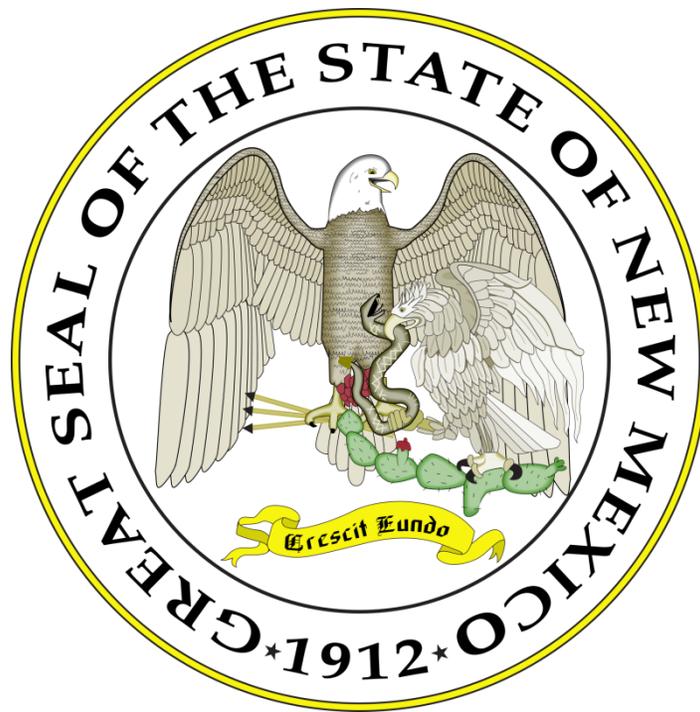


2014



New Mexico Taxation
and Revenue
Department



New Mexico Tax Expenditure Report

TAX EXPENDITURE REPORT

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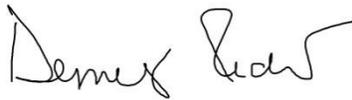
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SECRETARY'S MESSAGE

In 2011, New Mexico Governor Susana Martinez issued Executive Order 2011-071 directing the Taxation and Revenue Department, with assistance from other executive branch agencies, to prepare an annual Tax Expenditure Report. Since issuing the first report in 2012, we have worked diligently to improve the quality and scope of the Report each year. In an effort to comply with Governor Martinez's directive to make government more transparent, we have reorganized the *2014 New Mexico Tax Expenditure Report* and included even more information about each deviation than in the previous years' Reports.

We are fortunate to have a team of really talented economists at the Taxation and Revenue Department who have dedicated an untold number of hours combing through the statutes and analyzing the impacts of the deviations from the New Mexico tax programs. An undertaking of this magnitude would not be possible without them. Nor would it be possible without the cooperation of the many executive branch agencies who play a role in administering many of the tax credits New Mexico uses to incentivize beneficial economic activity. We remain grateful for their assistance.



Secretary Demesia Padilla, CPA
Taxation and Revenue Department
State of New Mexico

TAX EXPENDITURES

Any discussion of tax expenditures necessarily begins with a definition of the term. The federal government has defined tax expenditures as “those revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability...”¹ In previous Tax Expenditure Reports, we have defined them as “deviations from a baseline tax system created by specific tax law provisions.”² Put more simply, however, they may be thought of as spending through the tax code.

Implicit in any definition of “tax expenditure” is the concept of a “tax base”. This concept is particularly important given that New Mexico has adopted a gross receipts tax (“GRT”) which applies much more broadly than a traditional sales tax. In theory, because the GRT is “imposed on any person engaging in business in New Mexico” (7-9-4 NMSA 1978) and “engaging in business” is defined as “carrying on or causing to be carried on any activity with the purpose of direct or indirect benefit...” (7-9-3.3 NMSA 1978), were there no exemptions, deductions, or credits, virtually all economic activity in New Mexico – including things like wages – would be subject to this tax. With personal income taxes, corporate income taxes, motor vehicle excise taxes, and severance taxes (to name but a few), policymakers in New Mexico have decided to tax different economic activities in different ways. The question is then: do these different tax structures constitute “tax expenditures”? If so, what is the baseline from which they are deviating?

In part because these questions are ultimately unresolvable, and in part because taxing different activities in different ways is a feature common to virtually all taxing jurisdictions, we do not treat exemptions, deductions, credits, or the rate differentials for activities that are taxed pursuant to a separate tax structure as tax expenditures. Likewise, if a tax structure taxes different activities or products differently *without establishing a base tax rate*, we do not treat these rate differentials as tax expenditures. If, however, a tax structure has a base tax rate and there are instances in which an activity or product is taxed at a different rate, we treat these as tax expenditures. We recognize that, to some degree, this is an academic difference but we are not in a position to substitute our judgment for that of the legislature and Governor by attempting to determine what tax rate should serve as the base rate and which tax rates should then be viewed as deviations from that base rate.

Even with an understanding of these definitions you can almost certainly find experts who take contradictory positions on whether or not a particular exemption, deduction, or credit qualifies as a tax exemption. Nonetheless, there are a number of these that are so nearly universally agreed upon that we are confident in including them in the *Tax Expenditures* portion of this report. In a later section, we list those that are so nearly universally agreed upon that they are *not* tax expenditures. We then include a section on those about which there is nothing approaching consensus, if for no other reason than to inform the debate on the matter.

With Executive Order 2011-071 in mind, we have included the statutory basis, the intended purpose, an evaluation, any recommendations we might have, and the fiscal impact for each tax expenditure. In an effort to make the data more readable, and hopefully more useful, we have included charts along with the historical tables of the fiscal impact.

¹ 2 USC § 622

² 2013 New Mexico Tax Expenditure Report

While not mandated by the Executive Order, we have also included both a brief history of each statute to help the reader understand how the statute has evolved and a summary of the provision as it exists at the present time. Many sections have seen numerous amendments over the years and we note the year of each amendment. For those amendments that have a direct impact on the deviation being discussed, we have summarized the substance of the change.

NOTES ABOUT THE DATA

For the first time this year, we have introduced a Reliability Factor in this *Tax Expenditure Report* in an effort to help the reader understand the methodology for determining the fiscal impact of the tax expenditure. The Reliability Factor is a scale of 1-4 as follows:

- 1: The most reliable data. It comes directly from taxpayer-reported data as contained in GenTax; there has been no estimation or manipulation of the data. It is, however, only as reliable as the taxpayers who are reporting it.
- 2: Estimated from taxpayer-reported data as contained in GenTax. Because it is industry-specific, we are able to make educated guesses based on NAICS codes.
- 3: Estimated using national data and extrapolating to New Mexico.
- 4: The least reliable data. Estimates represent the economists' best guess about how much a tax expenditure is worth but, because there is very little actual data upon which to base these guesses, they are often rounded to the nearest million.

Readers should understand that taxpayers have the opportunity to amend their tax returns for up to three years, plus the current year. We have decided that current data is more valuable than historically-consistent data. Therefore, when comparing this year's *Tax Expenditure Report* to prior versions, the reader should expect to see some changes to prior years.

Combined with the ability of taxpayers to amend their tax returns is the fact that not all taxpayers file or pay their taxes on a timely basis. Because of this, data in the most recent years is likely to be incomplete.

New Mexico, like many states, defines a year differently for different tax structures. For instance, the GRT tax year matches the State's fiscal year (i.e., July 1-June 30) while the income tax programs use a calendar year (i.e., January 1-December 31). This presents a challenge for organizing and reporting the data. Because the tax filing deadline for Personal Income Tax is in April of the following year which means that the money accompanying those returns goes to the General Fund during the following fiscal year, we present the tax year data as fiscal year (i.e., PIT year 2012 is presented as FY2013 because PIT year 2012 returns are due in April of 2013 which is in the 4th quarter of FY2013).

Finally, our default position is to provide data for each tax program affected by a tax expenditure. However, we are limited both by federal and state law from disclosing data which might reveal a taxpayer's identity. Therefore, when there are less than three taxpayers reporting a deduction, exemption, or credit against a particular tax, we have combined the data for all of the tax programs affected by those deductions, exemptions, and credits. When combining the data is not enough, we have redacted data.

PRINCIPLES OF GOOD TAX POLICY

There has been much discussion in recent years about what makes good tax policy and there are a number of principles which are almost universally agreed upon. We provide a brief overview of each below. It must be noted, however, that these principles are often in conflict and it is the responsibility of the legislature and executive in working together to strike the appropriate balance between these principles.

Perhaps the most glaring example of how some principles can overwhelm others is New Mexico's Gross Receipts Tax Code. It has become increasingly complex as efforts have been made to achieve Equity, Efficiency, and - with recent reporting requirements - Accountability. Put another way, Simplicity has been sacrificed on the altar of other tax policy principles.

We use this illustration not to disparage any particular section of the tax code but to remind policy makers that reliance on these principles requires considerations of how application of one principle impacts other principles.

ADEQUACY

Tax revenues should be adequate to support needed government services. Inherent in this principle is the fact that taxes are necessary in order to provide these services. Unfortunately, there is no objective measure as to what constitutes "adequate" as this concept is tied tightly to the determination about what services government should provide and at what level of service these should be provided. Adequacy is often cited as the reason for increasing taxes without a corresponding conversation about the appropriateness of the services being provided or the appropriateness of the level of that service. The two conversations should take place together.

EQUITY

Tax equity or fairness is concerned with how tax burdens are distributed among taxpayers. There are two different types of equity: 1) "vertical" equity which says that tax burdens should be distributed according to taxpayers' ability to pay, so that taxpayers with greater ability to pay bear a larger burden than those with a lesser ability to pay, and 2) "horizontal" equity which is interested in ensuring that similarly-situated taxpayers face similar tax burdens. Without horizontal equity, the government is putting its thumb on the scale by giving one taxpayer a competitive advantage over another. There may be legitimate policy reasons for doing so, but it should not be done lightly nor without an understanding about what is happening.

EFFICIENCY

In this context, efficiency is the term economists apply to policies that benefit economic growth. Tax policies affect the efficiency of the economy in complicated ways. As a general rule, tax efficiency requires that taxes be levied in such a way as to minimize market distortions that occur as taxpayers substitute untaxed goods for taxed goods so as to reduce tax burdens. As an example, income taxes on labor income may induce taxpayers to work less and instead use their time for non-taxed leisure. The result is a lower labor supply and less economic growth.

Evaluation of efficiency in the application of economic theory is complicated when an activity generates external costs, such as environmental degradation. These costs are "external" in the sense that they may not be fully considered by individual actors in their marketplace decisions. In

this case, taxes may be imposed as proxies for costs that would otherwise not be taken into account and can arguably improve the functioning of the economy. For example, this reasoning supports tax expenditures for renewable energy because they may have the effect of reducing pollution, an important example of an external cost.

SIMPLICITY

Taxpayers incur compliance costs as they prepare, submit, and keep records about tax returns. They also face significant penalties for failure to correctly prepare those returns. New Mexico's state and local governments incur administrative costs as they collect taxes, check on the accuracy of tax returns and tax payments, and deal with taxpayers who underpay or fail to pay. These costs are inescapable, but their magnitude is affected by how taxes are defined and collected: the more complicated the code, the higher the cost that the State must bear to ensure compliance.

While they may increase accountability, tax expenditures that require additional reporting move away from the tax principle of simplicity - for both the taxpayer and the administration of the tax code. Although generally hidden from view, the costs of collection and compliance impose significant burdens on society and should be kept to a minimum level, consistent with other goals.

ACCOUNTABILITY

Good tax policy suggests that tax preferences should be easy to monitor and evaluate. Moreover taxes should be transparent so that taxpayers can better evaluate government policy. Improved accountability is an important goal of this *Tax Expenditure Report*.

BRIEF SUMMARY OF NEW MEXICO'S MAJOR TAXES

PERSONAL INCOME TAX

Because it is based on a federal tax program, New Mexico's Personal Income Tax ("PIT") is relatively simple for the taxpayer to comply with and for the State to administer.

The PIT rates for Tax Year 2013 are:

Married Filing Separately	Head of Household, Surviving Spouses, and Married Filing Jointly	Individuals, Estates, and Trusts	Rate
Up to \$4,000	Up to \$8,000	Up to \$5,500	1.7%
Over \$4,001 to \$8,000	Over \$8,000 to \$16,000	Over \$5,500 to \$11,000	3.2%
Over \$8,001 to \$12,000	Over \$16,000 to \$24,000	Over \$11,000 to \$16,000	4.7%
Over \$12,000	Over \$24,000	Over \$16,000	4.9%

PIT also shares many base definition issues with the federal income tax. For example, New Mexico follows the federal practice in allowing the exclusion of a certain amount of income from taxation through the personal exemption and the standard deduction. Note that, because these policies are common practice among the states, they are not treated as tax expenditures in this report.

Similarly, there are numerous tax expenditures under federal tax law on which the State "piggybacks" because New Mexico taxable income is based on federal adjusted gross income.

Because such piggybacking is a common practice among most states, the state tax effects of these federal tax expenditures are not reported on as tax expenditures in this report.

CORPORATE INCOME TAX

New Mexico's Corporate Income Tax ("CIT") is also based on the federal corporate income tax with the same corresponding administrative benefits for taxpayers and the State in its administration.

Section 7-2A-3A NMSA 1978 defines "base income" as that part of the taxpayer's taxable income upon which the federal income tax is calculated, excluding the amount of the net operating loss carryover deduction and including interest received on state or local bonds (7-2A-2C NMSA 1978). The statute then defines "net income" as base income adjusted by exclusions of income from the obligations of the federal government, other income where tax is prohibited by explicit statutory or constitutional authority, and statutory provisions for net operating loss carryover deductions (7-2A-2H NMSA 1978).

Thus, "net income" is defined as the tax base for CIT purposes in New Mexico, and, by application of the income-graduated percentage tax rate, a "baseline tax revenue" is defined.

The following table shows the CIT rates from 1987 through full implementation of HB641 (2013) in 2018:

	1987-2013	2014	2015	2016	2017	2018
Up to \$500,000	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
\$500,000.01 to \$1,000,000	6.4%	6.4%	6.4%	6.4%	6.2%	5.9%
Over \$1,000,000	7.6%	7.3%	6.9%	6.6%		

The 2013 Legislative Session produced two other CIT changes, including mandatory combined reporting for certain retailers and single-sales factor apportionment election for manufacturers.

GROSS RECEIPTS TAX

For the privilege of engaging in business, a state tax of 5.125% and local option taxes are imposed on gross receipts received from certain transactions. “Gross receipts” is revenue generated “from selling property in New Mexico, from leasing or licensing property employed in New Mexico, from granting a right to use a franchise employed in New Mexico, from selling services performed outside of New Mexico, the product of which is initially used in New Mexico, or from performing services in New Mexico” (7-9-3.5A(1) NMSA 1978). This is a far more comprehensive tax base than the typical retail sales tax imposed by most states. It is also more comprehensive than a value added tax base, a commonly suggested alternative for consumption taxation. Because of this broad base definition, many of the exemptions and deductions in the GRT are necessary to prevent multiple taxation of transactions and the associated economic distortion that would cause. Examples include the exemption for wages, dividends, and interest, all of which are taxed under the income tax. Also exempt are various sales which are taxed under separate excise taxes, including motor fuels, motor vehicles, etc.

Another set of deductions and exemptions in the GRT is designed to reduce the incidence of “pyramiding.” Pyramiding refers to the imposition of tax on business purchases. Because the final sales of these businesses are typically subject to GRT, imposing the GRT on their purchases creates an additional layer of taxation. This practice creates economic distortion because, for example, small businesses have to purchase more of the goods and services they need from outside companies than do large businesses; the GRT on those inputs creates a discriminatory burden on them. Deductions, like the deduction for the sale of goods for re-sale, reduce this burden and ensure that the tax policy principles of Horizontal Equity and Efficiency are met. Therefore, they are not treated as tax expenditures.

While not directly related to determining whether a particular exemption, deduction, or credit is a tax expenditure, the question about the Municipal Share of the GRT comes up quite frequently because it plays a role about the fiscal impact of tax expenditures. Pursuant to 7-1-6-.4 NMSA 1978, the state gives each municipality approximately 24% (1.225% divided by 5.125%) of the GRT revenue that is generated from activity taking place in that municipality. To think of it another way: for taxable activity taking place within a municipality, the state’s effective rate becomes 3.9% while the effective rate for each municipality is increased by 1.225%.

COMPENSATING TAX

For the privilege of engaging in certain activities within New Mexico, a Compensating Tax of 5.125% is imposed on the use of tangible property in New Mexico and 5% on certain services used in New Mexico. This tax is New Mexico’s version of a “use” tax or “buyer pays”, imposed on New Mexico residents when they purchase from out-of-state vendors who are not subject to the GRT.

Because of the unusual nature of the GRT, many of the deductions from the Compensating Tax base can be thought of as simply defining the tax base.

OTHER EXCISE TAXES

As is the case with the GRT and the Compensating Tax, New Mexico's excise taxes contain several provisions which serve to define the tax base by preventing double taxation or pyramiding. Examples include the exemption for sales of cigarettes on tribal lands to tribal members. Other provisions are treated as tax expenditures in this report, including the sale of cigarettes by tribal vendors to non-tribal members.

NATURAL RESOURCE EXTRACTION TAXES

New Mexico imposes a variety of taxes on natural resource production activities. These taxes are generally imposed on the privilege of severing natural resources and the largest of the deductions associated with these taxes reduce taxable value for royalties paid to federal, Indian, and state owners of the minerals. Because the State is preempted from imposing tax on these entities - or because it wouldn't make sense for the State to tax itself - these are not treated as tax expenditures. Most of the remaining deductions allowed under New Mexico's minerals production taxes, such as processing and transportation deductions, recognize the costs of getting the product to market. Because these are business input costs, taxing them would result in pyramiding. Other provisions, aimed at stimulating particular types of production, for example, are treated as tax expenditures.

PROPERTY TAX

New Mexico's property tax law features a number of limitations and exclusions that reduce the revenue-generating potential of the tax. Some of these are broad-based, however, and are not treated as tax expenditures in this Report. Examples include the exclusion from tax of personal property and the 3% limit on annual value growth for residential property. Other provisions that are targeted at specific populations are included.

FREQUENTLY USED ACRONYMS

CIT - Corporate Income Tax

CRS - Combined Reporting System (CRS returns include GRT, Compensating Tax, and Withholding Tax)

EMNRD - Energy, Minerals, and Natural Resources Department

GGRT - Governmental Gross Receipts Tax

GRT - Gross Receipts Tax

ITGRT - Interstate Telecommunications GRT

LVG - Leased Vehicle GRT

MCF - 1,000 Cubic Feet

MFA - Mortgage Finance Authority

MVX - Motor Vehicle Excise Tax

PIT - Personal Income Tax

SFX - Special Fuels Excise Tax

TIDD - Tax Increment Development District

TPP - Tangible Personal Property

TRD - Taxation and Revenue Department

WDT - Weight Distance Tax

WTI - West Texas Intermediate Crude Oil

**ADVANCED ENERGY
CREDIT AGAINST GRT, COMPENSATING TAX, WITHHOLDING TAX,
PIT, OR CIT**

Brief Description: A taxpayer who holds an interest in a qualified generating facility located in New Mexico and who files an individual New Mexico PIT or CIT return may claim an Advanced Energy Income Tax credit in an amount equal to 6% of the eligible generation plant costs of a qualified generating facility. A qualified generating facility is one that begins construction before December 31, 2015 and is:

- (1) solar thermal electric,
- (2) solar photovoltaic electric,
- (3) geothermal electric,
- (4) a recycled energy project, or
- (5) new or repowered coal-based electric.

Eligible generation plant costs include design and construction of such a facility.

The credit is not refundable but may be carried forward for up to ten years.

Statutory Basis: 7-2-18.25, 7-2A-25, and 7-9G-2 NMSA 1978

Intended Purpose: Presumably to incentivize investment in renewable energy generation facilities by mitigating all or a portion of the GRT, Compensating Tax liability, Withholding Tax, PIT, and CIT.

History: Originally enacted in 2007 as a credit against GRT, Compensating Tax, and Withholding Tax.

Amended in 2009 to create a credit against PIT and CIT; made the GRT, Compensating Tax, and Withholding Tax Credit conform to the new credits.

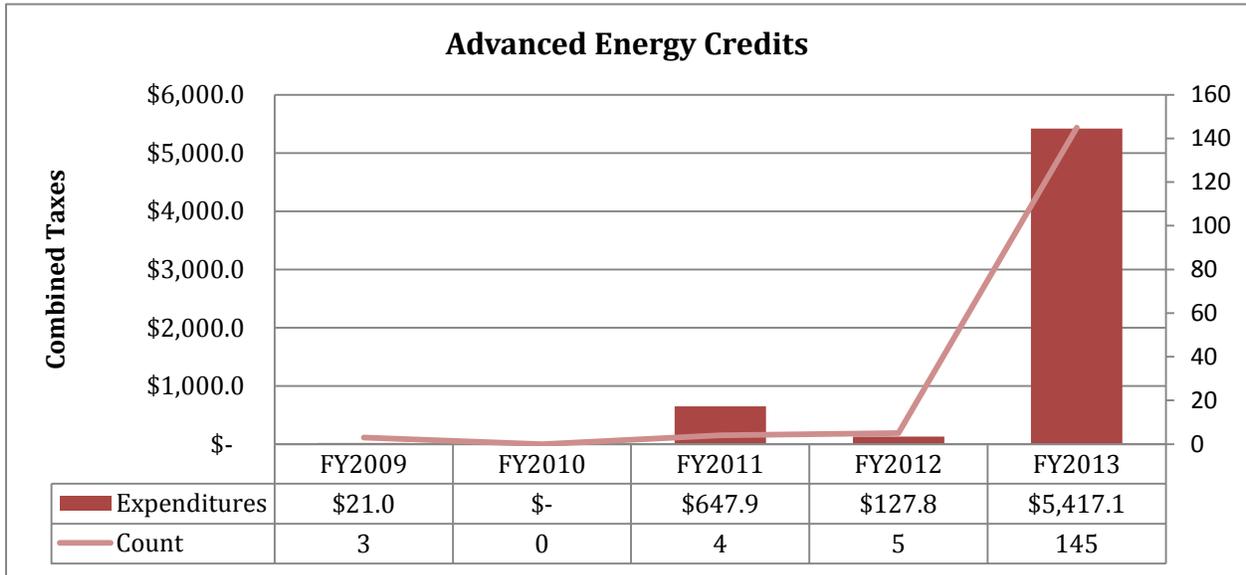
Evaluation: The lack of activity in FY2009 and FY2010 is likely attributable, at least in part, to the newness of the credit at that time and the changes that took place in the 2009 session. It is also likely that this credit is used less than was anticipated because a taxpayer who claims this credit is ineligible to claim the Investment Credit or “any other credit that may be taken pursuant to the Income Tax Act or credits that may be taken against the gross receipts tax, compensating tax or withholding tax for the same expenditures.” With this credit being less attractive to the taxpayer than most other credits, the taxpayer almost always claims other credits for which he is eligible instead of the Advanced Energy Credit.

The large increase in FY2013 happened in the GRT program; it is unclear why this happened.

Recommendations: Consider eliminating the Renewable Energy Production Tax Credit and expanding the Advanced Energy Credit to make additional renewable energy projects eligible, and increase the value of the credit so that it properly incentivizes the development of advanced energy projects.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



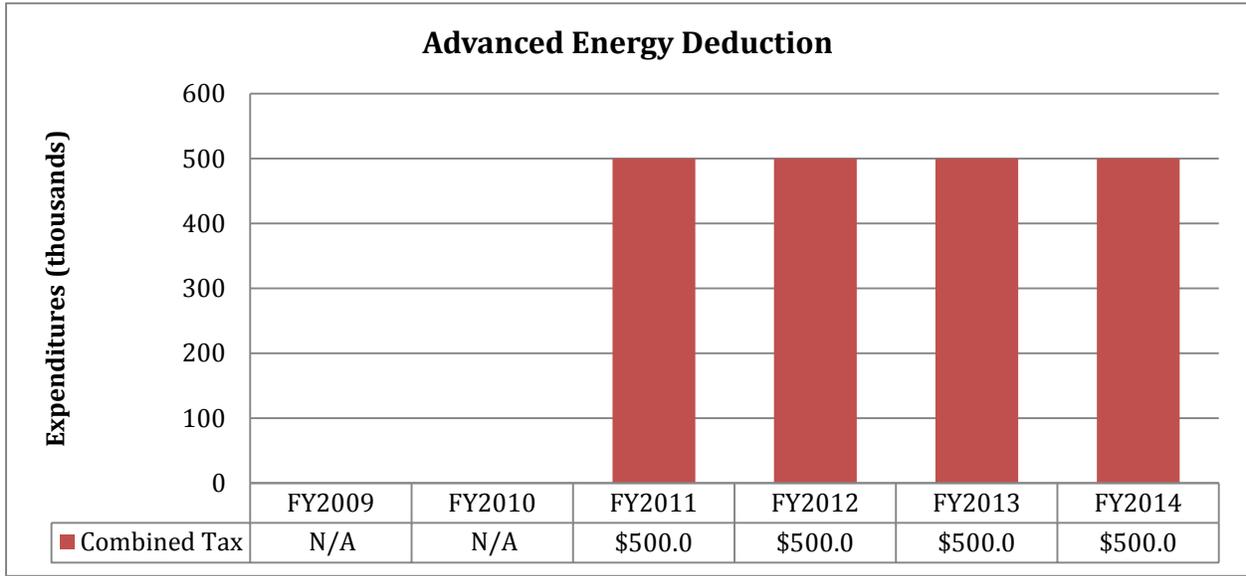
ADVANCED ENERGY DEDUCTION FROM GRT AND COMPENSATING TAX

- Brief Description:** Receipts from selling or leasing tangible personal property or services that are eligible generation plant costs to a person who holds an interest in a qualified generating facility are deductible from gross receipts.
- Statutory Basis:** 7-9-114 NMSA 1978
- Intended Purpose:** To encourage the construction and development of qualified generating facilities in New Mexico and to sequester or control carbon dioxide emissions.
- History:** Originally enacted in 2010 to allow for the deduction of tangible personal property or services that are eligible generation plant costs.

