

1 SENATE BILL 348

2 **54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019**

3 INTRODUCED BY

4 Bill Tallman

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10 AN ACT

11 RELATING TO TAXATION; REDUCING A DISTRIBUTION OF GROSS RECEIPTS
12 TAX REVENUE TO MUNICIPALITIES; DISTRIBUTING THE GREATER OF A
13 PORTION OF GROSS RECEIPTS TAX REVENUE OR INCOME TAX REVENUE TO
14 MUNICIPALITIES.

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

17 SECTION 1. Section 7-1-6.4 NMSA 1978 (being Laws 1983,
18 Chapter 211, Section 9, as amended) is amended to read:

19 "7-1-6.4. DISTRIBUTION--MUNICIPALITY FROM GROSS RECEIPTS
20 TAX.--

21 A. Except as provided in Subsection B of this
22 section, a distribution pursuant to Section 7-1-6.1 NMSA 1978
23 shall be made to each municipality in an amount, subject to any
24 increase or decrease made pursuant to Section 7-1-6.15 NMSA
25 1978, equal to the product of the quotient of one [~~and two~~

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1 ~~hundred twenty-five thousandths~~] percent divided by the tax
2 rate imposed by Section 7-9-4 NMSA 1978 multiplied by the net
3 receipts for the month attributable to the gross receipts tax
4 from business locations:

- 5 (1) within that municipality;
- 6 (2) on land owned by the state, commonly known
7 as the "state fairgrounds", within the exterior boundaries of
8 that municipality;
- 9 (3) outside the boundaries of any municipality
10 on land owned by that municipality; and
- 11 (4) on an Indian reservation or pueblo grant
12 in an area that is contiguous to that municipality and in which
13 the municipality performs services pursuant to a contract
14 between the municipality and the Indian tribe or Indian pueblo
15 if:

16 (a) the contract describes an area in
17 which the municipality is required to perform services and
18 requires the municipality to perform services that are
19 substantially the same as the services the municipality
20 performs for itself; and

21 (b) the governing body of the
22 municipality has submitted a copy of the contract to the
23 secretary.

24 B. If the reduction made by Laws 1991, Chapter 9,
25 Section 9 to the distribution under this section impairs the

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1 ability of a municipality to meet its principal or interest
2 payment obligations for revenue bonds outstanding prior to July
3 1, 1991 that are secured by the pledge of all or part of the
4 municipality's revenue from the distribution made under this
5 section, then the amount distributed pursuant to this section
6 to that municipality shall be increased by an amount sufficient
7 to meet any required payment, provided that the distribution
8 amount does not exceed the amount that would have been due that
9 municipality under this section as it was in effect on June 30,
10 1992.

11 C. A distribution pursuant to this section may be
12 adjusted for a distribution made to a tax increment development
13 district with respect to a portion of a gross receipts tax
14 increment dedicated by a municipality pursuant to the Tax
15 Increment for Development Act."

16 SECTION 2. A new section of the Tax Administration Act is
17 enacted to read:

18 "[NEW MATERIAL] DISTRIBUTION TO MUNICIPALITIES--GREATER OF
19 PORTION OF INCOME TAX OR GROSS RECEIPTS TAX.--

20 A. Beginning January 1, 2020, a distribution
21 pursuant to Section 7-1-6.1 NMSA 1978 shall be made to each
22 municipality in an amount equal to the greater of:

23 (1) the amount that would be distributed
24 pursuant to Section 7-1-6.4 NMSA 1978 to the municipality if
25 the percentage used for purposes of that section for the month

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1 were two hundred twenty-five ten-thousandths percent; or

2 (2) one-twelfth of an amount shown in the
3 schedule prepared in accordance with Subsection B of this
4 section for the municipality for the applicable year.

5 B. The department shall determine by December 1 of
6 each year the ratio of municipal gross receipts share to
7 municipal income base for the taxable year ending the prior
8 December 31. The ratio shall be calculated in decimal form, to
9 at least three significant places. The department shall report
10 to the municipalities, the legislative finance committee and
11 the department of finance and administration no later than
12 December 10 of each year the ratio determined and a schedule
13 showing for each municipality an amount equal to the sum of the
14 net income reported by the taxpayers whose address reported on
15 the return is within the municipality for the prior taxable
16 year multiplied by the ratio.

17 C. The distribution made pursuant to this section
18 is subject to and impressed with any pledge in effect on
19 January 1, 2020 of all or part of the municipality's revenue
20 from the distribution made pursuant to Section 7-1-6.4 NMSA
21 1978 until the obligation secured by the pledge is discharged.

22 D. The secretary of taxation and revenue, the
23 secretary of finance and administration and the executive
24 director of the New Mexico municipal league shall report
25 annually in the period 2020 through 2023 to the revenue

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1 stabilization and tax policy committee the distributions made
2 in the most recent fiscal year or calendar year to the
3 municipalities pursuant to this section and Section 7-1-6.4
4 NMSA 1978, and any recommendation for changes in the
5 distribution formulas or revenue sources.

6 E. As used in this section:

7 (1) "municipal gross receipts share" means the
8 total taxable gross receipts reported in a calendar year for
9 all municipalities multiplied by two hundred twenty-five ten-
10 thousandths;

11 (2) "municipal income base" means the sum for
12 an income taxable year of the net income reported by all
13 taxpayers whose addresses reported on the taxpayers' returns
14 are within a New Mexico municipality;

15 (3) "net income" means "net income" as that
16 term is used in the Income Tax Act; and

17 (4) "New Mexico percentage" means a percentage
18 equal to one hundred percent minus the non-New Mexico
19 percentage determined pursuant to Section 7-2-11 NMSA 1978,
20 expressed as a decimal to at least three significant places."

21 SECTION 3. EFFECTIVE DATE.--The effective date of the
22 provisions of this act is January 1, 2020.