

RESTAURANT AND BAR TEMPORARY GRT DEDUCTION

Category: Economic Development

Brief Description: Receipts from the sale of prepared food and beverages at a restaurant or bar were deductible from March 1st, 2021 through July 1st, 2021.

The deductions were accompanied by a hold harmless provision for local governments for their portion of the deduction, from the general fund.

Statutory Basis: 7-9-118 NMSA 1978

Intended Purpose: To provide temporary economic relief to restaurants and bars that were impacted by public health orders and lower customer traffic as a result of the COVID-19 pandemic.

History: Enacted in the 2021 Regular Legislative Session.

Evaluation: The targeted relief in the bill allowed for a concentrated benefit to the restaurant and bar industry, which experienced difficulties during the COVID-19 pandemic. It is thought that restaurants and bars generally collected the typical amount of tax on their sales but retained the tax to improve their profitability during the COVID-19 pandemic. Restaurants and bars alternatively could have passed along the benefit to consumers through lower prices.

Although the deduction has provided \$51.1 million of targeted tax relief to date, claims for this deduction have been less than anticipated during the 2021 regular legislative session (\$90.3 million). That is due to lower restaurant and bar receipts during the four month period, as well to some eligible taxpayers not claiming the deduction. TRD may continue to receive amended returns claiming this deduction for several years.

Recommendations: None.

Reliability Factor: 1 - The deduction was separately reported by the taxpayer.

Fiscal Impact:

	Fiscal Year	2021
Restaurant and Bar Temporary GRT Deduction	State General Fund Expenditure from deduction (thousands)	\$34,140
	State General Fund Expenditure from Hold Harmless (thousands)	\$16,925