Amended in 2011 to include the leasing of the tangible personal property.
- Evaluation:** According to the New Mexico Economic Development Department, taxpayers have reported the creation of 60 temporary construction jobs and four permanent jobs related to this deduction.

Assuming that the jobs are all newly created, and the people employed would not have been otherwise employed in New Mexico, TRD estimates that these jobs have generated approximately \$50 thousand in PIT revenue calculated at Bureau of Labor and Statistics-published average wages for the applicable fields, assuming the temporary jobs lasted an average of six months. Making certain assumptions about spending, GRT tax of approximately \$50 thousand could be directly created as well. Other forms of revenue – insurance premium tax, property tax, etc. – have likely also been generated, in smaller amounts.
- Recommendations:** A stronger reporting requirement – itemized deduction reporting on the CRS tax return rather than an attachment – would increase the reliability factor for TRD’s reporting of this deduction.
- Reliability Factor:** 2 -This estimate is extrapolated from incomplete taxpayer information. The lack of complete reporting diminishes the accuracy of this estimate.

Fiscal Impact:



AFFORDABLE HOUSING CREDIT AGAINST MODIFIED COMBINED TAX, PIT, OR CIT

Brief Description: A tax credit can be applied against gross receipts (less local option Gross Receipts Taxes), compensating, withholding, personal income, corporate income, E911, and other CRS tax liabilities for investments in affordable housing projects equal to 50% of the amount of cash invested or the fair market value of the land, buildings, materials, or services relating to such projects. This tax expenditure is available to taxpayers receiving a tax credit voucher issued by the New Mexico Mortgage Finance Authority (“MFA”).

Under the MFA’s program, the tax credit voucher is administered based on donations made to affordable housing projects and the Affordable Housing Charitable Trust. In 2006 and 2007, the tax credit voucher was capped at \$200,000 and \$500,000 respectively. As of 2008, it was set at a base rate of \$1.85 times the reported state population and it is adjusted annually for inflation. In FY2014, this cap amount will be approximately \$4 million. Donations may include land, buildings, materials, cash or services. Cash equivalents, such as store credit or waived invoices, are considered a cash donation. Donations received by the project sponsor in exchange for tax credits may be used to fund the acquisition, substantial rehabilitation, and/or new construction of affordable housing projects throughout the state, including down payment and closing cost assistance for acquisition of affordable single family housing. No minimum or maximum dollar limits are placed on donations made directly to the Affordable Housing Charitable Trust.

The credit is not refundable but may be carried forward for up to five years.

Statutory Basis: 7-9I-5 NMSA 1978

Intended Purpose: Presumably to incentivize the investment in an affordable housing project.

History: Originally enacted in 2005.

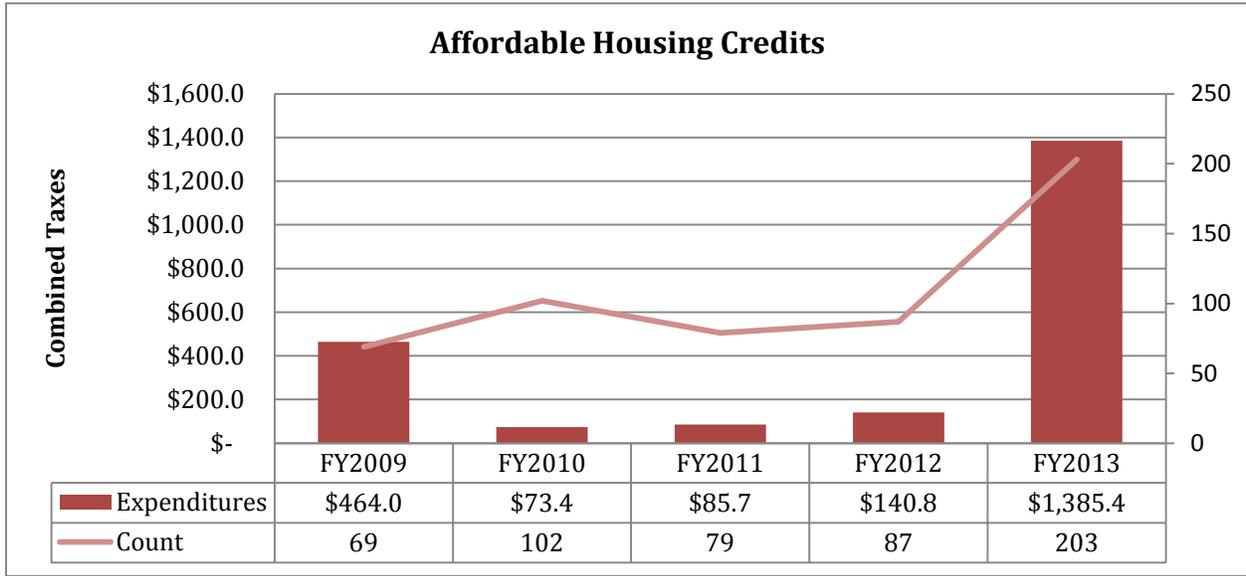
Amended in 2010 to expand where eligible “affordable housing projects” can be located from counties with a population of less than 100,000 to all counties and to include materials in the allowed investments.

Evaluation: MFA reports that this program has been effective in leveraging donations to organizations like Habit for Humanity to create more affordable housing. Between 2009 and 2013 they facilitated a total 266 units of affordable housing (111 multifamily rental units and 155 single family homes for sale).

Recommendations: None.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



AGRICULTURAL BIOMASS CREDIT AGAINST PIT AND CIT

Brief Description: A dairy or feedlot owner is eligible for a credit of \$5 for each wet ton of agricultural biomass that is transported from the owner’s dairy or feedlot to a facility that uses agricultural biomass to generate electricity or make biocrude or other liquid or gaseous fuel for commercial use.

Statutory Basis: 7-2-18.26 and 7-2A-26 NMSA 1978

Intended Purpose: Presumably to incentivize the sale and use of agricultural biomass as a fuel.

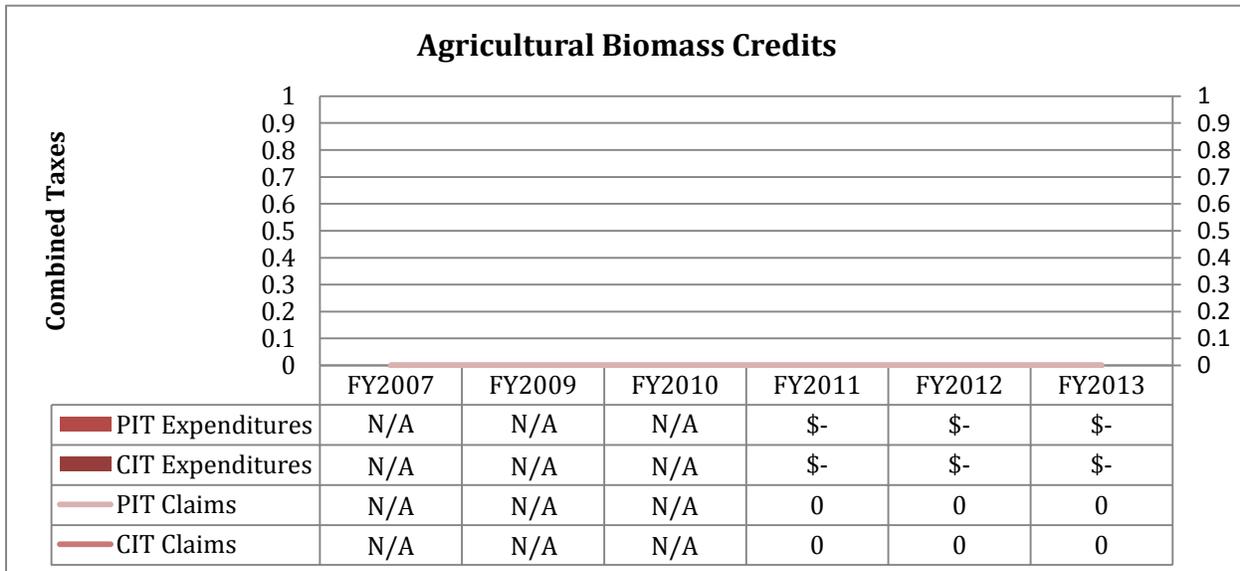
History: Originally enacted in 2010.

Evaluation: To date EMNRD has not received any applications for this tax credit. Due to the recent announcement that an agricultural biomass project is under construction, EMNRD anticipates claims for this credit to increase.

Recommendations: The credit is written to apply to a taxpayer “...who files an individual New Mexico income tax return for a taxable year beginning on or after January 1, 2011 and ending prior to January 1, 2020.” This could be read to mean that, as long as the taxpayer filed a tax return during that period, the taxpayer could receive the credit any time, even long after January 1, 2020. If the intent was to put a sunset on the credit, rather than on the eligibility of the taxpayer, this should be amended to do so.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

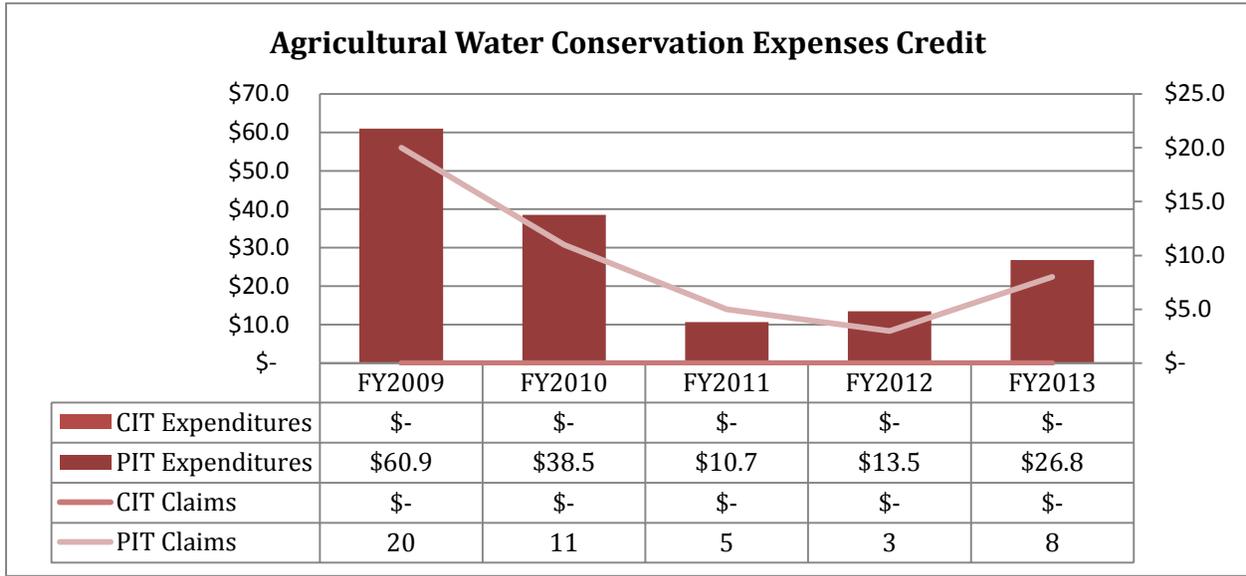
Fiscal Impact:



AGRICULTURAL WATER CONSERVATION EXPENSES CREDIT AGAINST PIT AND CIT

- Brief Description:** CIT and PIT credits are available for agricultural water conservation expenses incurred by the taxpayer for specific improvements in irrigation systems or water management methods. The expenses must comply with a water conservation plan approved by the local soil and water conservation district in which the improvement is located. The improvements must be primarily designed to substantially conserve water on the land in New Mexico that is owned or leased by the taxpayer and used to produce agricultural products, harvest or grow trees, or sustain livestock.
- The credit amount is 35% of eligible expenses incurred in calendar year 2008 and 50% of expenses in subsequent years through December 31, 2012 when the credit sunset.
- The credit is not refundable but may be carried forward for up to five years.
- Statutory Basis:** 7-2-18.20 and 7-2A-22 NMSA 1978
- Intended Purpose:** Presumably to incentivize responsible water management and to offset the cost of irrigation improvements incurred by the individual farmer or rancher.
- History:** Originally enacted in 2007 with a delayed repeal of January 1, 2013.
- Evaluation:** The number of claims was relatively high early in the lifespan of this credit and has reduced over time. A plausible explanation is that the creation of the credit stimulated investment in irrigation systems and water management methods. Furthermore, this credit is not refundable which means that the taxpayer must have enough liability over six years to offset the credit in order to get the full benefit of the credit. Once these early initial investments were made, there were significantly fewer farmers with the requisite liability to claim the credit who needed to make this investment.
- Recommendations:** None.
- Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



AIRCRAFT SERVICES DEDUCTION FROM GRT

Brief Description: Receipts from maintaining, refurbishing, remodeling or otherwise modifying a commercial or military carrier over ten thousand pounds gross landing weight is deductible from gross receipts.

Statutory Basis: 7-9-62.1 NMSA 1978

Intended Purpose: Presumably to incentivize aircraft services on large aircraft.

History: Originally enacted in 2000 and amended in 2005.

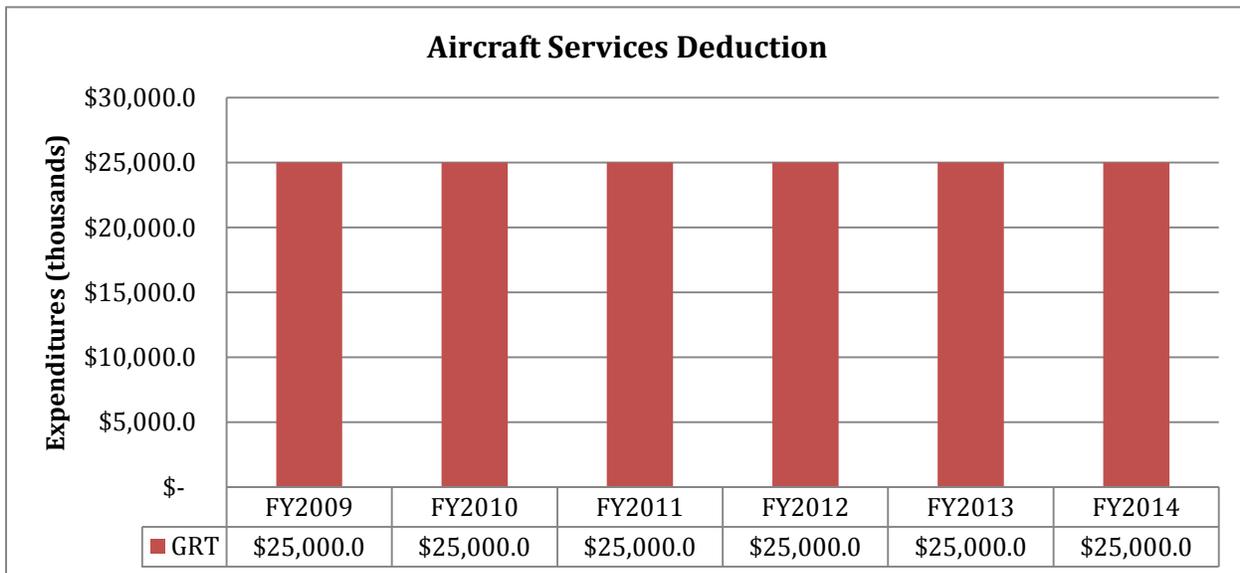
Amended in 2014 to expand the deduction by adding the sale of an aircraft over 10,000 pounds to the activities that are deductible. With an effective date of July 1, 2014, the impact from this expansion will begin in FY2015.

Evaluation: With the 2014 change to this deduction, it is too soon to evaluate its effectiveness. Members of the impacted industry tout the potential for significant new business opened up by the addition of aircraft sales to the deduction.

Recommendations: None.

Reliability Factor: 4 - Federal Aviation Administration published data used to estimate the impact of this deduction. The International Air Transport Association estimates that about 60% of maintenance is contracted out to taxpayers that would otherwise be subject to GRT.

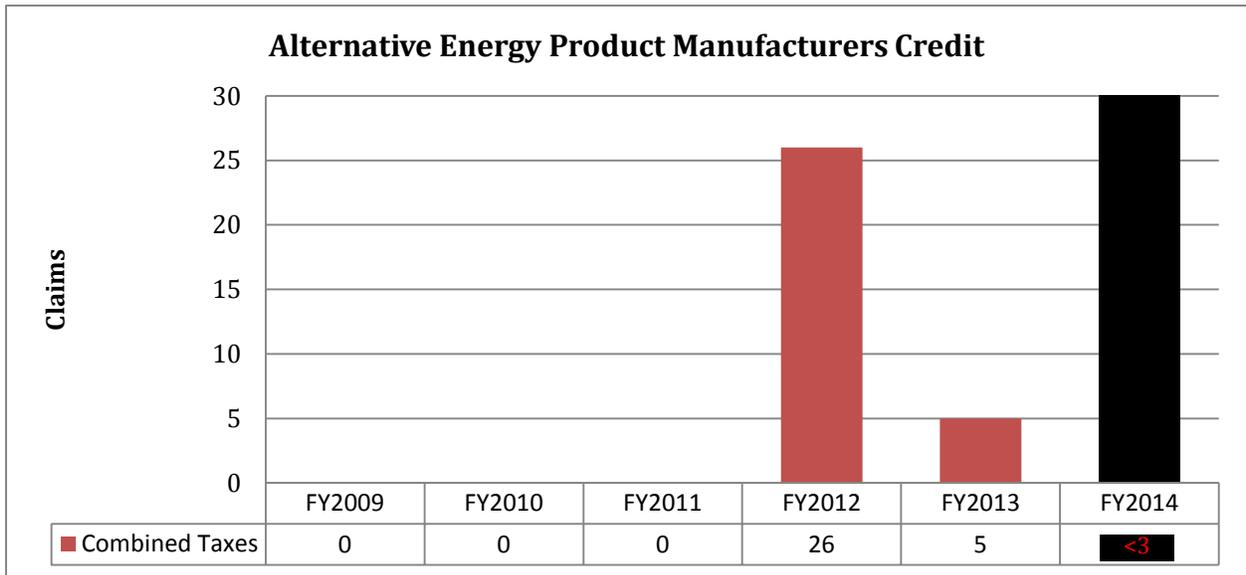
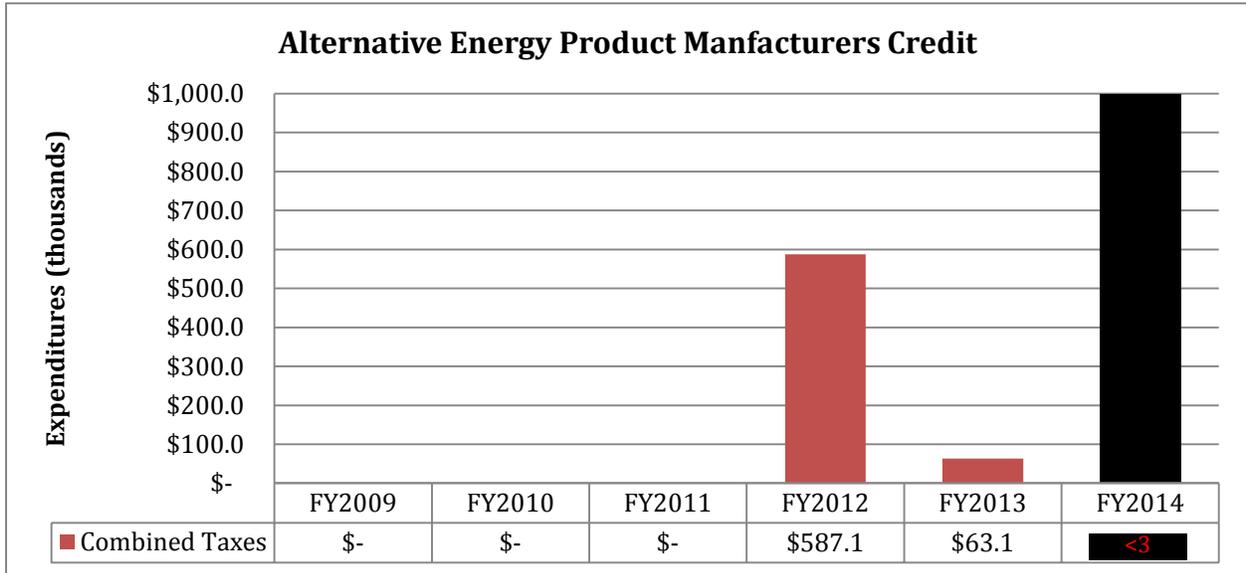
Fiscal Impact:



ALTERNATIVE ENERGY PRODUCT MANUFACTURERS CREDIT AGAINST MODIFIED COMBINED TAX

- Brief Description:** Manufacturers of certain alternative energy products who hire at least one new employee for every \$500,000 in qualified expenditures (up to \$30 million) and for every \$1,000,000 in qualified expenditures (over \$30 million) may receive a tax credit not to exceed 5% of qualified expenditures for purchase of manufacturing equipment used in the manufacturing operation.
- The credit is not refundable but may be carried forward for up to five years.
- Statutory Basis:** 7-9J NMSA 1978
- Intended Purpose:** Presumably, to encourage hiring and investment in the alternative energy production sector.
- History:** Originally enacted in 2007.
- Amended in 2011 to include products of single cell photosynthetic organisms as eligible alternative energy products for taxable years 2011 through 2019.
- Evaluation:** This credit is underused. The size of the credit may be too small in relationship to the employment eligibility requirements.
- Recommendations:** There are several credits and deductions for related expenses. A comprehensive review of the relationships and interactions between these related expenditures could explain why some of them are underused.
- Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:

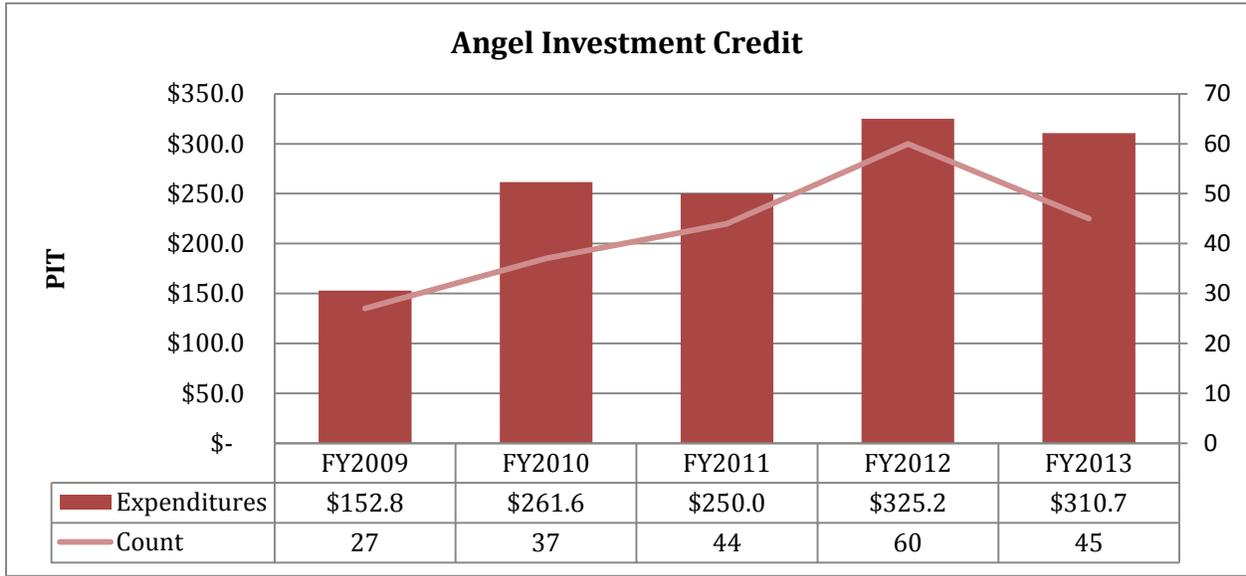


ANGEL INVESTMENT CREDIT AGAINST PIT

- Brief Description:** A taxpayer who files a New Mexico PIT return and who is an accredited investor making a qualified investment may claim a credit in an amount not to exceed 25% of not more than \$100,000 of the qualified investment. To be a qualified investment, it must be in a business that maintains its principal place of business in New Mexico and engages in high-technology research or manufacturing activities in New Mexico.
- Statutory Basis:** 7-2-18.17 NMSA 1978
- Intended Purpose:** Presumably to incentivize the investment in high-technology research and manufacturing activities in New Mexico by angel investors.
- History:** Originally enacted in 2007 with a delayed repeal date of January 1, 2013.

