Credit Unions GRT Deduction	7-9-61.2	$1,300.0
Repeal	Publication Sales GRT Deduction	7-9-63	$250.0
Repeal	Newspapers GRT Deduction	7-9-64	$11,400.0
Repeal	Certain Commissions GRT Deduction	7-9-66	Unknown
Repeal	Warranty Obligations GRT Deduction	7-9-68	Unknown
Repeal	Rental or Lease of Vehicles Used in Interstate Commerce GRT Deduction [fixed w/ 7-9-55A and 7-9-55B]	7-9-70	Unknown
Repeal	Hospitals 50% GRT Deduction	7-9-73.1	$37,150.0
Repeal	Prescription Drugs GRT or GGRT Deduction	7-9-73.2	$65,000.0
Repeal	DME and Medical Supplies GRT or GGRT Deduction	7-9-73.3	Not Reported
Repeal	Resale of Certain Manufactured Homes GRT Deduction	7-9-76.1	Unknown
Repeal	Medical Services GRT Deduction	7-9-77.1	$55,000.0
Repeal	Biodiesel Blending Facility Credit against GRT or Comp Tax	7-9-79.2	Unknown
Repeal	Jet Fuel GRT and Comp Tax Deduction	7-9-83; 7-9-84	$6,000.0
Repeal	Film Companies GRT and GGRT Deduction (PIT & CIT deduction retained)	7-9-86	Unknown
Repeal	Lottery Retailers GRT Deduction	7-9-87	$9,350.0
Repeal	Health Care Practitioners GRT Deduction	7-9-93	$73,800.0
Repeal	Military Acquisition Programs GRT Deduction	7-9-94	Unknown
Repeal	Back to School GRT Deduction (Tax Holiday)	7-9-95	$3,400.0
Repeal	Hospitals Credit against GRT	7-9-96.1	$13,700.4
Repeal	Purchases by or on Behalf of the State GRT Deduction	7-9-97	Unknown

Action	Short Description	Statute	Est. Cost (in thousands)
Repeal	Biomass-Related Equipment and Biomass Materials Comp Tax Deduction	7-9-98	$55.0
Repeal	Services Used in Construction of Certain Public Health Care Facilities (Sole Community Providers) GRT Deduction	7-9-99	$0.0
Repeal	Construction Equipment and Materials for Certain Public Health Care Facilities (Sole Community Providers) GRT Deduction	7-9-100	None Claimed
Repeal	Electric Transmission Facilities GRT and Comp Tax Deduction	7-9-101; 7-9-102	$0.0
Repeal	Services for Electric Transmission Facilities GRT Deduction	7-9-103	$6.0
Repeal	Electricity Conversion GRT Deduction	7-9-103.1	None Claimed
Repeal	Electricity Exchange GRT Deduction	7-9-103.2	None Claimed
Repeal	Nonathletic Special Events GRT Deduction	7-9-104	$1,600.0
Repeal	Credit for penalty pursuant to 7-1-71.2	7-9-105	$0.0
Repeal	Military Construction Services GRT Deduction	7-9-106	Expired
Repeal	Production or Staging of Professional Contests GRT Deduction	7-9-107	$103.1
Repeal	Investment Advisory Services GRT Deduction	7-9-108	$155.0
Repeal	Hearing and Vision Aides GRT Deduction	7-9-111	Unknown
Repeal	Solar Energy Systems GRT Deduction	7-9-112	$2,100.0
Repeal	Advanced Energy GRT and Comp Tax Deduction	7-9-114	$500.0
Repeal	Investment Tax Credit against GRT, Comp or WH	7-9A	$6,506.4
Repeal	High-Wage Jobs Tax Credit against GRT, Comp, WH, ITGRT, 911 and relay svc surcharges (except Local Option)	7-9G-1	$69,919.6
Repeal	Alternative Energy Product Manufacturers Tax Credit against GRT, Comp, WH, ITGRT, 911 and relay svc surcharges (except Local Option)	7-9J	$141.4