Amended in 2012 to eliminate the delayed repeal and extend the date before which an investment must be made in order to qualify for the credit from December 31, 2011 to December 31, 2016.
- Evaluation:** While this credit is being used by angel investors, the credit is too limiting both in terms of amount and number of investments to attract the kind of investment New Mexico needs.
- Recommendations:** Eliminate the date before which an investment must be made in order to qualify for the credit; in the alternative, extend the date to December 31, 2026. Increase the number of investments that can be made by an individual investor. Increase the amount of the credit. Increase the cap so that the increases in the amount of the credit and the number of investments an individual investor can claim are not overly restricted.
- Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:

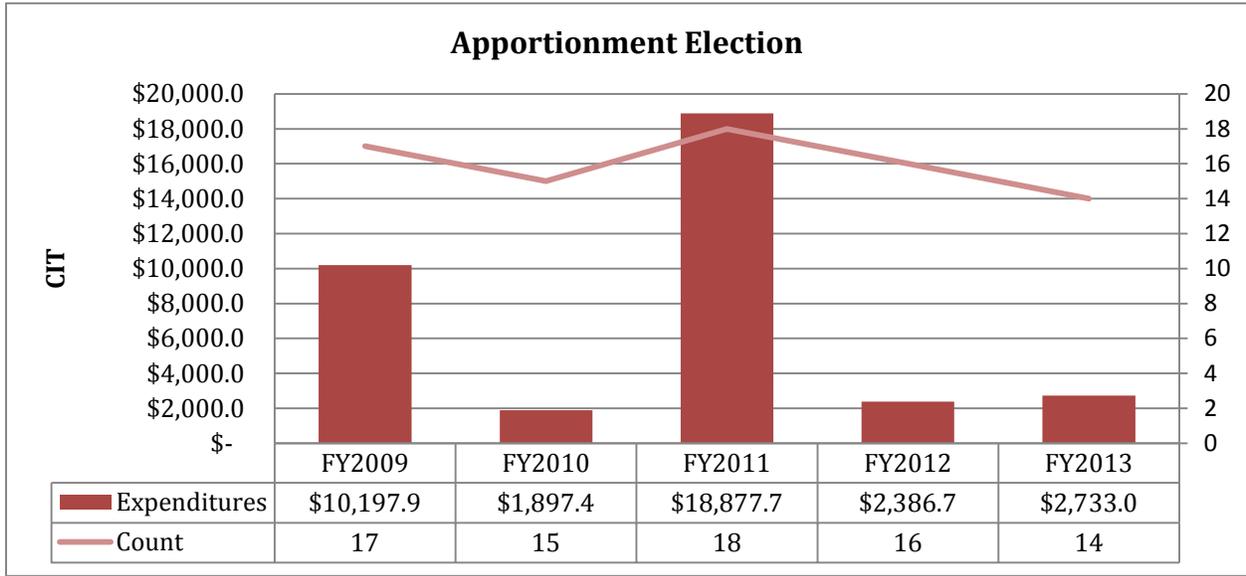


APPORTIONMENT ELECTION OF CIT

- Brief Description:** A taxpayer whose principal business activity is manufacturing may elect to have its business income apportioned to New Mexico by using a formula which puts a greater emphasis on the taxpayer's sales than on the taxpayer's property or payroll. The transition from allowing a taxpayer to use a double-weighted sales factor apportionment formula to allowing a taxpayer to use only sales as the factor in the formula will be complete as of January 1, 2018.
- Statutory Basis:** 7-4-10 NMSA 1978
- Intended Purpose:** As enacted in 1993, the purpose for having the double-weighted sales factor formula election for manufacturers was to encourage investment and employment in this state by manufacturers who do not anticipate substantial sales revenue within this state. This purpose language was deleted in the 2001 amendment. Nonetheless, the purpose for allowing manufacturers to choose an alternative apportionment formula presumably remains the same.
- History:** Originally enacted in 1993 and amended in 1999, 2001, and 2002.

Amended in 2013 to phase in over five years the use of a single sales factor by taxpayers whose principal business activity is manufacturing.
- Evaluation:** While this expenditure does reduce corporate income tax revenue directly, there is good evidence to indicate that the indirect effect is to create a more favorable business climate for manufacturing in New Mexico. For example, the share of GRT paid by manufacturers has increased from 2.7% to 4.2% of total GRT from FY2009 to FY2014. In addition to allowing the eventual election of sales factor only apportionment, the 2013 legislative changes also included changes to the qualifying requirements that should increase the stability and predictability of this expenditure going forward.
- Recommendations:** None.
- Reliability Factor:** 1 - This credit is separately reported. No estimation is required. Note, however, that data for FY2012 and FY2013 is likely to change significantly in future Tax Expenditure Reports as a relatively large number of taxpayers are late in their filings and payments.

Fiscal Impact:



ARMED FORCES SALARIES EXEMPTION FROM PIT

Brief Description: A salary paid by the United States to a taxpayer for active duty service in the armed forces of the United States is exempt from PIT.

Statutory Basis: 7-2-5.11 NMSA 1978

Intended Purpose: Presumably the intent of this credit is to lower the tax liability of military personnel and to encourage them to live in New Mexico.

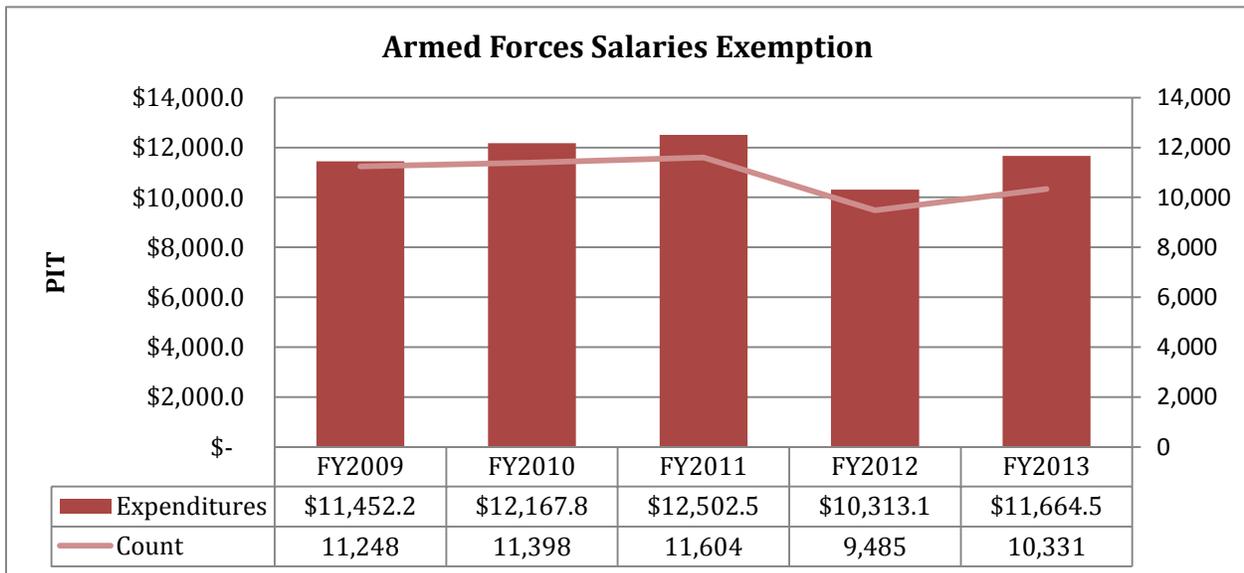
History: Originally enacted in 2007.

Evaluation: According the New Mexico Department of Workforce Solutions there were almost 17,000 employed by the military in New Mexico in 2013 or about 2% of total employment. According to the *US Census, Statistical Abstract of the United States 2012*, in 2009 there were 11,000 active military personnel in New Mexico.

Recommendations: None.

Reliability Factor: 2 - Direct taxpayer data is used in conjunction with certain assumptions or projections; in this case, a statewide average tax rate was used to estimate foregone revenue.

Fiscal Impact:



BACK-TO-SCHOOL TAX-FREE WEEKEND DEDUCTION FROM GRT

Brief Description: Receipts from retail sales of specified tangible personal property if the sale of the property occurs during the period between 12:01 a.m. on the first Friday in August and ending at midnight the following Sunday are deductible from gross receipts. The property specified by this statute includes certain clothing valued under \$100, computers valued under \$1,000, computer accessories valued under \$500, and school supplies.

Statutory Basis: 7-9-95 NMSA 1978

Intended Purpose: Presumably to reduce the cost of school supplies and school clothes.

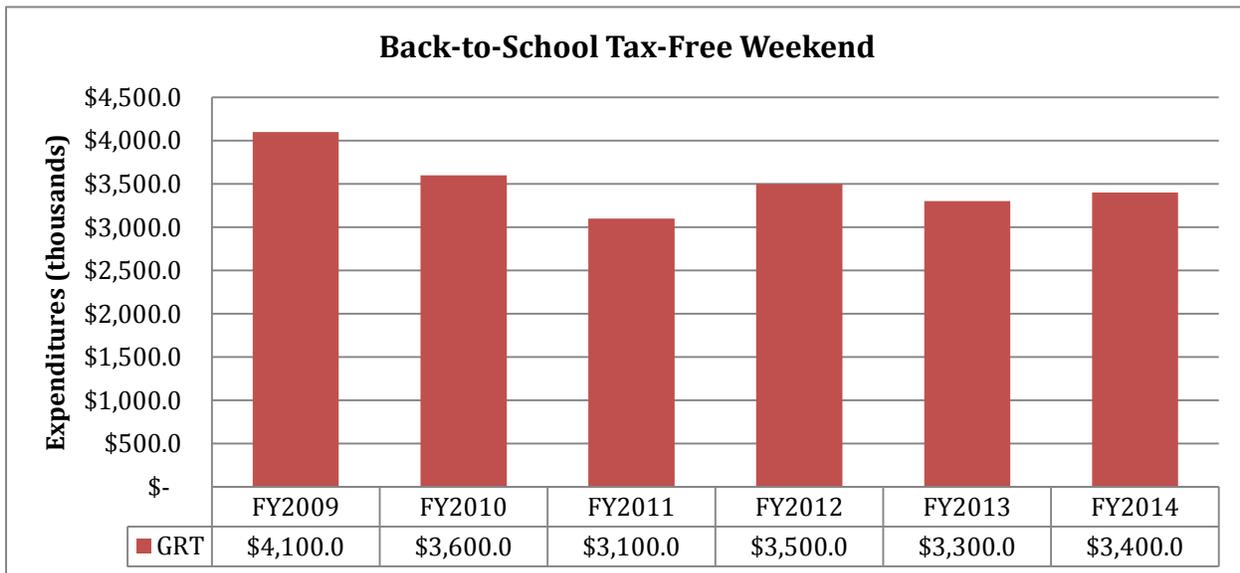
History: Originally enacted in 2005.

Evaluation: Without direct data it is difficult to evaluate the effectiveness of this deduction. The value limits on deductible items are fixed, and could become less appropriate over time with inflation.

Recommendations: None.

Reliability Factor: 4 - No direct data exists to estimate this deduction. Estimate is based on a percentage of August retail sales gross receipts.

Fiscal Impact:



BIODIESEL BLENDING FACILITY TAX THIRTY PERCENT CREDIT AGAINST GRT AND COMPENSATING TAX

Brief Description: A taxpayer who is a rack operator as defined in the Special Fuels Supplier Tax Act and who installs biodiesel blending equipment owned by the rack operator for the purpose of establishing or expanding a facility to produce blended biodiesel fuel may claim a GRT and Compensating Tax credit.

The credit is 30% of the purchase cost of equipment plus 30% of the cost of installing the equipment.

Biodiesel is renewable and biodegradable fuel derived from agricultural plant oils or animal fat. Blended biodiesel fuel is a diesel fuel that contains at least 2% biodiesel.

The credit is not refundable but may be carried forward for up to four years.

Statutory Basis: 7-9-79.2 NMSA 1978

Intended Purpose: Presumably to incentivize the establishing or expansion of a facility that produces blended biodiesel fuel.

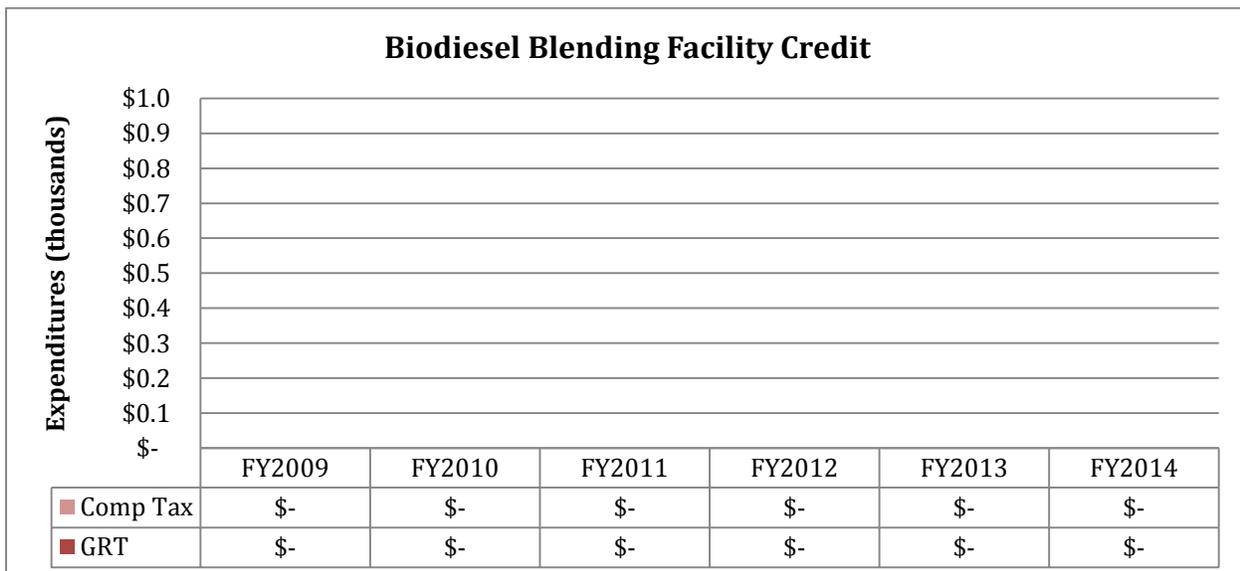
History: Originally enacted in 2007.

Evaluation: So far, this credit has not been claimed. At \$50,000 maximum per facility, and \$1 million aggregate maximum per fiscal year, the credit may simply be too small to encourage investment in blending facilities.

Recommendations: None.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:

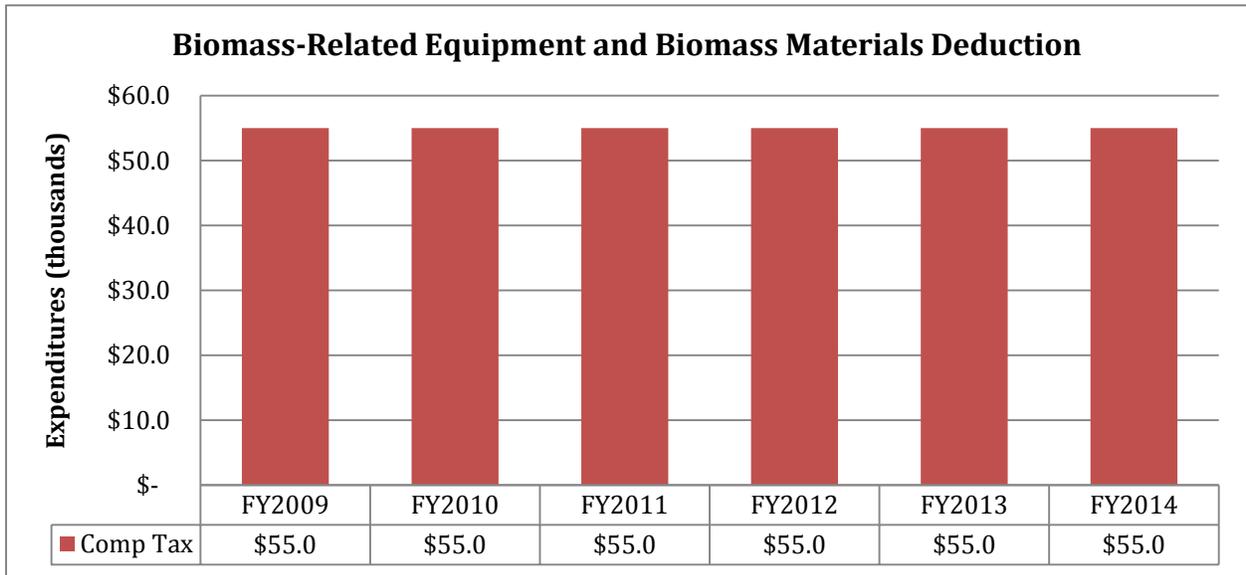


BIOMASS-RELATED EQUIPMENT AND BIOMASS MATERIALS DEDUCTION FROM COMPENSATING TAX

- Brief Description:** The value of a biomass boiler, gasifier, furnace, turbine-generator, storage facility, feedstock processing or drying equipment, feedstock trailer or interconnection transformer, and the value of biomass materials used for processing into biopower, biofuels or biobased products is deductible in computing the Compensating Tax due.
- Statutory Basis:** 7-9-98 NMSA 1978
- Intended Purpose:** Presumably to incentivize the use of biomass materials.
- History:** Originally enacted in 2005.
- Evaluation:** There are currently no actual biomass power generators in New Mexico. The New Mexico Environment Department lists two biomass boiler generators with certification dates in 2004 and 2007 as “Not Built” as of November 2014. They do note, however, that there are a handful of very small scale projects, such as schools using biomass boilers for heating buildings.
- Recommendations:** None.
- Reliability Factor:** 4 - In the absence of any source of direct data, an accurate estimate of the impact of this deduction is not possible. A 2008 report from the Western Forestry Leadership Coalition listed a single completed biomass project in New Mexico, utilizing 400 tons of cellulose fuel annually, and noted “Operational since 2004. Numerous problems. May be shut down if not rectified.”³ The report also listed two in progress installations, which have been confirmed to be currently operational, and several potential projects that are too vague to be confirmed. The US Department of Energy estimated a price of \$20 to \$80 per ton of forest biomass and wood waste biomass fuel. Using that information and a generous estimate of 20,000 tons of biomass fuel used annually, at an average price of \$40 per ton, the impact of the deduction would be about \$55,000. The cost would increase dramatically if the unbuilt power generators ever come online.

³ Western Forestry Leadership Coalition (2008). *From Wood Waste to Renewable Energy: A Summary Report of Wood Utilization Efforts in Heating Systems in the Western United States and Territories*, http://www.wflccenter.org/news_pdf/295_pdf.pdf

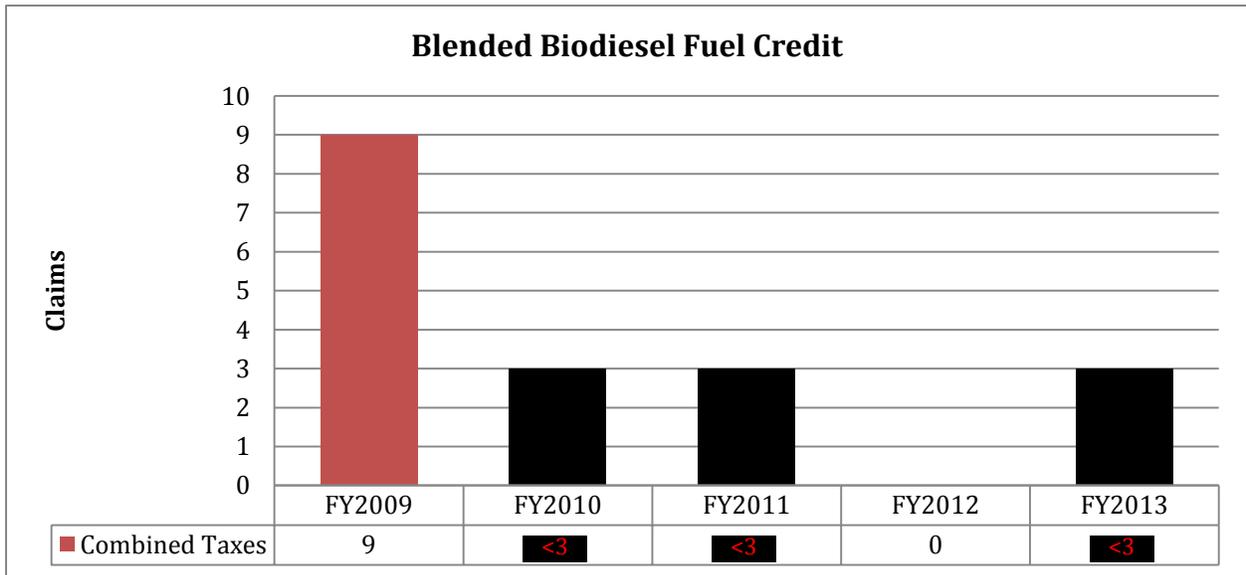
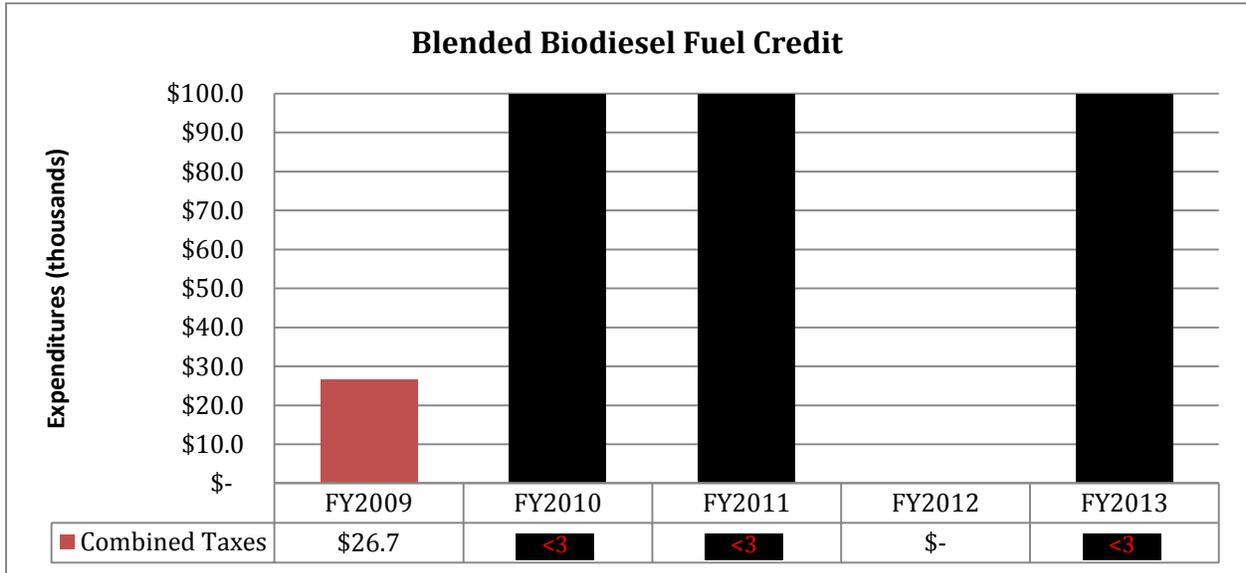
Fiscal Impact:



BLENDED BIODIESEL FUEL CREDIT AGAINST PIT AND CIT

- Brief Description:** A taxpayer who is liable for payment of the special fuel excise tax is eligible to claim a credit against PIT liability and CIT liability for each gallon of blended biodiesel fuel on which that person paid the special fuel excise tax in the taxable year, or would have paid the special fuel excise tax in the taxable year. This blended biodiesel fuel is a 3% mixture of biodiesel which is a different mixture from vegetable oil which is 99% biodiesel.
- The credit is not refundable but may be carried forward for up to four years.
- Statutory Basis:** 7-2-18.21 and 7-2A-23 NMSA 1978
- Intended Purpose:** Presumably to incentivize the establishment or expansion of a facility that produces blended biodiesel fuel.
- History:** Originally enacted in 2007 with a sunset of December 31, 2012.
- Evaluation:** The credit saw a decrease as the value of the credit reduced (from 2007-2010, the credit was \$0.03 per gallon; in 2011, it was \$0.02 per gallon; and in 2012, it was \$0.01 per gallon). It was sunset in 2012 and the only possibility for further expenditures from this credit would be due to the use of a carry forward or amended return.
- Recommendations:** None for now. Once the four-year carry-forward period and the three-year period for claiming refunds has past, repeal.
- Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



BORDER-ZONE TRADE-SUPPORT COMPANY DEDUCTION FROM GRT

- Brief Description:** The receipts of a trade-support company are deductible from gross receipts if:
- (1) the trade-support company first locates in New Mexico within twenty miles of a port of entry on New Mexico's border with Mexico on or after July 1, 2003 but before July 1, 2013;
 - (2) the receipts are received by the company within a five-year period beginning on the date the trade-support company locates in New Mexico and the receipts are derived from its business activities and operations at its border zone location; and
 - (3) the trade-support company employs at least two employees in New Mexico.

A "trade-support company" means a customs brokerage firm or a freight forwarder.

Statutory Basis: 7-9-56.3 NMSA 1978

Intended Purpose: Presumably to incentivize the location of trade-support companies to support activities at the Santa Teresa border crossing over a 5-year period (from 2003 to 2008).

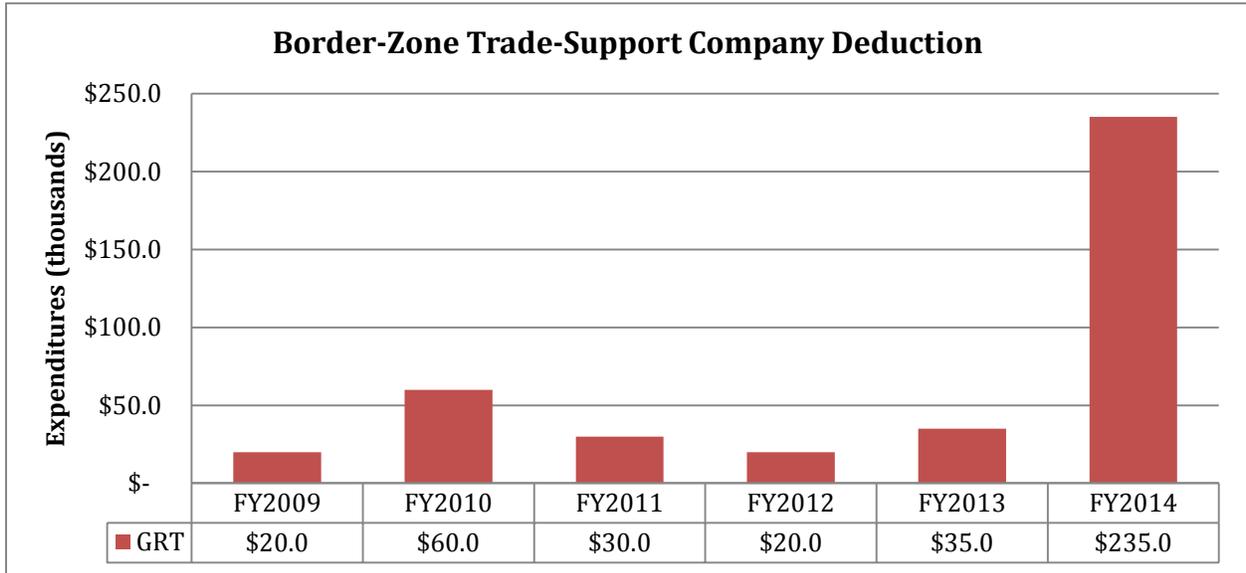
History: Originally enacted in 2003 and amended in 2007.

Evaluation: The trade support sector as defined in this deduction is very small and focused. Even if fully used, it only applies to a small number of taxpayers.

Recommendations: Remove the deadline for companies to locate in the border-zone area in order to qualify for the deduction.

Reliability Factor: 2 - Gross receipts deductions for taxpayers classified as trade support companies located in the following locations are assumed to derive from this deduction: Sunland Park, Anthony and unincorporated Luna, Dona Ana, and Hidalgo counties. This may result in the over-estimation of this deduction as the trade support classification does not match up perfectly to the definition of taxpayers who are eligible to take this deduction. Furthermore, these companies could be eligible for additional deductions which would mean that not all of their deducted amounts are attributable to this deduction.

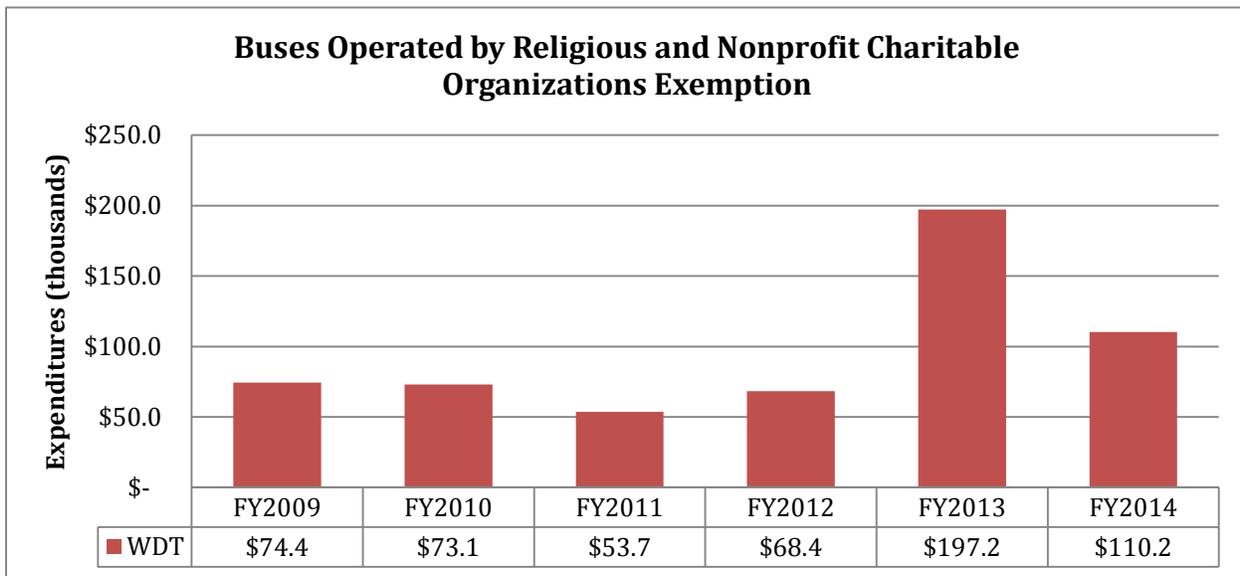
Fiscal Impact:



BUSES OPERATED BY RELIGIOUS AND NONPROFIT CHARITABLE ORGANIZATIONS EXEMPTION FROM WDT

- Brief Description:** Use of the highways of New Mexico by buses operated by religious or nonprofit charitable organizations is exempt from the WDT.
- Statutory Basis:** 7-15A-5C NMSA 1978
- Intended Purpose:** Presumably to subsidize the activities of organizations the federal government has determined to be performing socially-beneficial activities.
- History:** Originally enacted in 1988.
- Evaluation:** It is unknown why but nonprofits increased the miles reported as exempt from the WDT from FY2012 to FY2013 and decreased the amount of exempted miles after FY2013 in FY2014.
- Recommendations:** None.
- Reliability Factor:** 3 - Data on miles travelled exempt from the WDT was collected from TRD's internal database. The tax rates for vehicles weighing more than 26,000 lbs. and less than 36,000 lbs. were used in estimating this tax expenditure. The tax rates were multiplied by the number of exempted miles in fiscal years 2007 to 2014 that were estimated to be from buses operated by religious and non-profit organizations.

Fiscal Impact:



BUSES USED FOR TRANSPORTATION OF AGRICULTURAL LABORERS EXEMPTION FROM WDT

Brief Description: Use of the highways of New Mexico by buses used exclusively for the transportation of agricultural laborers is exempt from the WDT.

Statutory Basis: 7-15A-5B NMSA 1978

Intended Purpose: Presumably to increase the production of agricultural products by lowering the costs of labor for agricultural producers.

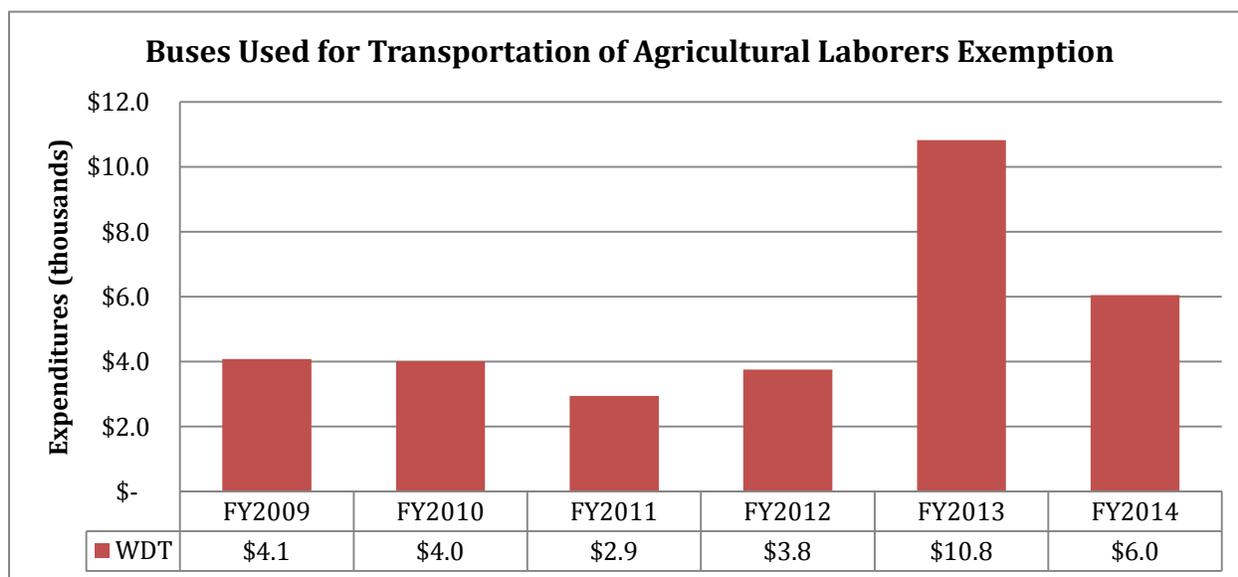
History: Originally enacted in 1988.

Evaluation: It is unknown why but the increase in exemptions from FY2012 to FY2013 was due to an increase in miles reported as exempt from the WDT. The amount of exempted miles decreased again after FY13 in FY14 to a level that is still higher than previous fiscal years prior to FY13.

Recommendations: None.

Reliability Factor: 3 - Data on miles travelled exempt from the WDT was collected from TRD's internal database. The tax rates for vehicles weighing more than 26,000 lbs. and less than 36,000 lbs. were used in estimating this tax expenditure. The tax rates were multiplied by the number of exempted miles in fiscal years 2007 to 2014 that were estimated to be from buses used for the transportation of agricultural laborers.

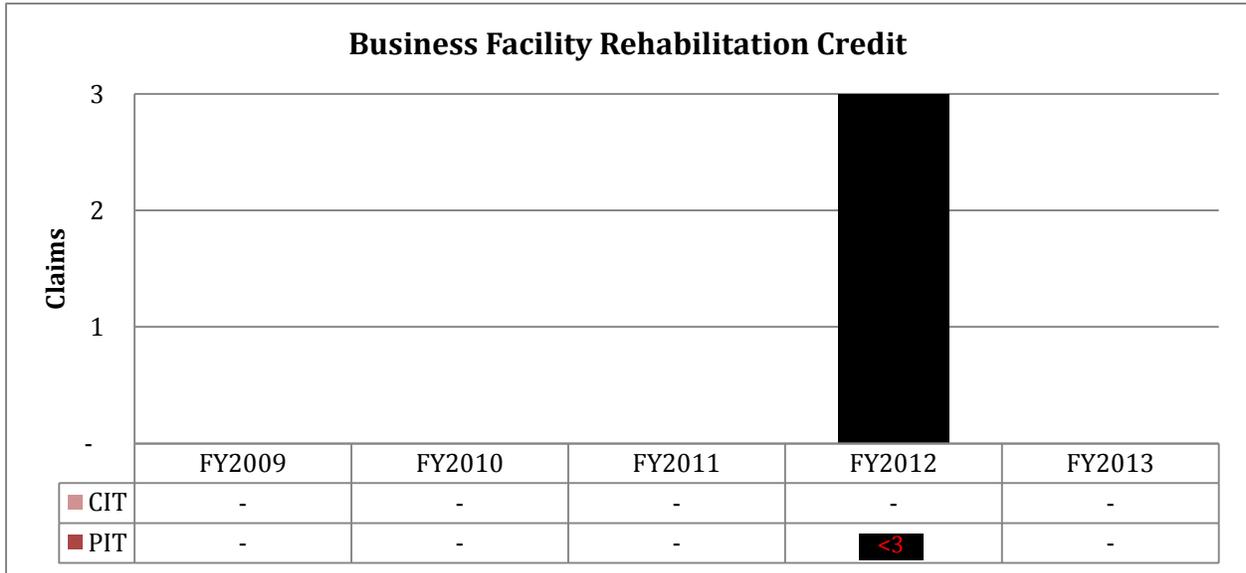
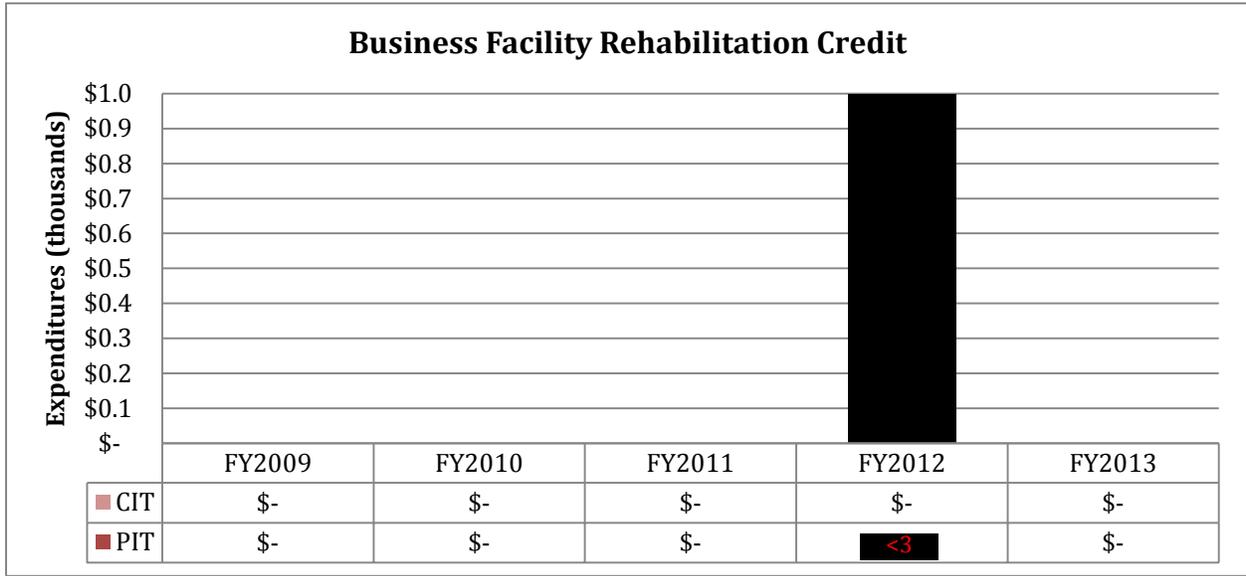
Fiscal Impact:



BUSINESS FACILITY REHABILITATION CREDIT AGAINST PIT AND CIT

- Brief Description:** An individual who owns a qualified business facility in an enterprise zone and restores, renovates, or rehabilitates it may receive a credit of 50% of the project cost (up to \$50,000) on PIT and CIT owed to New Mexico.
- A “qualified business facility” is a building vacant for at least 24 months and intended to be put into use by a person in the manufacturing, distribution or service industries. Cultural or historic properties do not qualify for this credit.
- The credit is not refundable but may be carried forward for up to four years.
- Statutory Basis:** 7-2-18.4 and 7-2A-15 NMSA 1978
- Intended Purpose:** To stimulate the creation of new jobs and revitalize economically depressed areas within New Mexico enterprise zones.
- History:** Originally enacted in 1994.
- Evaluation:** The credit has not been used because most individuals do not have enough tax liability to apply against the credit. Qualified individuals and corporations who take this credit are not eligible for the Investment Credit which provides a higher benefit.
- Recommendations:** Review the refundable aspect of the credit to allow taxpayers to take advantage of the credit.
- Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

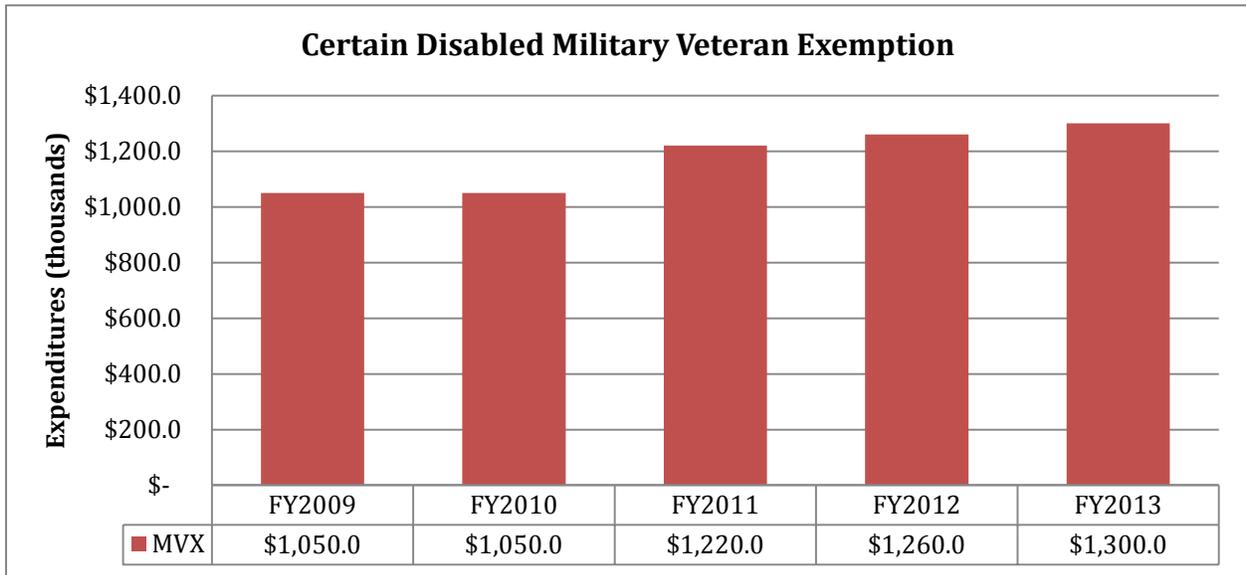
Fiscal Impact:



CERTAIN DISABLED MILITARY VETERAN EXEMPTION FROM MVX

- Brief Description:** A person is exempt from the MVX if the person is a bona fide resident of New Mexico who served in the armed forces of the United States and who suffered, while serving in the armed forces or from a service-connected cause, the loss or complete and total loss of use of:
- (1) one or both legs at or above the ankle; or
 - (2) one or both arms at or above the wrist.
- Statutory Basis:** 7-14-6E NMSA 1978
- Intended Purpose:** Presumably to ease the tax burden of individuals who have a disability that was incurred while serving in the armed forces.
- History:** Originally added as an amendment to 7-14-6 in 2007.
- Evaluation:** This tax expenditure meets its intended purpose of lowering the tax burden of disabled veterans. The estimated expenditure suggests that the exemption from the excise tax has had a positive effect on vehicle purchases.
- Recommendations:** None.
- Reliability Factor:** 3 - The number of disabled veterans in the state of New Mexico was collected from the Department of Veteran Services. The national average prices of new and used vehicles were collected for the years of 2008 through 2014. According to the University of Michigan Transportation Research Institute, in 2011, 1 out of 19.7 drivers bought a vehicle, either new or used. The total number of disabled veterans was divided by 19.7 and then multiplied by the average price of a new and used vehicle. The resulting dollar amount was multiplied by the MVX rate of 3%.

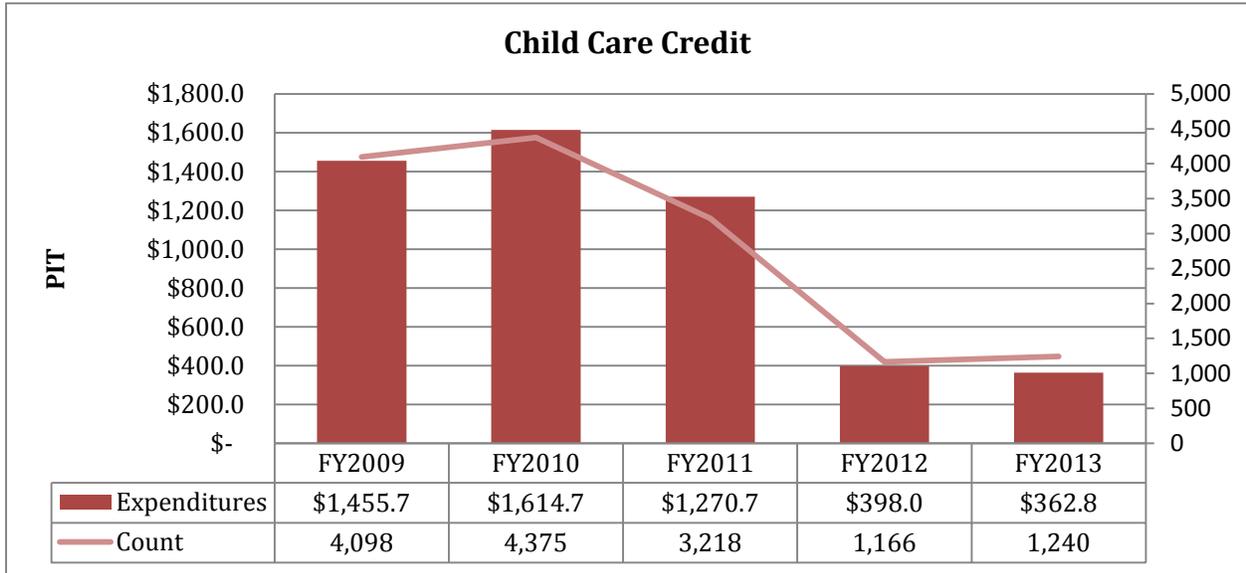
Fiscal Impact:



CHILD CARE TO PREVENT INDIGENCY CREDIT AGAINST PIT

- Brief Description:** Any resident who files a PIT return and who is not a dependent of another taxpayer may claim a credit for child day care expenses incurred and paid to a caregiver in New Mexico during the taxable year. The credit is available to a taxpayer who has a modified gross income, including child support payments, if any, of not more than the annual income that would be derived from earnings at double the federal minimum wage.
- The credit is for 40% of actual compensation paid to a caregiver and may not exceed \$480 for each qualifying dependent or \$1,200 for all qualifying dependents in any taxable year.
- Statutory Basis:** 7-2-18.1 NMSA 1978
- Intended Purpose:** Presumably to protect the health, safety and well-being of children of low-income families and to give the parents an opportunity to place their children in day care while they work.
- History:** Originally enacted in 1981 and amended in 1990, 1995, and 1999.
- Evaluation:** Presumably, the decline in the number of filers qualifying for the credit indicates that their income is increasing. Over time, the number of filers in the lower income brackets has declined even as the total number of filers has increased. One plausible partial explanation for the decline in FY2011 and FY2012 is that increased awareness and funding for other state supported programs like Head Start/Early Childhood and Pre-school programs over time have reduced the need for this credit.
- Recommendations:** None.
- Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

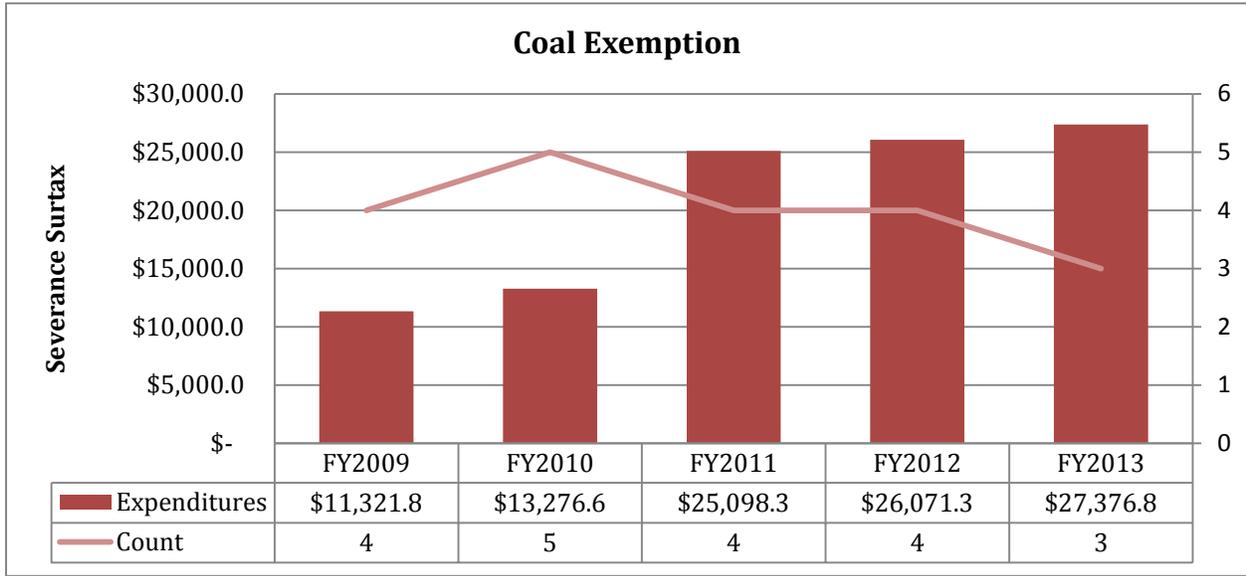
Fiscal Impact:



COAL EXEMPTION FROM SEVERANCE SURTAX

- Brief Description:** The following exemptions are currently in effect: (1) coal sold and delivered pursuant to genuinely new contracts entered into on or after July 1, 1990; (2) coal sold and delivered pursuant to contracts already in effect on July 1, 1990, that exceeds the annualized average calendar year deliveries under the contract during production years 1987, 1988, and 1989, unless the deliveries are reduced due to causes beyond the reasonable control of either party to the contract; and (3) if a contract existing on July 1, 1990, and renegotiated after May 20, 1992, requires the purchaser to take annual coal deliveries in excess of the greater of the average calendar year deliveries from 1978-1989 or the highest annual contract minimum from 1978-1989, the surtax does not apply to such excess deliveries for the remaining term of the renegotiated contract.
- Statutory Basis:** 7-26-6.2 NMSA 1978
- Intended Purpose:** Presumably this tax expenditure is a production incentive for incremental production by the New Mexico coal mining industry, providing reduced tax liability under new or restructured contracts.
- History:** Originally enacted in 1990 and amended in 1992, 1994, 1995, 1997 and 1999.
- Evaluation:** The tax expenditure provided through this exemption directly benefits the coal mining industry by providing exemption from the severance surtax for production of coal quantities that are in excess of the greater of the average calendar year deliveries from 1978-1989 or the highest annual contract minimum from 1978-1989. Since 2010, new agreements have been entered into which have resulted in previously unallowable activity to be eligible for this exemption.
- Recommendations:** None.
- Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

Fiscal impact



COMMERCIAL MOTOR CARRIER VEHICLES OPERATING EXCLUSIVELY WITHIN 10 MILES OF MEXICO BORDER EXEMPTION FROM TRIP TAX AND WDT

Brief Description: Use of New Mexico highways by commercial motor carrier vehicles while operating exclusively within 10 miles of a border with Mexico in conjunction with crossing the border with Mexico is exempt from the Trip Tax and the WDT.

Statutory Basis: 7-15-3.2 and 7-15A-5D NMSA 1978

Intended Purpose: Presumably to incentivize companies that have cross-border activities to use New Mexico ports instead of those in Texas and Arizona.

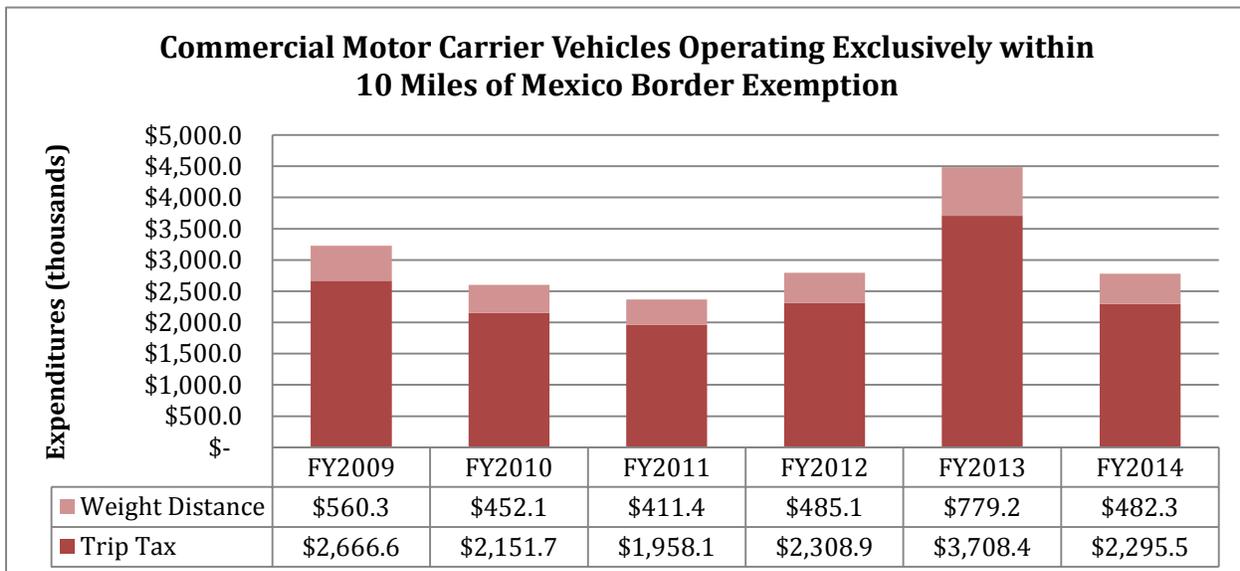
History: Originally enacted in 2006.