Amended GRT Deductions/Credits

Action	Short Description	Statute	Est. Cost (in thousands)
Amend	Uncollectable Debt and Refunds GRT or GGRT Deduction *[change to exemption]*	7-9-67	Unknown
Amend	Technology Jobs and Research and Development Tax Credit against GRT, Comp or WH and PIT or CIT *[now claim against PIT & CIT only]*	7-9F	$4,468.2
Amend	Affordable Housing Tax Credit against PIT, CIT or GRT, Comp, WH, ITGRT, 911 and relay svc surcharges (except Local Option) *[now claim against PIT & CIT only]*	7-9I	$271.9
Amend	Locomotive Engine Fuel GRT and Comp Tax Deduction *[sunset 2047]*	7-9-110.1 thru 7-9-110.3	$23,140.0
Amend	Fundraising Events GRT Deduction *[makes only 501c3 eligible for deduction]*	7-9-85	$1,075.0
Amend	Trade-In Allowance GRT Deduction *[change to exemption]*	7-9-71	Unknown
Amend	Aircraft Sales and Services GRT Deduction *[sunset 2032]*	7-9-62; 7-6-62.1	Redacted
Amend	Aircraft manufacturer selling aircraft, support and services GRT Deduction *[sunset 2032]*	7-9-62B	$3,600.0
Amend	Selling aircraft parts and maintenance services GRT Deduction *[sunset 2032]*	7-9-62C	Not Reported
Amend	Sales of tangible personal property to US, NM, Tribes GRT or GGRT Deduction *[only IRB's eligible for deduction]*	7-9-54	Unknown
Amend	Rural Job Tax Credit against PIT, CIT or GRT, Comp, WH, ITGRT, 911 and relay svc surcharges (except Local Option) *[now claim against PIT & CIT only]*	7-2E-1.1	$532.3

Action	Short Description	Statute	Est. Cost (in thousands)
Amend	Sale and use of vehicles not required to be registered 50% GRT Deduction *[sunset 2032]*	7-9-62A; 7-9-77A	Unknown
Amend	Sale and use of agricultural implements, farm tractors 50% GRT Deduction *[sunset 2032]*	7-9-62A; 7-9-77A	Unknown
Amend	Sale and use of aircraft 50% GRT Deduction *[sunset 2032]*	7-9-62A; 7-9-77A	Unknown

Repealed but Included in HB 412 Anti-Pyramiding Provisions

Action	Short Description	Statute	Est. Cost (in thousands)
Repeal/AP	Internet Services GRT Deduction	7-9-56.1	Unknown
Repeal/AP	Agricultural Products Exemption from GRT or GGRT	7-9-18	Unknown
Repeal/AP	Livestock Feeding Exemption from GRT	7-9-19	Unknown
Repeal/AP	Sales to Manufacturers GRT or GGRT Deduction	7-9-46	Unknown
Repeal/AP	Sale of a Service for Resale GRT or GGRT Deduction	7-9-48	Unknown
Repeal/AP	Aerospace Services to Certain Organizations GRT Deduction	7-9-54.1	Unknown
Repeal/AP	Feed and Fertilizers GRT Deduction	7-9-58	Unknown
Repeal/AP	Warehousing, Threshing, Harvesting, Growing, Cultivating and Processing Agricultural Products GRT Deduction	7-9-59	Unknown
Repeal/AP	Purchase of Certain Chemicals and Reagents GRT Deduction	7-9-65	Unknown
Repeal/AP	Real Estate Transactions GRT Deduction	7-9-66.1	Unknown
Repeal/AP	Administrative / Accounting Services GRT Deduction	7-9-69	Unknown
Repeal/AP	Prosthetic Devices GRT or GGRT Deduction	7-9-73	Unknown
Repeal/AP	Jewelry Manufacturers GRT Deduction	7-9-74	Unknown
Repeal/AP	Services on Manufactured Products GRT Deduction	7-9-75	Unknown
Repeal/AP	Travel Agents' Commissions GRT Deduction	7-9-76	Unknown
Repeal/AP	Leasing or Licensing Films and Tapes GRT Deduction	7-9-76.2	Unknown
Repeal/AP	Tangible Property Used for Leasing Comp Tax Deduction	7-9-78	Unknown
Repeal/AP	Uranium Enrichment Plant Equipment Comp Tax Deduction	7-9-78.1	Unknown
Repeal/AP	Sales for Resale Credit against GRT or GGRT	7-9-96	Unknown
Repeal/AP	Veterinary Services and Supplies for Cattle GRT Deduction	7-9-109	Unknown