Evaluation: The New Mexico Border Authority reports that the number of commercial vehicles crossing the border with Mexico has increased since FY2011. This tax expenditure meets its intended purpose of creating a competitive environment for business in New Mexico.

Recommendations: None.

Reliability Factor: 2 - Data on the number of miles reported at the southern points of entry with Mexico was compiled from TRD's internal database. The number of miles was then multiplied by the average WDT rate of all the weight classes. The same procedure was done to calculate the Trip Tax expenditure.

Fiscal Impact:



CONSTRUCTION EQUIPMENT AND MATERIALS USED IN THE CONSTRUCTION OF SOLE COMMUNITY PROVIDER HOSPITALS DEDUCTION FROM GRT

Brief Description: Receipts from sales of construction equipment or construction materials to a foundation or nonprofit organization for use in the new facility construction of a sole community provider hospital located in a federally designated health professional shortage area are deductible under certain circumstances.

Statutory Basis: 7-9-100 NMSA 1978

Intended Purpose: Presumably to reduce the costs of constructing sole community provider hospitals.

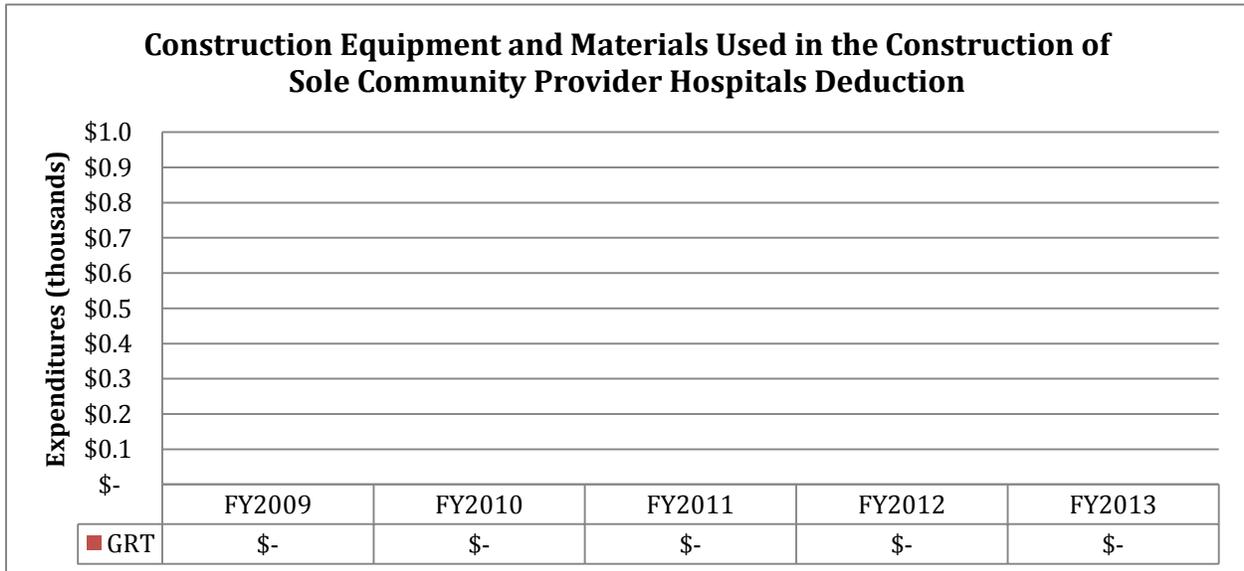
History: Originally enacted in 2006.

Evaluation: Changes to the health care system on a national level have eliminated the need for this deduction which had not been used in recent years anyway.

Recommendations: May not be necessary anymore given the Patient Protection and Affordable Care Act.

Reliability Factor: 1 - There have been no new sole community provider hospitals built in New Mexico over the last several years. No estimation is required.

Fiscal Impact:



CONSTRUCTION OF SOLE COMMUNITY PROVIDER HOSPITALS DEDUCTION FROM GRT

Brief Description: Receipts from the sale of engineering, architectural, and construction services to a foundation or nonprofit organization for use in the new facility construction of a sole community provider hospital located in a federally-designated health professional shortage area are deductible from gross receipts.

Statutory Basis: 7-9-99 NMSA 1978

Intended Purpose: Presumably to reduce the costs of constructing sole community provider hospitals.

History: Originally enacted in 2006.

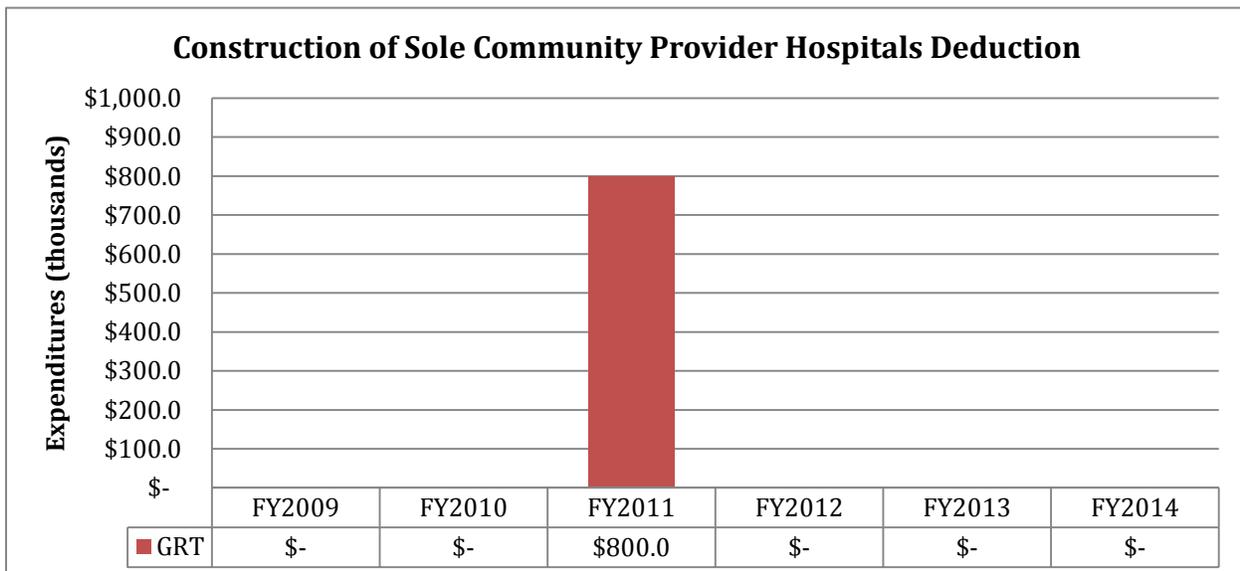
Evaluation: Changes to the health care system on a national level have eliminated the need for this deduction which had not been used in recent years anyway.

Recommendations: May not be necessary anymore given the Patient Protection and Affordable Care Act.

Reliability Factor: 3 - Used a list of sole community provider hospitals published by the US Defense Health Agency, a single applicable hospital – Guadalupe County Hospital in Santa Rosa – was found to be constructed within this time period. An estimated construction cost of \$10 million was used to estimate the cost of the deduction.

NOTE: We are not required to redact this information even though it relates to fewer than three taxpayers because the data does not come from tax return information; rather, it comes from independent sources.

Fiscal Impact:



CONTRIBUTIONS OF INVENTORY TO NONPROFIT ORGANIZATIONS
OR GOVERNMENTAL AGENCIES
DEDUCTION FROM COMPENSATING TAX

Brief Description:	The value of tangible personal property that is removed from inventory and contributed to a US or New Mexico government entity or the governing body of an Indian nation, tribe, or pueblo for use on an Indian reservation or pueblo grant or to 501(c)(3) organizations, is deductible in computing the Compensating Tax due.
Statutory Basis:	7-9-91 NMSA 1978
Intended Purpose:	Presumably to incentivize the contribution of inventory to government entities and nonprofit organizations.
History:	Originally enacted in 2001.
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	No data is available to estimate the fiscal impact.
Fiscal Impact:	Unknown.

CONVERTING ELECTRICITY DEDUCTION FROM GRT

Brief Description: Receipts from the transmission of electricity where voltage source conversion technology is employed to provide such services and from ancillary services is deductible from gross receipts.

Statutory Basis: 7-9-103.1 NMSA 1978

Intended Purpose: Presumably this deduction is intended to encourage businesses using voltage source conversion technology to locate in New Mexico.

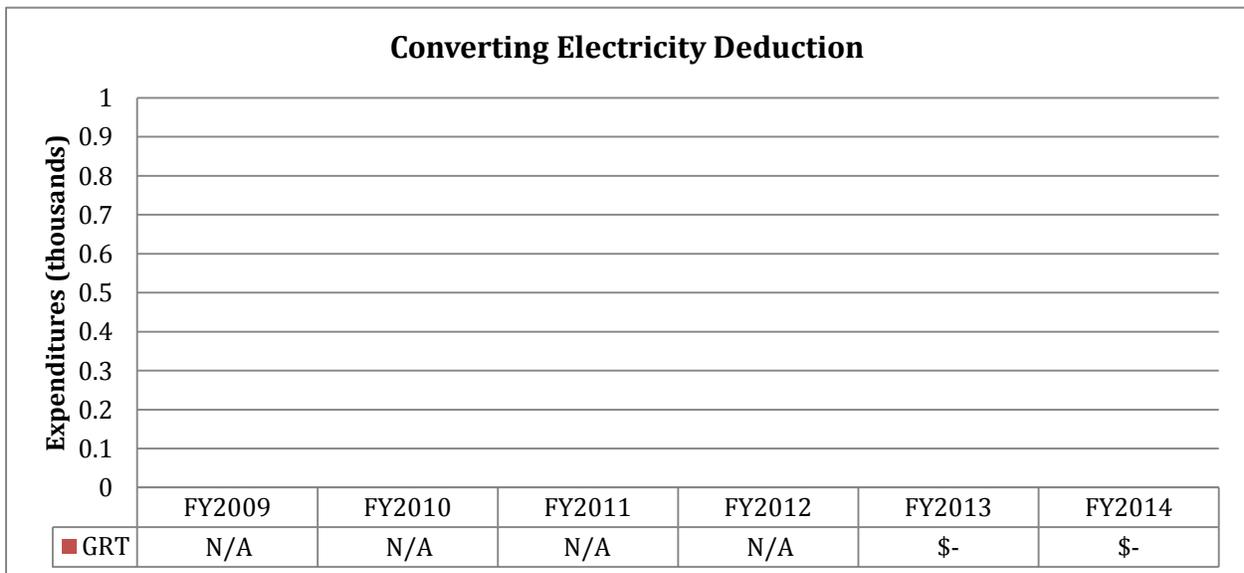
History: Originally enacted in 2012.

Evaluation: Voltage source conversion is an emerging technology. Tres Amigos, LLC has announced the construction of the Tres Amigos SuperStation on a 14,400 acre site near Clovis. The SuperStation will eventually be the first interconnection between the three independent segments of the US power grid and will use voltage source conversion technology. Once fully operational, this could result in significant foregone revenue. However, a strong argument can be made that but for the deduction, the facility would not have been located in New Mexico.

Recommendations: None.

Reliability Factor: 1 - there are currently no known facilities utilizing this technology in New Mexico.

Fiscal Impact:



CONVEYANCE OF LAND FOR CONSERVATION OR PRESERVATION FIFTY PERCENT CREDIT AGAINST PIT AND CIT

Brief Description: Land that is conveyed for the purpose of open space, natural resource or biodiversity conservation, agricultural preservation or watershed or historic preservation as an unconditional donation in perpetuity by the landowner or taxpayer to a public or private conservation agency eligible to hold the land and interests therein for conservation or preservation purposes may be eligible for a credit against the tax liability imposed by the Personal Income Tax or Corporate Income and Franchise Tax Act an amount equal to 50% of the fair market value of land or interest in.

The amount of the credit that may be claimed by a taxpayer shall not exceed \$100,000 for a conveyance made prior to January 1, 2008 and shall not exceed \$250,000 for a conveyance made on or after that date.

The credit is not refundable but may be carried forward up to twenty years.

A taxpayer may claim only one tax credit per taxable year.

Statutory Basis: 7-2-18.10 and 7-2A-8.9 NMSA 1978

Intended Purpose: Enacted as part of the "Land Conservation Incentives Act" the purpose of which was to "encourage private landowners to be stewards of lands that are important habitat areas or concern significant natural, open space and historic resources by providing private landowners with incentives that encourage the protection of private lands for open space, natural resources, biodiversity conservation, outdoor recreation, farmland and forest land preservation, historic preservation and land conservation purposes."

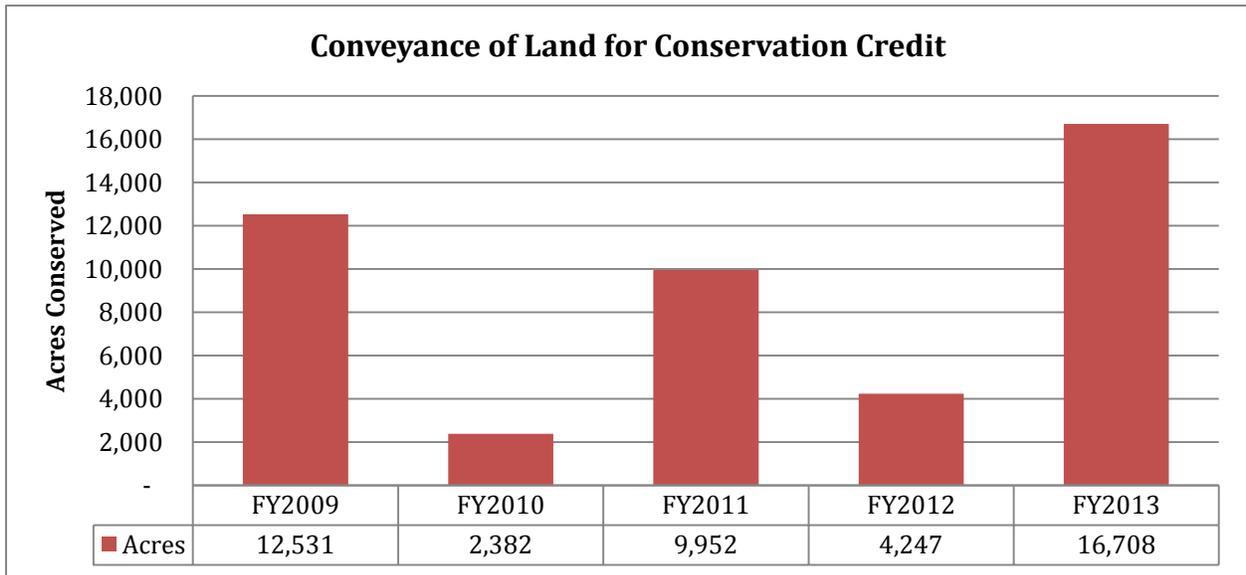
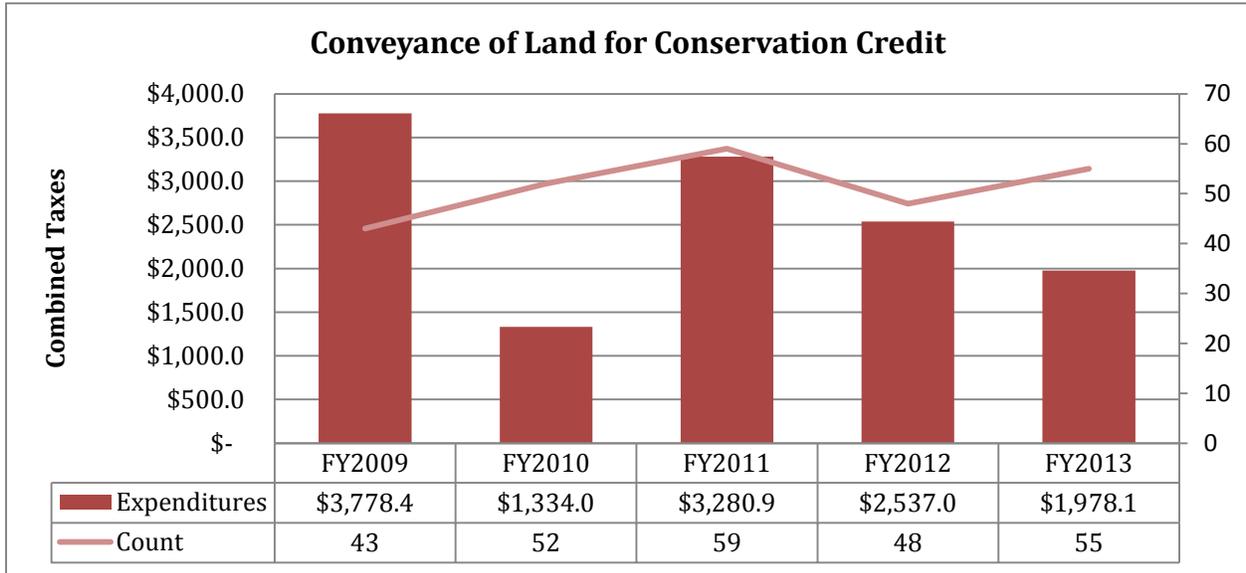
History: Originally enacted in 2003 and amended in 2007.

Evaluation: None.

Recommendations: None.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

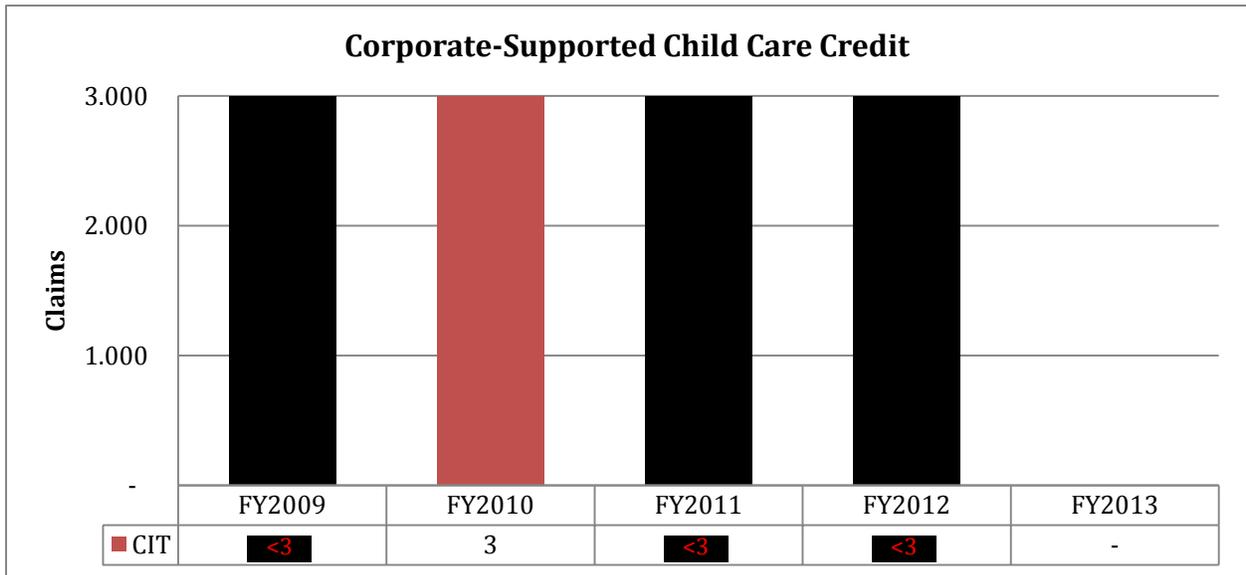
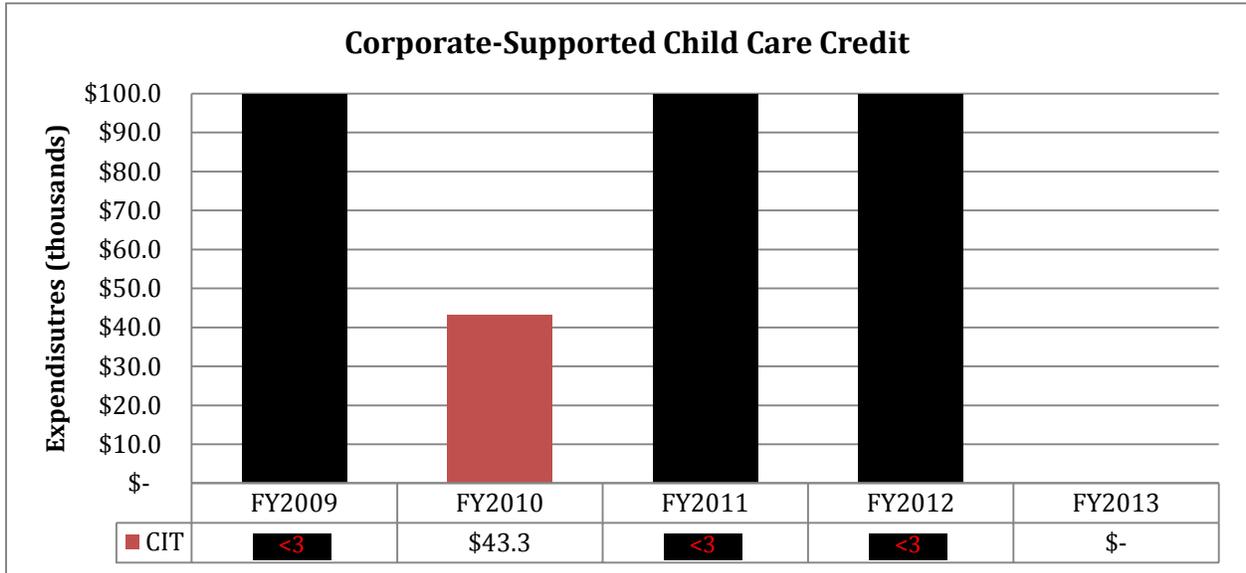
Fiscal Impact:



CORPORATE-SUPPORTED CHILD CARE CREDIT AGAINST CIT

Brief Description:	Corporations providing or paying for licensed child care services for employees' children under 12 years of age may deduct 30% of eligible expenses from their CIT liability for the tax year in which the expenses occur.
Statutory Basis:	7-2A-14 NMSA 1978
Intended Purpose:	Presumably to incentivize the provision of child care by corporations.
History:	Originally enacted in 1983 and amended in 1986 and 1995.
Evaluation:	This credit has only been used by more three or more taxpayers one time in the last five years
Recommendations:	None.
Reliability Factor:	1 - This credit is separately reported. No estimation is required.

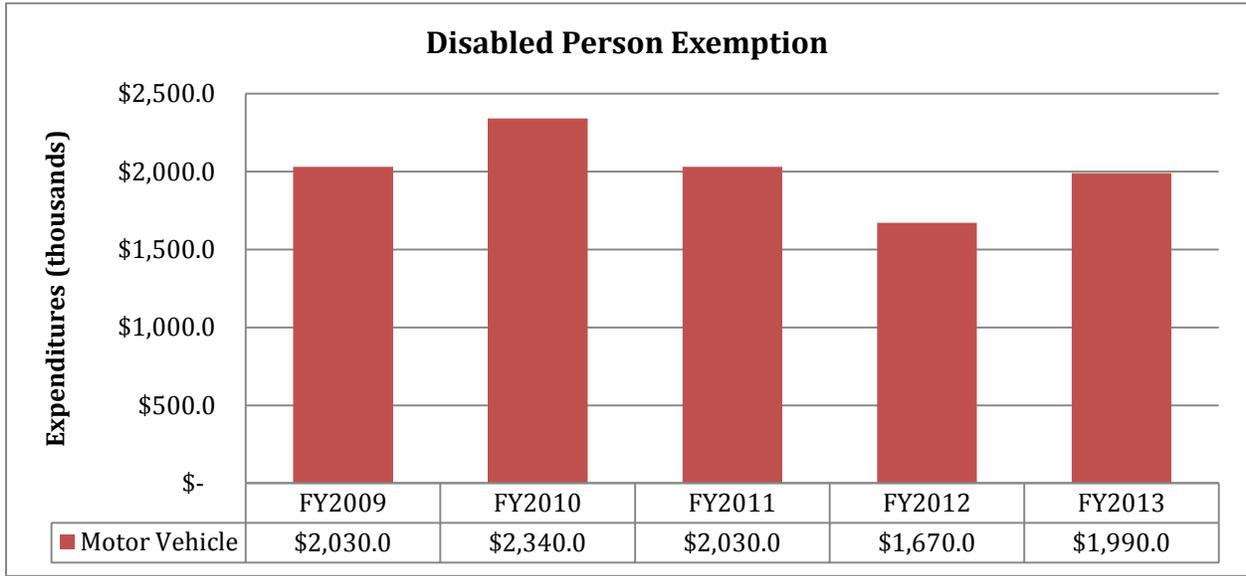
Fiscal Impact:



DISABLED PERSON EXEMPTION FROM MVX

- Brief Description:** A person is exempt from the MVX if the person has a disability at the time the person purchases a vehicle and can prove to the motor vehicle division of the department or its agent that modifications have been made to the vehicle that are:
- (1) due to that person's disability; and
 - (2) necessary to enable that person to drive that vehicle or be transported in that vehicle.
- Statutory Basis:** 7-14-6D NMSA 1978
- Intended Purpose:** Presumably to lower the tax burden of purchasing a vehicle by individuals with a disability.
- History:** Originally added as an amendment to 7-14-6 in 2007.
- Evaluation:** This tax expenditure meets its intended purpose of lowering the tax burden of disabled persons. The estimated expenditure costs suggest that vehicle purchases have remained at a steady level over the last five fiscal years.
- Recommendations:** None.
- Reliability Factor:** 3 - Information on the number of handicap placards was collected from TRD's internal database. The national average prices of new and used vehicles were collected for the years of 2008 through 2014. According to the University of Michigan Transportation Research Institute, in 2011 1 out of 19.7 drivers bought a vehicle, either new or used. The total number of handicap placards was divided by 19.7 and then multiplied by the average price of a new and used vehicle. The resulting dollar amount was multiplied by the Motor Vehicle Tax rate of 3%.

Fiscal Impact:



DISABLED STREET VENDORS EXEMPTION FROM GRT

Brief Description: Receipts of disabled street vendors from the sale of goods are exempt.

Statutory Basis: 7-9-41.3 NMSA 1978

Intended Purpose: Presumably, this exemption is intended to eliminate the burden of filing CRS returns on the vendors. Certainly, it is not intended to encourage an increase in the number of disabled street vendors.

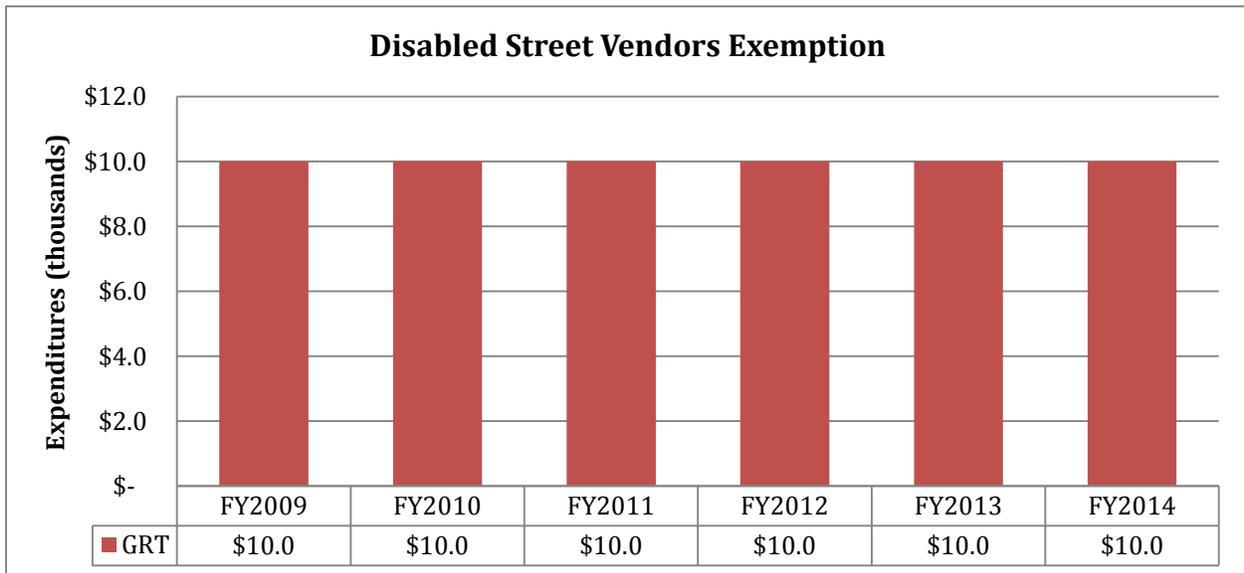
History: Originally enacted in 2007.

Evaluation: The compliance rate of the exempted vendors would be expected to be extremely low, resulting in a minimal effective loss of revenue.

Recommendations: None.

Reliability Factor: 4 - No data exists to support the estimation of this deduction. The impact is assumed to be minimal.

Fiscal Impact:



DOH-LICENSED HOSPITALS CREDIT AGAINST GRT

Brief Description: Certain hospitals licensed by the New Mexico Department of Health may claim a GRT credit, escalating from as little 0.755% starting July 1, 2007 to as much as 5% after July 1, 2011, depending in part on whether the hospital is located in a municipality or unincorporated area of a county.

Statutory Basis: 7-9-96.1 NMSA 1978

Intended Purpose: Presumably to level the playing field between for profit and not for profit hospitals that would not be liable for GRT anyway.

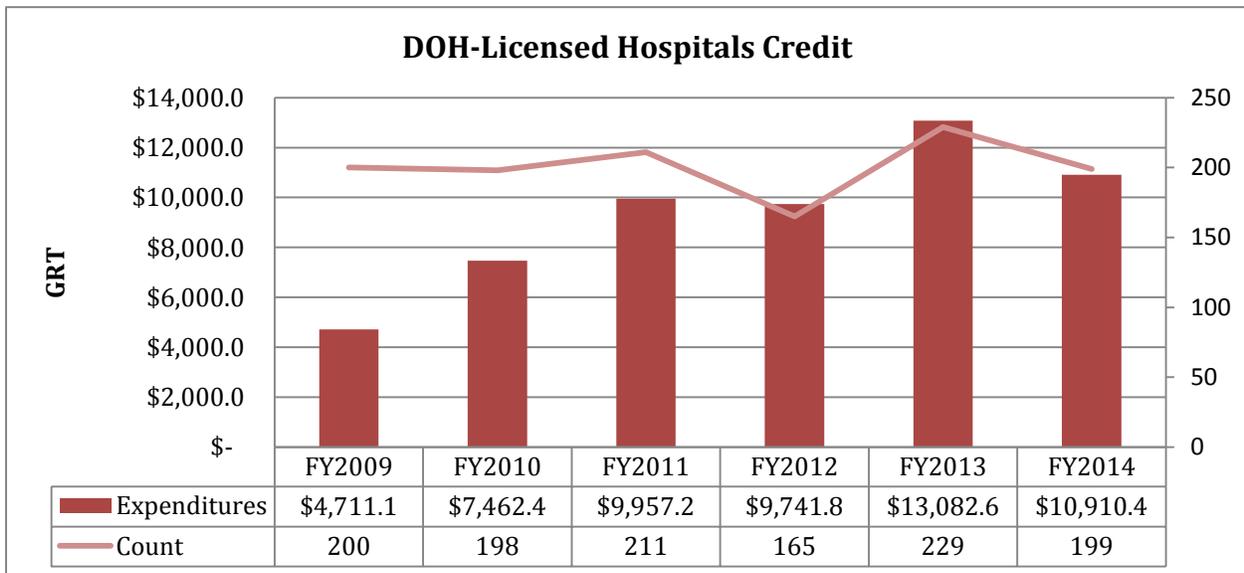
History: Originally enacted in 2007; phased in the deduction over five years.

Evaluation: The economic subsidy provided by the credit against gross receipts is a social policy decision taken to reduce the total cost borne by New Mexicans for eligible hospital care.

Recommendations: None.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



DOH-LICENSED HOSPITALS FIFTY PERCENT DEDUCTION FROM GRT

Brief Description: 50% of the receipts of hospitals licensed by the Department of Health are deductible from gross receipts.

This deduction may be applied only to the taxable gross receipts remaining after all other appropriate deductions have been taken.

Statutory Basis: 7-9-73.1 NMSA 1978

Intended Purpose: Presumably to level the playing field between for profit and not for profit hospitals that would not be liable for GRT anyway.

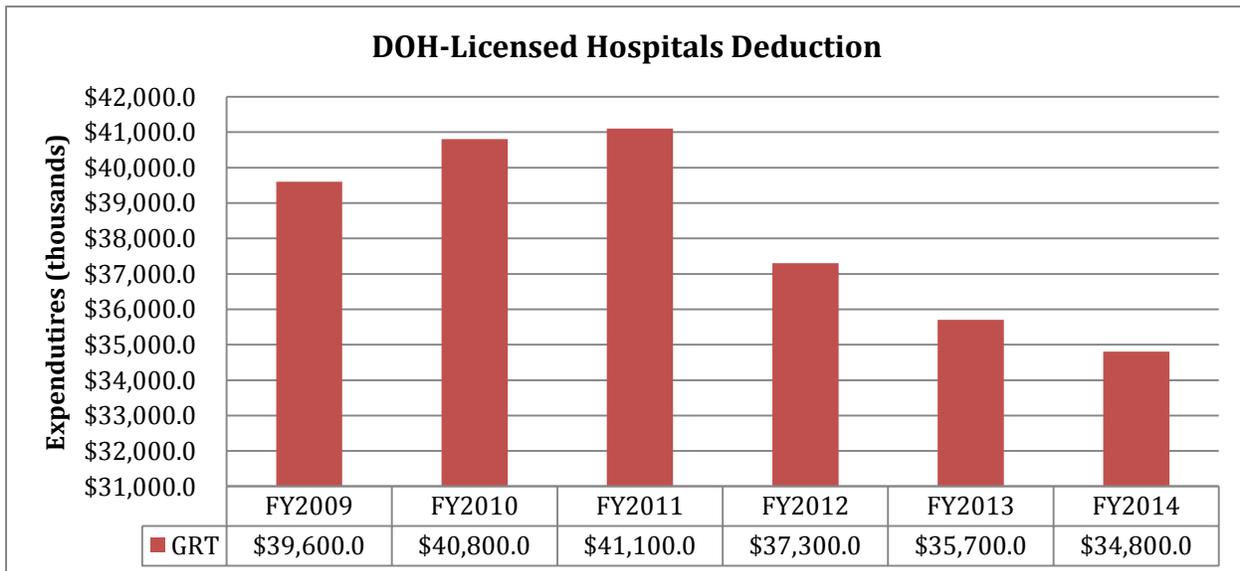
History: Originally enacted in 1991 and amended in 1993 and 1995.

Evaluation: The economic subsidy provided by the deduction against gross receipts is a social policy decision taken to reduce the total cost borne by New Mexicans for eligible hospital care.

Recommendations: None.

Reliability Factor: 2 - This estimate uses GRT reported by taxpayers classified in NAICS sector 622 – Hospitals; assumes that those taxpayers are properly classified and have properly applied the deduction after all other applicable deductions.

Fiscal Impact:



EDUCATION TRUST FUND PAYMENT DEDUCTION FROM PIT

Brief Description: A taxpayer may claim a deduction from net income in an amount equal to the payments made by the taxpayer into the education trust fund pursuant to a college investment agreement or prepaid tuition contract under the Education Trust Act in the taxable year for which the deduction is being claimed.

Statutory Basis: 7-2-32 NMSA 1978

Intended Purpose: Presumably to incentivize saving for college.

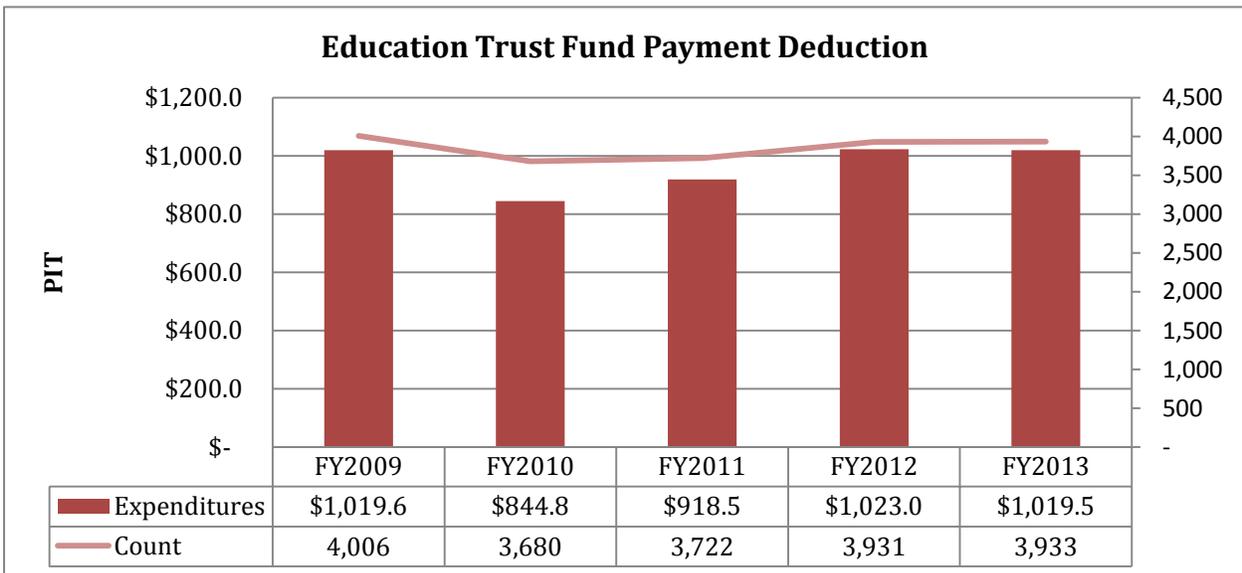
History: Originally enacted in 1997.

Evaluation: While there was a slight dip in the number and value of claims, likely associated with the overall health of the economy, the deduction appears to be incentivizing some savings for college.

Recommendations: None.

Reliability Factor: 2 - Direct taxpayer data is used in conjunction with certain assumptions or projections; in this case, a statewide average tax rate was used to estimate foregone revenue.

Fiscal Impact:

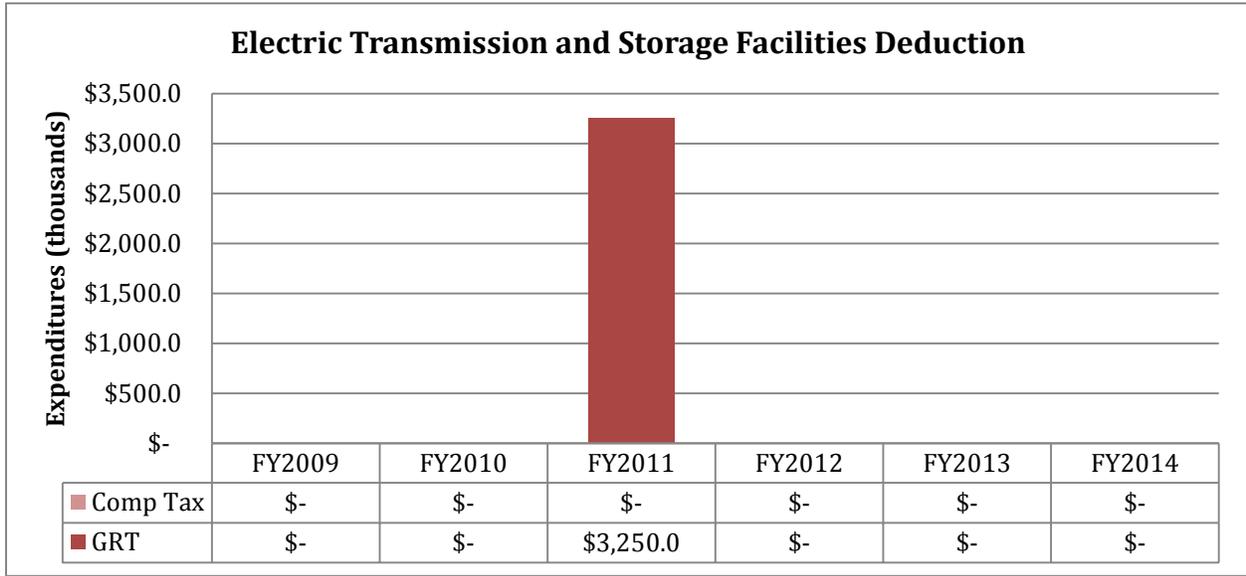


ELECTRIC TRANSMISSION AND STORAGE FACILITIES DEDUCTION FROM GRT AND COMPENSATING TAX

- Brief Description:** Receipts from selling equipment to the New Mexico renewable energy transmission authority or an agent or lessee of the authority is deductible from gross receipts if the equipment is installed as part of an electric transmission facility or an interconnected storage facility acquired by the authority pursuant to the New Mexico Renewable Energy Transmission Authority Act; the value of equipment installed as part of an electric transmission facility or an interconnected storage facility acquired by the authority pursuant to the New Mexico Renewable Energy Transmission Authority Act is deductible in computing the Compensating Tax due.
- Statutory Basis:** 7-9-101 and 7-9-102 NMSA 1978
- Intended Purpose:** Presumably to encourage the development of renewable energy transmission infrastructure in New Mexico.
- History:** Originally enacted in 2007 as part of the New Mexico Renewable Energy Transmission Authority Act.
- Evaluation:** Currently, the Authority has issued bonds for one project. Others are in the planning stages.
- Recommendations:** None.
- Reliability Factor:** 2 - During 2010, the New Mexico Renewable Energy Transmission Authority issued \$50 million in revenue bonds to help financially support the High Lonesome Mesa Wind Farm near Willard, New Mexico, according to the Authority's website. Subsequent Authority annual reports do not indicate further bond issuance or that the Authority has made any qualified expenditures as of FY2013, the latest report available.

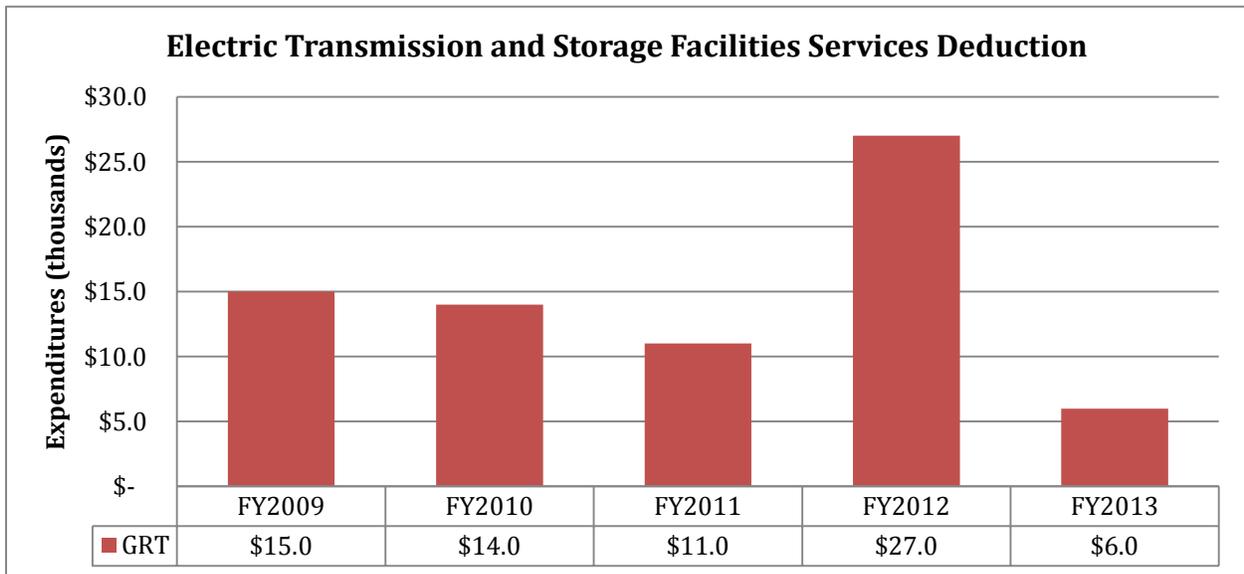
NOTE: We are not required to redact this information even though it relates to fewer than three taxpayers because the data does not come from tax return information; rather, it comes from independent sources.

Fiscal Impact:



ELECTRIC TRANSMISSION AND STORAGE FACILITIES SERVICES DEDUCTION FROM GRT

- Brief Description:** Receipts from providing services to the New Mexico renewable energy transmission authority or an agent or lessee of the authority for the planning, installation, repair, maintenance or operation of an electric transmission facility or an interconnected storage facility acquired by the authority pursuant to the New Mexico Renewable Energy Transmission Authority Act is deductible from gross receipts.
- Statutory Basis:** 7-9-103 NMSA 1978
- Intended Purpose:** Presumably, the act is intended to encourage the development of renewable energy transmission infrastructure in New Mexico.
- History:** Originally enacted in 2007 as part of the New Mexico Renewable Energy Transmission Authority Act.
- Evaluation:** The New Mexico Renewable Energy Transmission Authority has reported expenditures for planning and other “governmental activities.” Presumably, this will lead to qualified expenditures for the other related deductions.
- Recommendations:** None.
- Reliability Factor:** 2 - The Authority’s annual audit reports list expenditures for planning and development services. All expenditures, excluding personal services and benefits are assumed to be eligible for this deduction. The most recent report available is for FY2013.
- Fiscal Impact:**



ELECTRICITY EXCHANGE DEDUCTION FROM GRT

Brief Description: Receipts from the transaction and exchange of electric power as a part of the transmission of electricity where voltage source conversion technology is employed to provide such services and from ancillary services is deductible from gross receipts.

Statutory Basis: 7-9-103.2 NMSA 1978

Intended Purpose: Presumably to encourage the location of electricity exchanges in New Mexico.

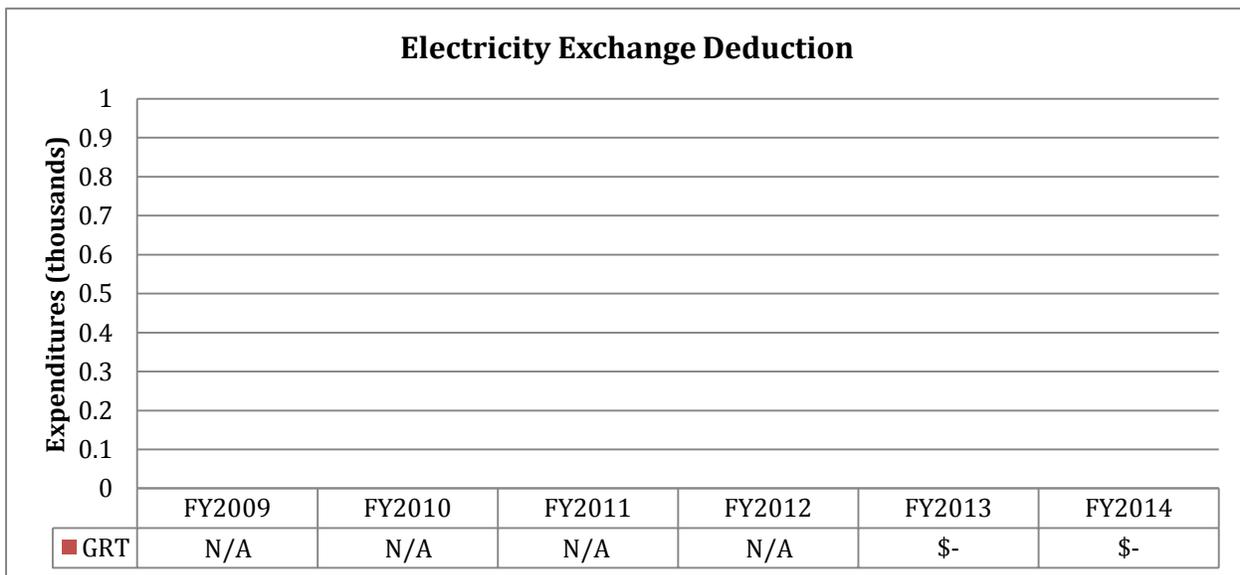
History: Originally enacted in 2012.

Evaluation: The United States power grid is actually composed of three independent segments at the current time. Tres Amigos LLC has announced the construction of the Tres Amigos SuperStation on a 14,400 acre site near Clovis. The SuperStation will eventually be the first interconnection between the three independent segments of the US power grid and will use voltage source conversion technology. Once fully operational, this could result in significant foregone revenue. However, a strong argument can be made that but for the deduction, the facility would not have been located in New Mexico.

Recommendations: None.

Reliability Factor: 1 - There are currently no electricity exchanges utilizing voltage source conversion technology in New Mexico.

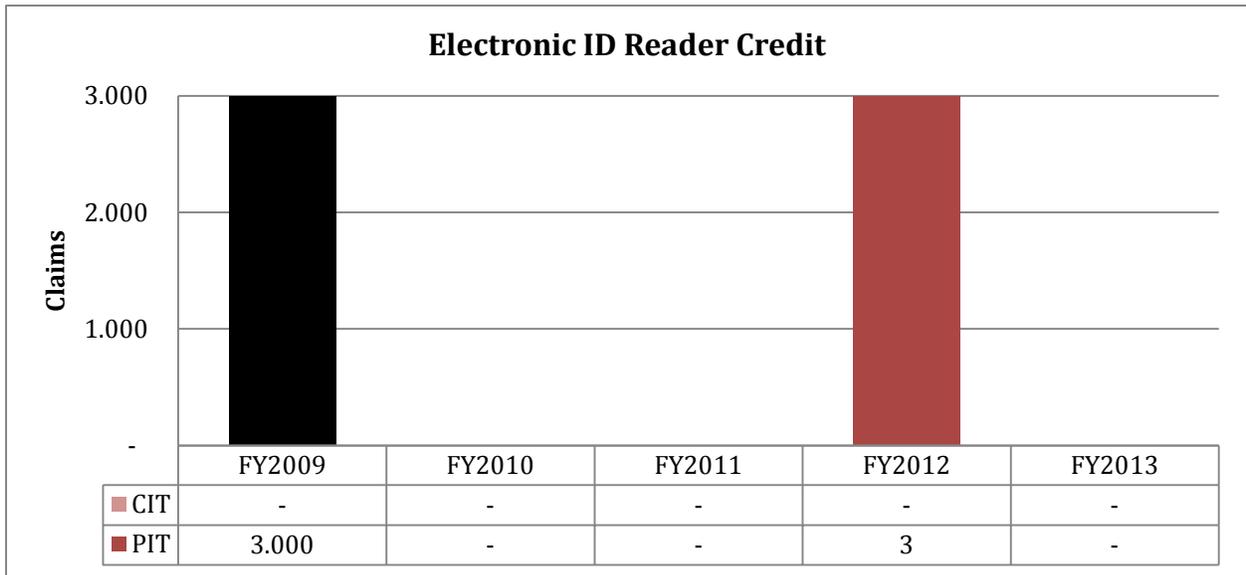
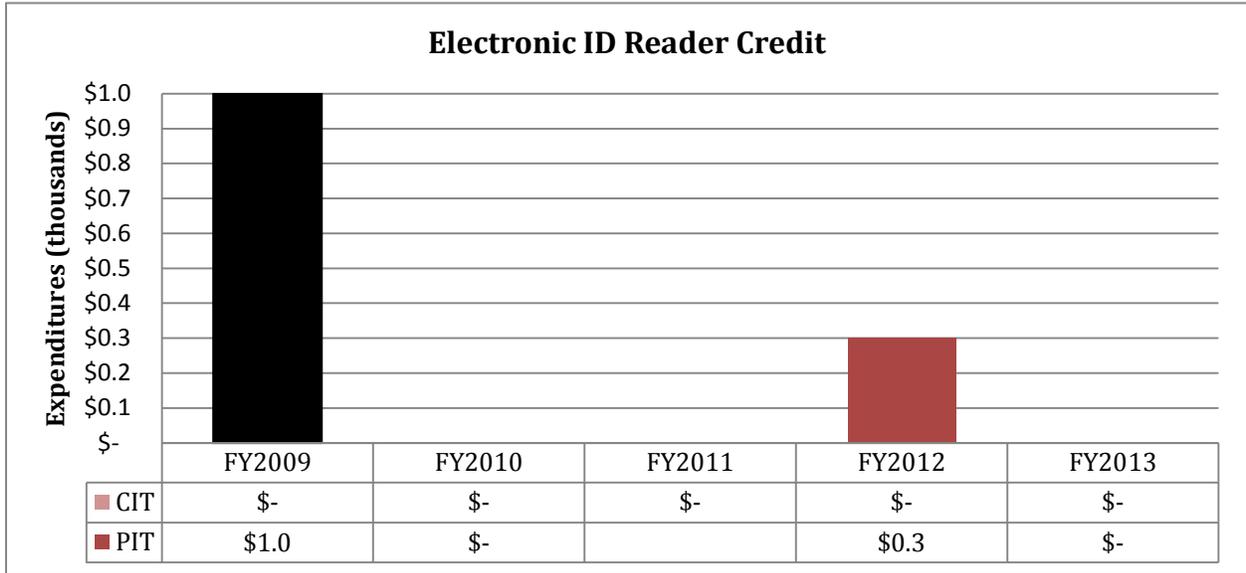
Fiscal Impact:



ELECTRONIC ID READER CREDIT AGAINST PIT AND CIT

- Brief Description:** A taxpayer licensed to sell cigarettes, other tobacco products, or alcoholic beverages may claim a one-time credit of up to \$300 against the PIT and CIT for the purchase of electronic card-reading equipment for age verification. The credit is allowed for each business location where the business installs the equipment.
- Statutory Basis:** 7-2-18.8 and 7-2A-18 NMSA 1978
- Intended Purpose:** Presumably to incentivize the use of the equipment necessary to electronically verify the age of purchasers of tobacco and alcohol by subsidizing its cost.
- History:** Originally enacted in 2001.
- Evaluation:** This credit is severely underused. One plausible explanation for this is that the value of the credit is too low when compared to the cost of the equipment. There is also a distinct possibility that knowledge in the industry about the availability of the credit is lacking.
- Recommendations:** This credit should be re-evaluated, taking into account input from industry stakeholders, or be repealed as ineffective and unused.
- Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



EXCESS OF ELDERLY TAXPAYERS MAXIMUM PROPERTY TAX LIABILITY REBATE FROM PIT

Brief Description: Taxpayers who are 65 and older may claim a PIT rebate for the amount of their Property Tax that exceeds their maximum liability (this ranges from \$20 to \$300 depending on the taxpayer's Modified Gross Income).