GRT Credits/Deductions Not Changed

Action	Short Description	Statute	Category	Est. Cost (thousands)
Repeal	Purses and Jockey Remuneration at NM Racetracks and Gross Amounts Wagered Exemption from GRT	7-9-40A	Unknown	Unknown
None	Tangible Personal Property or Licenses for Resale GRT or GGRT Deduction	7-9-47	Anti-pyramiding	Unknown
None	Tangible Personal Property and Licenses for Leasing GRT Deduction	7-9-49	Anti-pyramiding	Unknown
None	Leasing for Subsequent Lease GRT Deduction	7-9-50	Anti-pyramiding	Unknown
None	Construction Material GRT Deduction	7-9-51	Anti-pyramiding	Unknown
None	Construction Services GRT Deduction	7-9-52	Anti-pyramiding	Unknown
None	Lease of Construction Equipment GRT Deduction	7-9-52.1	Anti-pyramiding	Unknown
None	Sale or Lease of Real Property and Lease of Manufactured Homes GRT Deduction	7-9-53	Other	Unknown
None	Tax Paid in Another State for Property and Services Credit Against GRT and Compensating Tax	7-9-79; 7-9-79.1	Interstate commerce	Unknown
None	Tax Paid to New Mexico Tribes 75% Credit Against GRT	7-9-88.1	Prevent multi-jurisdictional tax	Unknown
None	Tax Paid to Navajo Nation for Selling Coal 75% Credit Against GRT	7-9-88.2	Prevent multi-jurisdictional tax	Unknown
None	Certain Diplomats' / Missions' Sales GRT Deduction	7-9-89	Federal preemption	Unknown
Repeal/AP	Enriched Uranium GRT Deduction	7-9-90	Economic Development	Redacted
Repeal	Contribution of Inventory to Non-Profits & Governmental Agencies Comp Tax Deduction	7-9-91	Donation Incentive	Unknown
None	Food GRT Deduction (cost includes hold harmless distributions to local governments)	7-9-92	Citizen Benefit	$238,937.8
None	Unpaid Doctor Services Performed in a Hospital Credit against GRT	7-9-96.2	Prevent taxation on nonexistent receipts	Unknown
None	R&D Services and Directed Energy and Satellite-Related Inputs Sold to Dept of Defense GRT Deduction	7-9-115	Economic Development	Not in effect until 2016
None	Wide Area and Private Communications Deduction - Interstate Telecommunications Gross Receipts Tax	7-9C-6	Unclear	Unknown
None	Resale Transactions Deduction - Interstate Telecommunications Gross Receipts Tax	7-9C-7	Define the tax base	Unknown
None	Corporate Telecommunication Services Provided Internally or to Affiliates Deduction - Interstate Telecommunications Gross Receipts Tax	7-9C-8	Anti-pyramiding	Unknown
None	Bad Debts Deduction - Interstate Telecommunications Gross Receipts Tax	7-9C-9	Prevent taxation on nonexistent receipts	Unknown
None	Services Performed Outside NM Credit against Interstate Telecommunications Gross Receipts Tax	7-9C-10	Interstate commerce	Unknown
None	Laboratory Partnership with Small Business Tax Credit against GRT (except Local Option)	7-9E	Economic Development	$1,678.6
None	Research and Development Small Business Tax Credit against GRT or WH (combined with 7-9F in 2015)	7-9H	Economic Development	See 7-9F