Statutory Basis: 7-2-18 NMSA 1978

Intended Purpose: Presumably to partially offset the property tax costs for taxpayers who are often on a fixed income.

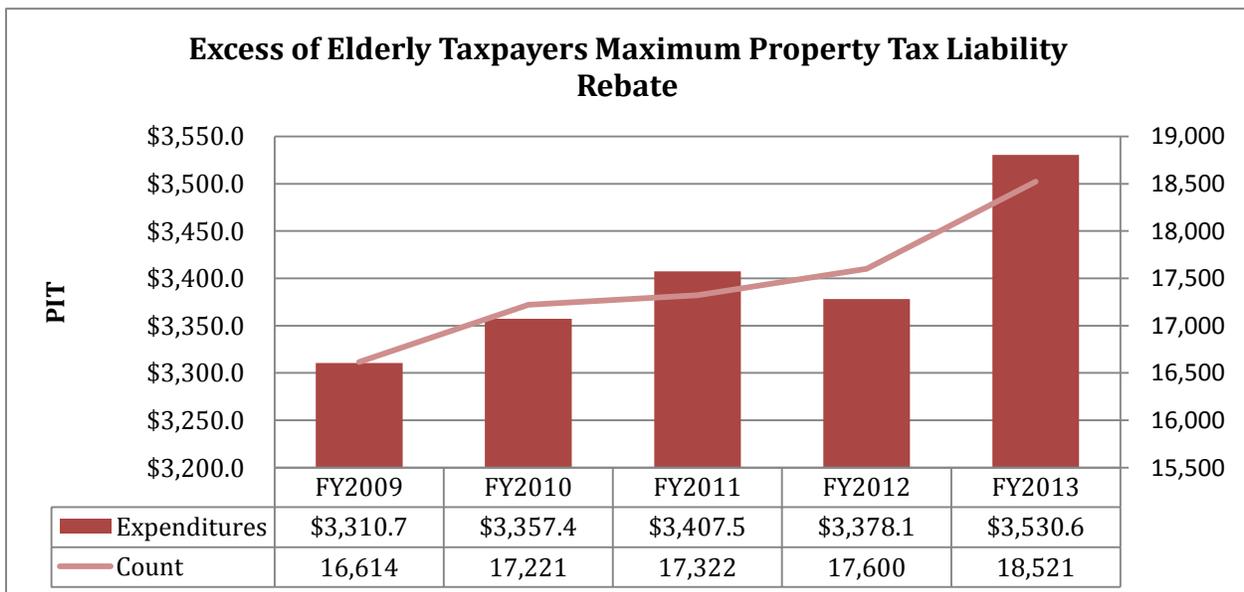
History: Originally enacted in 1977 and amended in 1981, 1993, 1997, 1999, and 2003.

Evaluation: According to the US Census, the number of people over 65 who are in the labor force is increasing. By continuing to work, the likelihood is that their income exceeds the statutory threshold so that they no longer qualify for this rebate.

Recommendations: None.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



FEES FROM SOCIAL ORGANIZATIONS EXEMPTION FROM GRT

- Brief Description:** Receipts from dues and registration fees of nonprofit social, fraternal, political, trade, labor or professional organizations and business leagues are exempt from GRT.
- Statutory Basis:** 7-9-39 NMSA 1978
- Intended Purpose:** Presumably to reduce the tax burden of certain nonprofit entities.
- History:** Originally enacted in 1969 and amended in 1977.
- Evaluation:** With no direct data, a proper evaluation is difficult.
- Recommendations:** None.
- Reliability Factor:** 4 – There is no direct data to estimate this exemption. The National Center for Charitable Statistics reports that in June 2014 2,237 registered “other” public charities, including chambers of commerce, fraternal organizations and civic leagues reported about \$1 billion in total revenues in New Mexico over the prior 24 months. Assuming that 10 percent of that came from dues, this results in an estimated deduction of about \$100 million, which amounts to lost revenue of about \$6.8 million over two years. That amount has increased less than one percent per year since FY2009.

Fiscal Impact:



FILM PRODUCTION CREDIT AGAINST PIT AND CIT

Brief Description: A credit against PIT or CIT is available for 25% of direct production and postproduction expenditures made in New Mexico that are subject to taxation by the state of New Mexico and directly attributable to the production of a film or commercial audiovisual product. An additional 5% is added for direct production expenditures on TV series with at least six episodes in a single season and a budget of at least \$50,000 per episode. The additional 5% also applies to direct production expenditures that are directly attributable to the wages and fringe benefits paid to a New Mexico resident directly employed in an industry crew position, excluding a performing artist, on a production with a total budget of:

- (1) not more than \$30,000,000 that shoots at least ten principal photography days at a qualified production facility in New Mexico; or
- (2) \$30,000,000 or more that shoots at least fifteen principal photography days at a qualified production facility in New Mexico.

A tiered schedule of payments is provided based on the size of the film tax credit. For credits under \$2 million, the credit is paid immediately upon authorization. For credits between \$2 million and \$5 million, 50% of the payment is paid immediately upon authorization and the other 50% is paid twelve months following that date. For credits over \$5 million, the refund will be paid in three equal payments; one is paid immediately upon authorization, one is paid the year following, and the last is paid two years following.

An aggregate annual cap limits payouts of the film production tax credit to \$50 million across both PIT and CIT programs in any fiscal year.

Statutory Basis: 7-2F NMSA 1978

Intended Purposes: The purposes and goals of the film production tax credit are to:

1. establish the film industry as a permanent component of the economic base of the New Mexico;
2. develop a pool of trained professionals and businesses in New Mexico to supply and support the film industry in the state;
3. increase employment of New Mexico residents;
4. improve the economic success of existing businesses in New Mexico; and
5. develop the infrastructure in the state necessary for a thriving film industry

History: Originally enacted in 2002 and amended in 2003, 2005, 2006, and 2007.

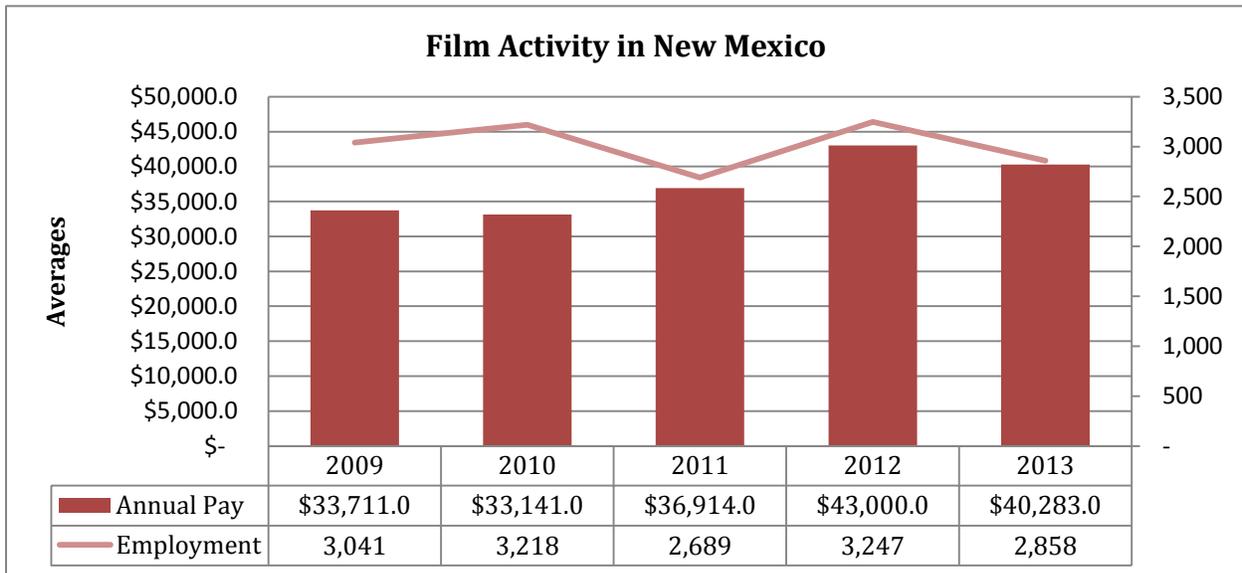
Amended in 2011 to add a \$50 million cap, provide tracking requirements, require film production companies to submit the application/claim within one year, and require mandatory income tax withholding on nonresident actors.

Amended in 2013 to allow an additional 5% to be added to the calculation for the film production tax credit for television shows subject to certain requirements (the “Breaking Bad” provision); also allows for any amount of annual film credit that is unused in Fiscal Years 2013-2015 under the \$50 million cap – up to a maximum of \$10 million – to be carried forward and added into the subsequent fiscal year’s cap; in any year where the \$50 million cap is not reached, if there are amounts that would be paid in a subsequent year under the multi-year provisions of the film credit, those subsequent year amounts may be paid in the current year up to the \$50 million cap; provides more specific requirements for Withholding Taxes related to services provided by artists under the “direct production expenditures” provisions of the credit, and it provides for a definition of “qualified production facility” and clarifies tax obligations of non-resident vendor services.

Evaluation:

EDD reports that there are 7,240 trained professionals serving the film industry in New Mexico; according to New Mexico Workforce Solutions, 75% of them were employed at least 50% of the year. There were three television shows and sixteen motion pictures filmed in New Mexico in fiscal year 2013.

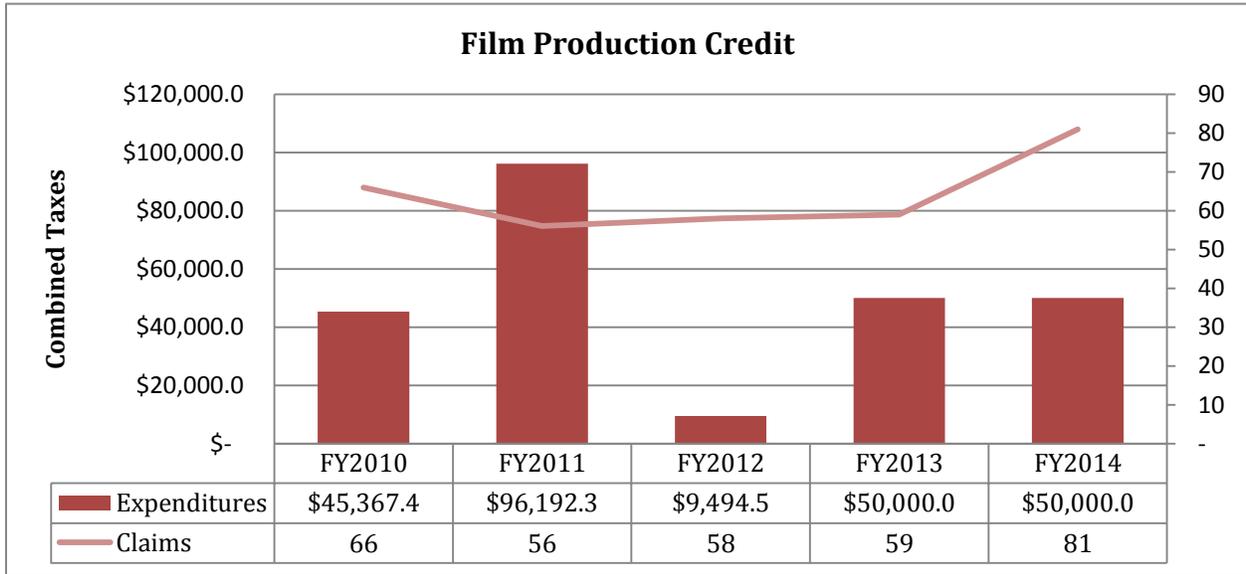
According to EDD, there were twelve major motion pictures, six major television productions, and 43 other projects in New Mexico in fiscal year 2014.



Recommendations: None.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



FOOD STAMPS EXEMPTION FROM GRT

Brief Description: Receipts of retailers from the redemption of food stamps are exempt from GRT.

Statutory Basis: 7-9-18.1 NMSA 1978

Intended Purpose: Presumably to lower the cost of food for those who qualify for and use food stamps (aka Supplemental Nutrition Assistance Program or “SNAP”).

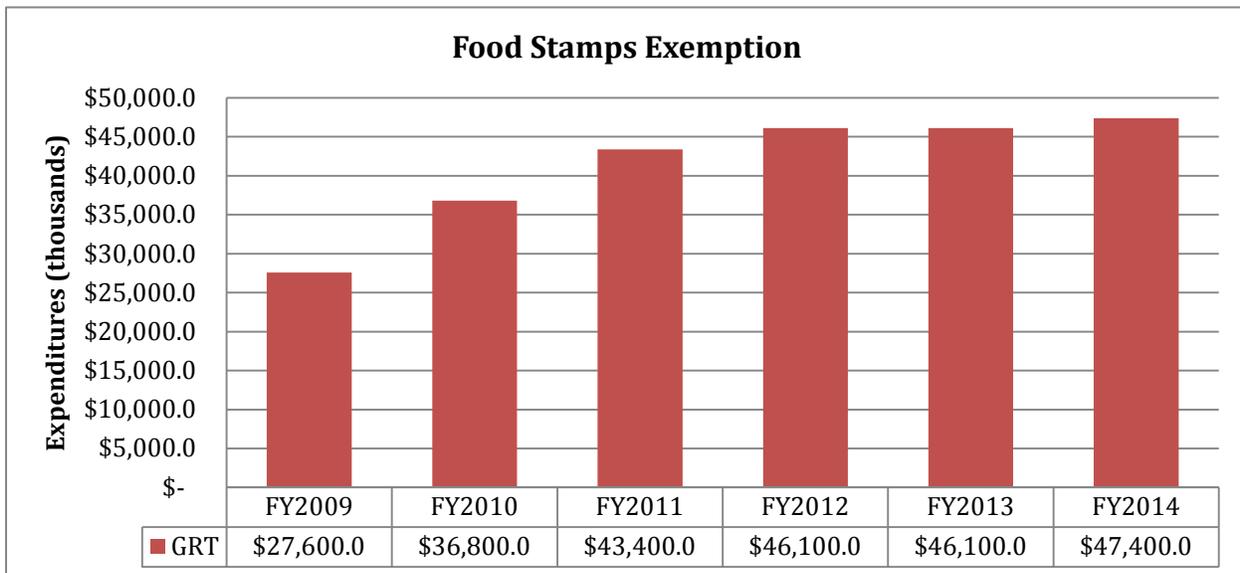
History: Originally enacted in 1987.

Evaluation: Because of the deduction for all food sales from a qualified seller (7-9-92 NMSA 1978), this exemption has a relatively small impact. It’s only in the case where the SNAP recipient buys food from a non-qualified seller that this exemption has any impact.

Recommendations: None.

Reliability Factor: 2 - In 2013, the USDA reports a total of about \$680 million in SNAP benefits were redeemed in New Mexico.

Fiscal Impact:



FUEL FOR SPACE VEHICLES EXEMPTION FROM GRT AND COMPENSATING TAX

Brief Description:	Receipts from selling and the use of fuel, oxidizer, or a substance that combines fuel and oxidizer to propel space vehicles or to operate space vehicle launchers are exempt from GRT and Compensating Tax.
Statutory Basis:	7-9-26.1 NMSA 1978
Intended Purpose:	Presumably to incentivize operations at Spaceport America.
History:	Originally enacted in 2003 as part of legislation exempting a number of space-related activities from GRT and Compensating Tax
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	No data is available to estimate the fiscal impact.
Fiscal Impact:	Unknown.

FUNDRAISERS FOR NONPROFIT ORGANIZATIONS DEDUCTION FROM GRT

Brief Description: Organizations exempt from federal income tax under Section 501(c) of the Internal Revenue Code may deduct the receipts from two fund-raising events each calendar year.

Statutory Basis: 7-9-85 NMSA 1978

Intended Purpose: Presumably to subsidize nonprofit organizations.

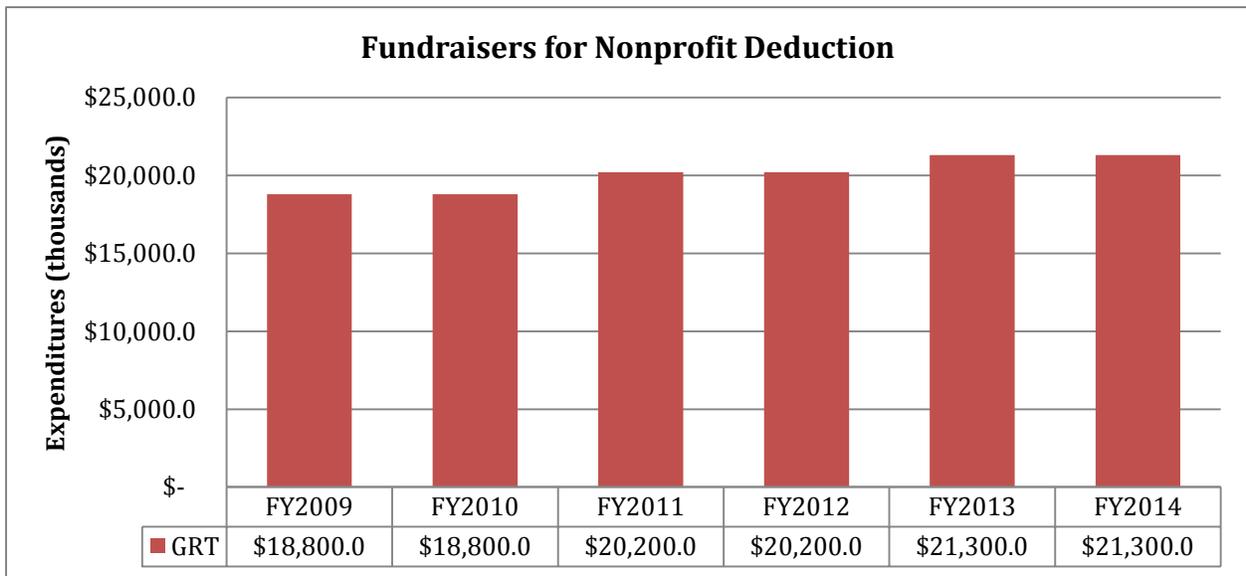
History: Originally enacted in 1994.

Evaluation: None.

Recommendations: None.

Reliability Factor: 4 - Data from the National Center on Charitable Statistics on non-profit revenues and Urban Institute Center on Nonprofits and Philanthropy estimates of the percentage of revenue generated from private contributions was used to calculate the size of this deduction.

Fiscal Impact:



GEOTHERMAL GROUND-COUPLED HEAT PUMP CREDIT AGAINST PIT AND CIT

Brief Description: A taxpayer who files a PIT return or a CIT return for a taxable year beginning on or after January 1, 2010 and who purchases and installs after January 1, 2010 but before December 31, 2020 a geothermal ground-coupled heat pump in a residence, business, or agricultural enterprise in New Mexico may claim a credit up to 30% of the purchase and installation costs.

A “geothermal ground-coupled heat pump” is a device that provides space or water heating or cooling via ground water or water circulating through the ground.

Statutory Basis: 7-2-18.24 and 7-2A-24 NMSA 1978

Intended Purpose: Presumably to subsidize the geothermal ground-coupled heat pump industry.

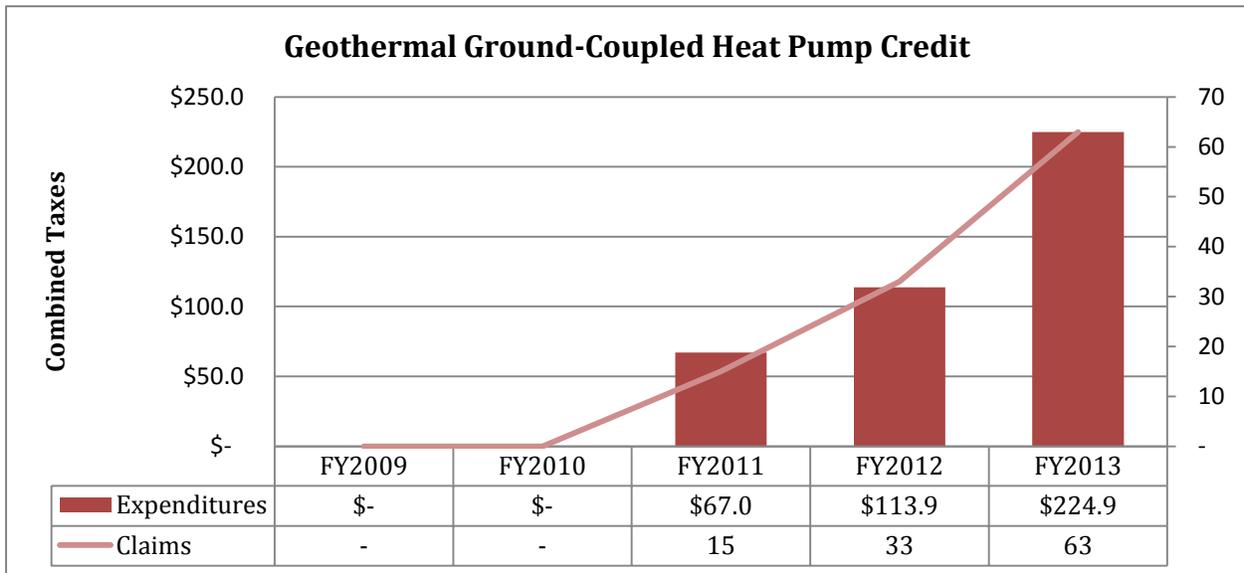
History: Originally enacted in 2009.

Evaluation: While the credit is relatively new, usage of the credit has increased each of the last three years.

Recommendations: None.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



HEALTH CARE PRACTITIONER SERVICES DEDUCTION FROM GRT AND HOLD HARMLESS DISTRIBUTION

Brief Description: Receipts of licensed health care practitioners from payments by managed health care providers or health care insurers for commercial contract services or Medicare Part C services provided by a health care practitioner are deductible.

The deduction is required to be separately-stated by the taxpayer.

Enacted with the originating statute were provisions that the revenues of municipal and county governments would be held harmless from the deduction.

Statutory Basis: 7-9-93 and 7-1-6.46 NMSA 1978

Intended Purpose: Presumably to reduce the cost of health care.

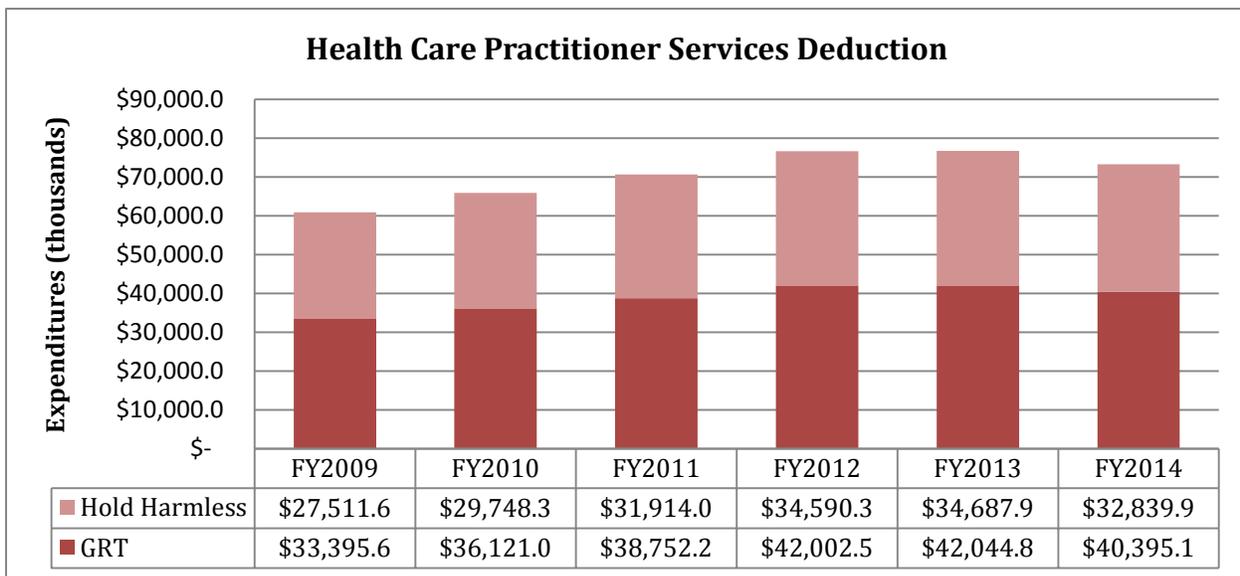
History: Originally enacted in 2004 and amended in 2006 and 2007.

Evaluation: As is evidenced by the size of the GRT deduction, this is reducing the customers' cost of health care. Because of the Hold Harmless provision and the loss of the revenue which has been made up through other tax burdens, this reduction comes at a significant cost to both the general fund and the very taxpayers it is benefitting.

Recommendations: None.

Reliability Factor: 1 – This deduction is separately reported. No estimation is required.

Fiscal Impact:



HEARING AND VISION AIDS DEDUCTION FROM GRT

Brief Description:	Receipts from selling vision aids or hearing aids or related services are deductible from gross receipts.
Statutory Basis:	7-9-111 NMSA 1978
Intended Purpose:	Presumably to reduce the cost of hearing and vision aids.
History:	Originally enacted in 2007.
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	No data is available to estimate the fiscal impact.
Fiscal Impact:	Unknown.

HIGH-WAGE JOBS CREDIT AGAINST MODIFIED COMBINED TAX

Brief Description: Eligible employers who create high-wage jobs in New Mexico may apply for tax credit against GRT (less local option GRT), Compensating Tax, Withholding Tax, E911, and CRS tax due.

An “eligible employer” is an employer that:

- (1) made more than 50% of its sales of goods or services produced in New Mexico to persons outside New Mexico during the applicable qualifying period, or
- (2) is eligible for the Job Training Incentive Program (JTIP) assistance by the Economic Development Department.

The amount is 10% of the qualifying wages and benefits in an eligible job up to \$12,000 for each job. If they meet the requirements there is no upward limit on the total credits claimed.

Statutory Basis: 7-9G-1 NMSA 1978

Intended Purpose: To provide an incentive for urban and rural businesses to create and fill new high-wage jobs in NM.

History: Originally enacted in 2004 and amended in 2007 and 2008.

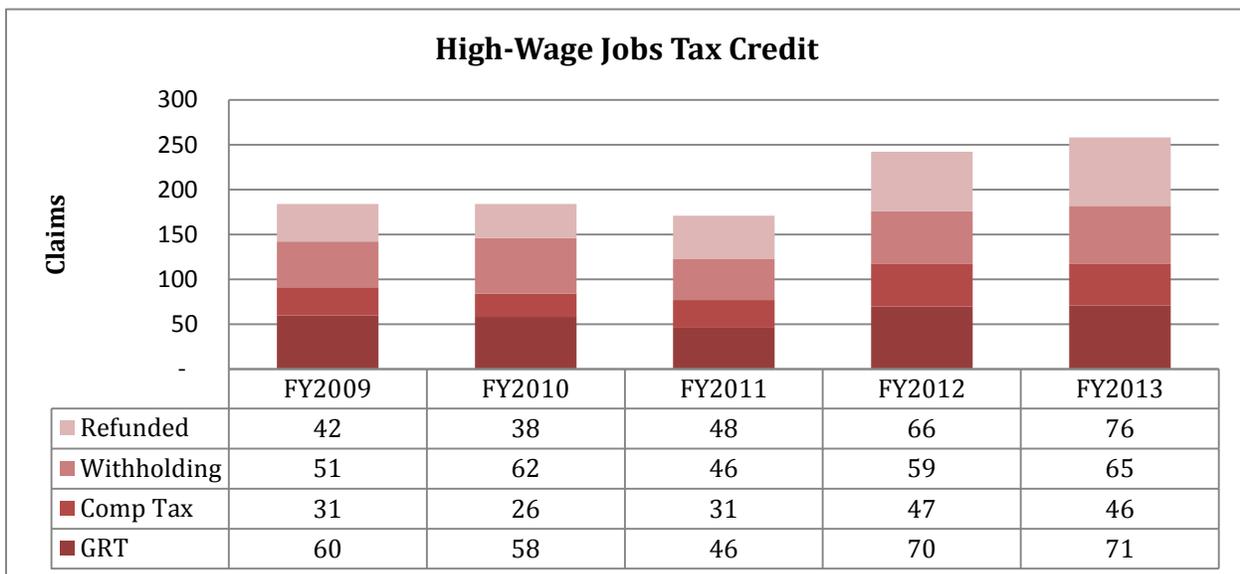
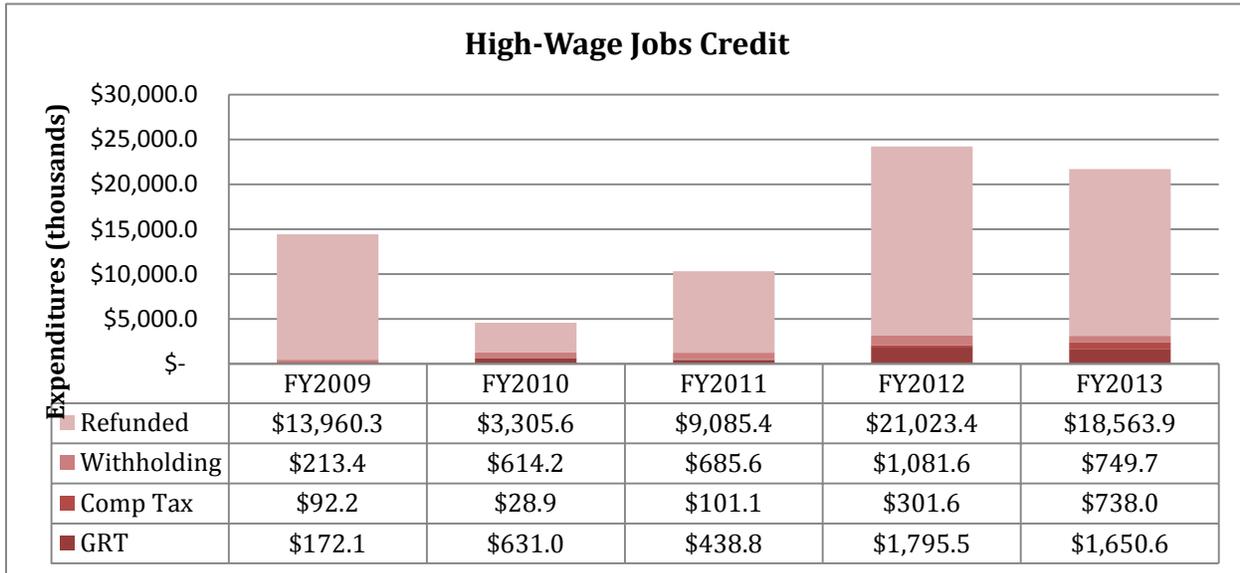
Amended in 2013 to clarify the application of the high-wage jobs tax credit; defined “benefits” and “wages”; added the purpose section; clarified that the \$12,000 limitation applied per job per qualifying period; limited the time for which a taxpayer can apply for approval of the credit to no later than 12 months following the end of the calendar year in which the taxpayer's final qualifying period closes; closed a loophole with respect to mergers, acquisitions, and reorganizations; changed the population threshold for rural/urban distinction from 40,000 to 60,000; clarified that the eligible employee must be employed in New Mexico; clarified that the goods or services sold must be produced in New Mexico; added a requirement that the taxpayer be certified by EDD as eligible for development training program assistance in order to be an “eligible employer”; clarified that a “new high-wage economic-based job” must be a “new” job and must be in New Mexico; extended the sunset to July 1, 2020; increased the wages that must be paid to qualify after July 1, 2015 (from \$40,000 to \$60,000 in urban communities and from \$28,000 to \$40,000 in rural communities).

Evaluation: While it is too early to conduct a thorough evaluation, early evidence is that the clarifications of the High-Wage Jobs Tax Credit in 2013 have helped taxpayers to understand better what activities are eligible for the credit. This allows for businesses to make prudent decisions about the high-wage jobs they are creating.

Recommendations: Eliminate the deadline by which “new high-wage economic-based jobs” must be created. In the alternative, extend the deadline to July 1, 2025.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



HOSTING WORLD WIDE WEB SITES DEDUCTION FROM GRT

Brief Description: Receipts from hosting web sites are deductible from gross receipts.

Statutory Basis: 7-9-56.2 NMSA 1978

Intended Purpose: Presumably to reduce pyramiding, at least in certain circumstances.

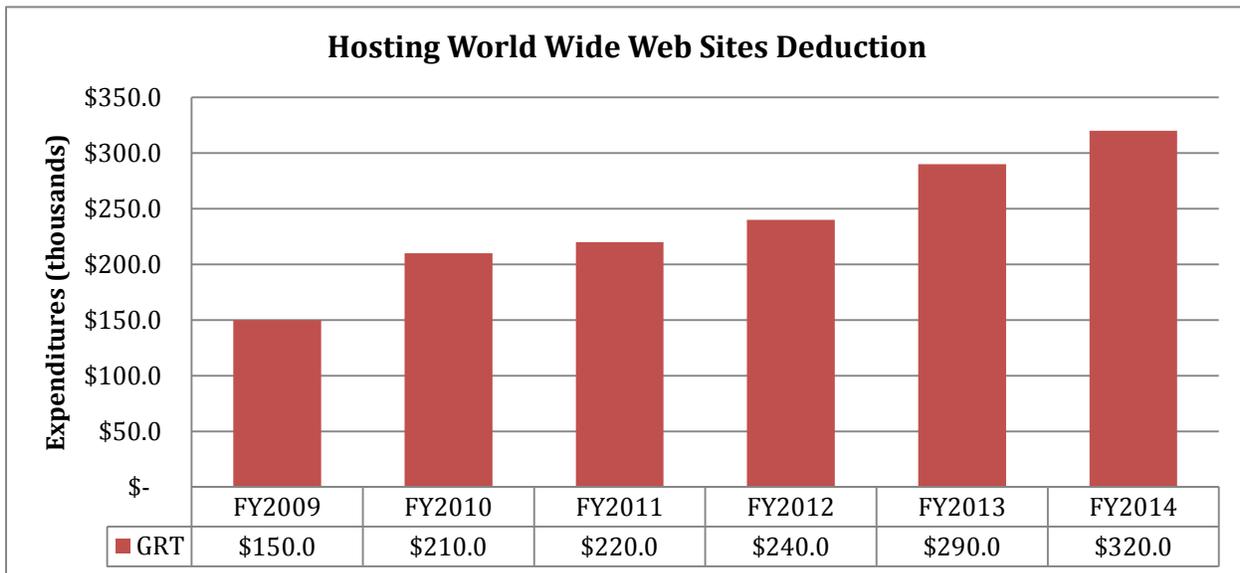
History: Originally enacted in 1998.

Evaluation: To the extent that the web sites being hosted are for a business, this deduction achieves its anti-pyramiding goals because the cost of hosting the web site is eventually factored in to the cost of doing business and passed on to the purchaser to be taxed at the final transaction. However, the deduction applies to all web sites, regardless of their business or personal nature. In the case of personal web sites, there is no clear objective to evaluate.

Recommendations: None.

Reliability Factor: 2 - All deductions reported by taxpayers registered as data processing, hosting and related services are assumed to fall under this deduction. This is likely an overstatement of this deduction, but there is no information to suggest what proportion of this total is actually due to hosting web sites.

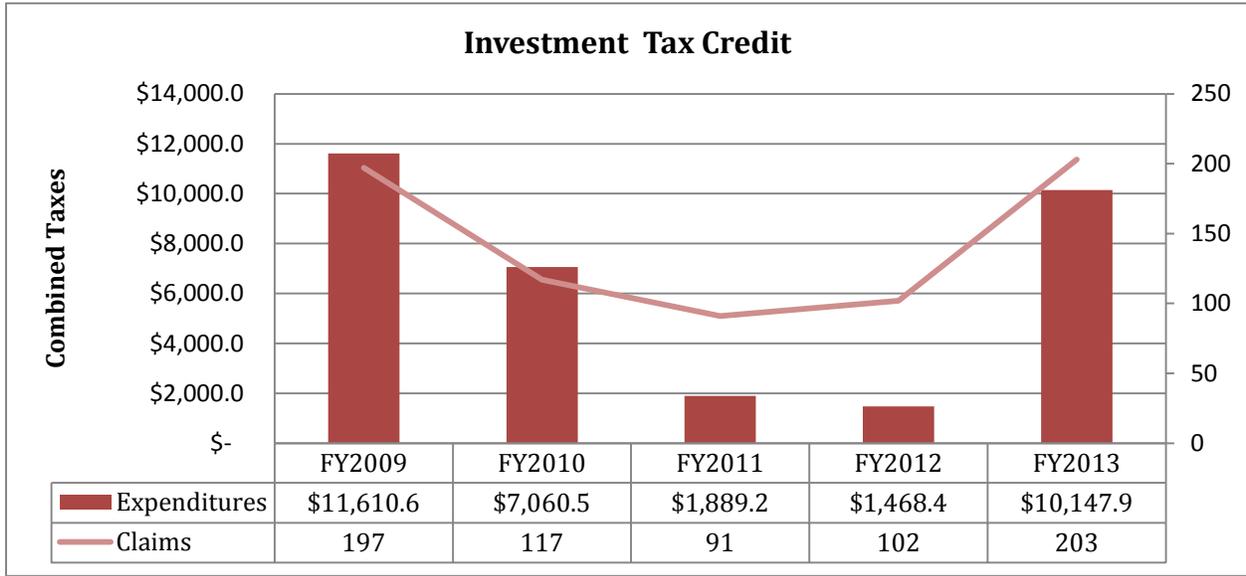
Fiscal Impact:



INVESTMENT CREDIT AGAINST GRT, COMPENSATING TAX, OR WITHHOLDING TAX

- Brief Description:** The investment credit is for equipment owned and introduced into New Mexico for use by a taxpayer in a new or expanded manufacturing operation.
- To be eligible for the credit, until June 30, 2020, the taxpayer must employ one full-time equivalent (“FTE”) for every \$500,000 of qualified equipment claimed (up to \$30 million) and one FTE for every \$1,000,000 of qualified equipment claimed (over \$30 million). After June 30, 2020, the taxpayer must employ one FTE for every \$100,000 of qualified equipment claimed.
- The credit may be applied against a maximum of 85% of a taxpayer’s gross receipts, compensating, and Withholding Tax liability, but may not be taken against any local option GRT imposed by a county or municipality.
- The credit is refundable only up to \$250,000 if the taxpayer’s available credit is less than \$500,000 and the sum of the taxpayer’s gross receipts, compensating, and Withholding Tax due for the previous calendar year was less than 35% of the taxpayer’s available credit but more than \$10,000.
- There is no limit on how long the credit can be carried forward.
- Statutory Basis:** 7-9A NMSA 1978
- Intended Purpose:** To provide a favorable tax climate for manufacturing businesses and to promote increased employment in NM.
- History:** Originally enacted in 1979 and amended in 1983, 1986, 1990, 1991, 2001, 2002, and 2003.
- Amended in 2009 to extend the sunset from 2011 to 2020.
- Evaluation:** Remove the sunset. The legislature can introduce legislation in any session to eliminate or amend the credit if it decides the credit is no longer necessary or in the state’s best interest. Having a sunset on deductions, exemptions, and credits creates a presumption that the deduction, exemption, or credit will cease to exist as of the sunset date; that presumption has to be overcome by an act of the legislature, a difficult task even when the legislature is generally supportive.
- Recommendations:** None.
- Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



INVESTMENT MANAGEMENT OR ADVISORY SERVICES DEDUCTION FROM GRT

Brief Description: Receipts from fees received for performing management or investment advisory services for a mutual fund, hedge fund, or real estate investment trust are deductible from gross receipts.

Statutory Basis: 7-9-108 NMSA 1978

Intended Purpose: Presumably to reduce pyramiding.

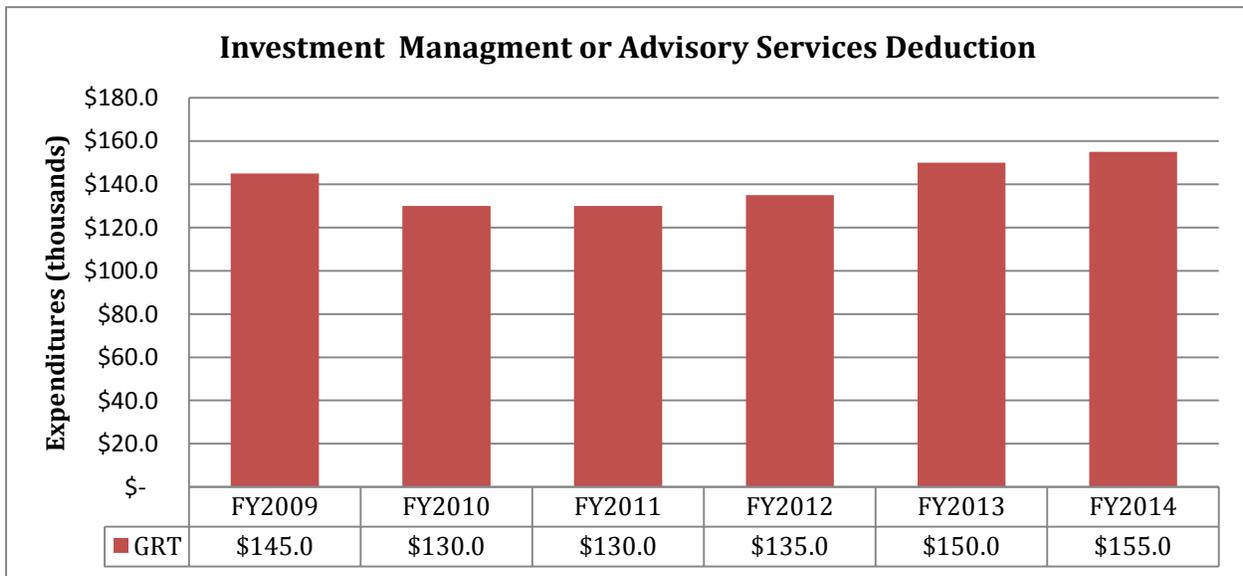
History: Originally enacted in 2007.

Evaluation: To the extent that these services are business costs, this is not a tax expenditure. However, the degree to which that is the case is unknown.

Recommendations: None.

Reliability Factor: 4 - TRD does not have any direct data to estimate this deduction. Because the services are deductible only when performed for specific types of entities, industry sector data cannot be used. This estimate should be understood to represent the estimated general magnitude of the deduction.

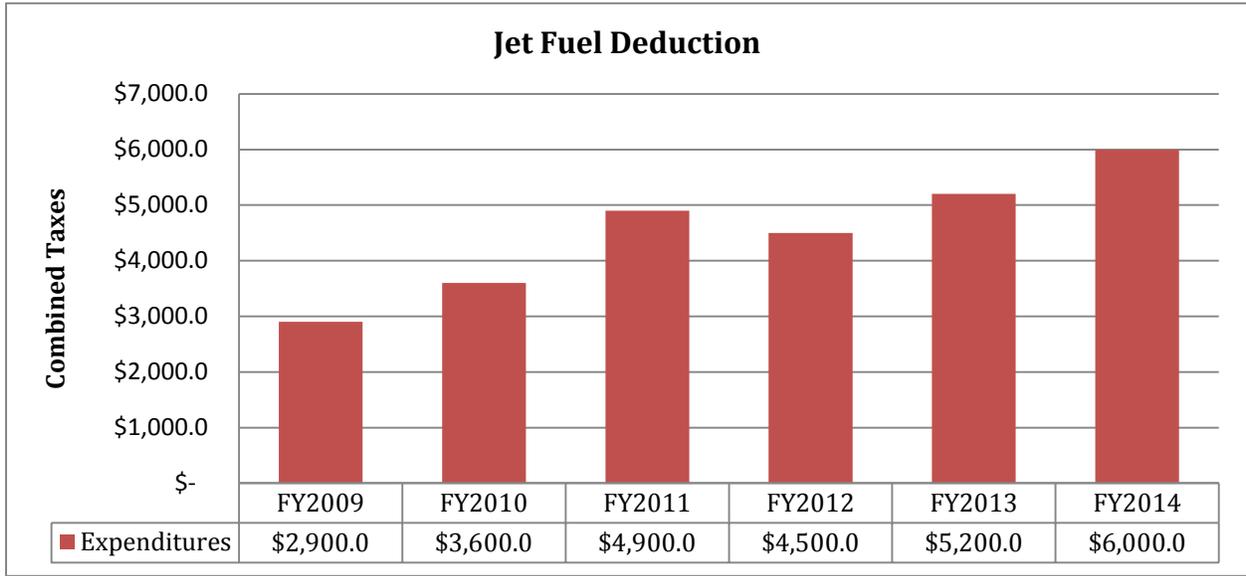
Fiscal Impact:



JET FUEL FIFTY-FIVE PERCENT DEDUCTION FROM GRT AND COMPENSATING TAX

- Brief Description:** From July 1, 2003 through June 30, 2017, 55% of the receipts from the sale or use of fuel specially prepared and sold for use in turboprop or jet-type engines as determined by the department is deductible from gross receipts and calculating Compensating Tax due.
- After June 30, 2017, 40% of the receipts from the sale or use of fuel specially prepared and sold for use in turboprop or jet-type engines as determined by the department is deductible from gross receipts and calculating Compensating Tax due.
- Statutory Basis:** 7-9-83 and 7-9-84 NMSA 1978
- Intended Purpose:** Presumably to incentivize routing of air traffic through New Mexico by reducing the effective cost of refueling in New Mexico.
- History:** Originally enacted in 1993 and amended in 2003 and 2006.
- Amended in 2011 to extend the 55% deduction until 2017.
- Evaluation:** According to the U.S. Energy Information Administration (“EIA”), total expenditures on jet fuel in 2012 are down from the peak in 2008 even as prices are up slightly. This indicates that volumes are down. It is unclear if this deduction is exerting any influence on purchases of jet fuel in New Mexico.
- Recommendations:** None.
- Reliability Factor:** 3 - U.S. Energy Information Administration (“EIA”) published statewide expenditures on jet fuel were used for this estimate. 80% is assumed to be subject to GRT at the statewide average tax rate; the remainder is assumed to fall under compensating tax.

Fiscal Impact:



JOB MENTORSHIP CREDIT AGAINST PIT AND CIT

Brief Description: Businesses hiring qualified students in a school-sanctioned, career-preparation education program may claim a credit against PIT and CIT. Qualifying businesses must employ students attending an accredited New Mexico secondary school full-time.

Credits are for 50% of the gross wages paid, subject to limitations.

Statutory Basis: 7-2-18.11 and 7-2A-17.1 NMSA 1978

Intended Purpose: To encourage New Mexico businesses to hire youth participating in career preparation education programs.

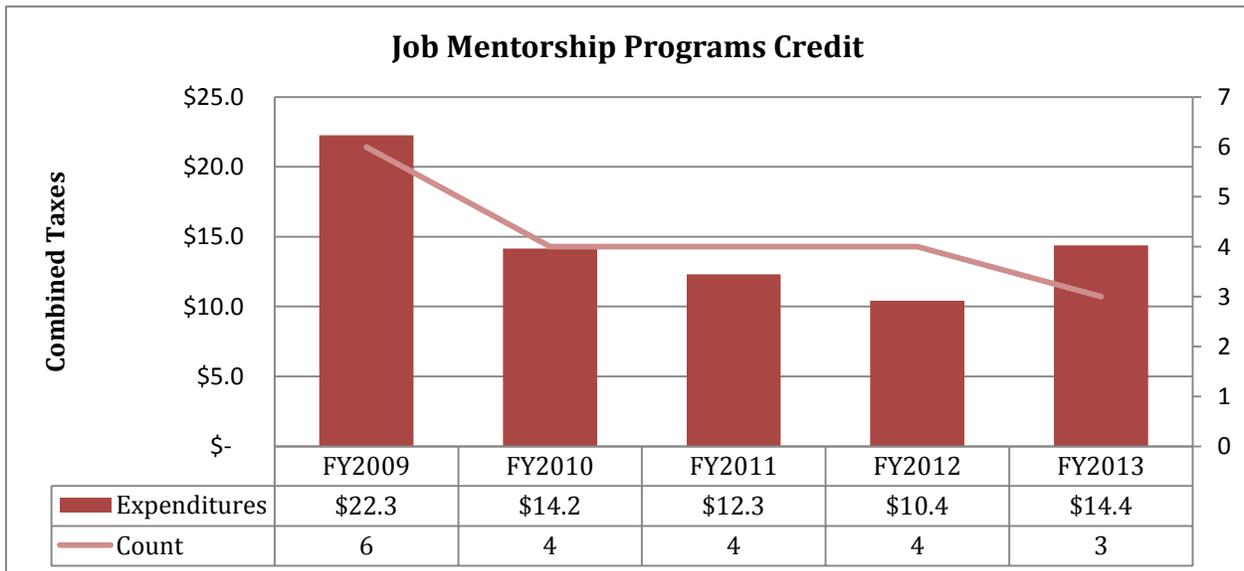
History: Originally enacted in 2003.

Evaluation: With very little activity in this credit, there is cause to be concerned about whether the credit is serving its intended purpose.

Recommendations: While this credit is a positive in theory, it is not working as an incentive to businesses in their hiring of qualified students. It is worth making a concerted outreach effort to ensure that businesses are aware of this credit.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



LABORATORY PARTNERSHIP WITH SMALL BUSINESS CREDIT AGAINST GRT

Brief Description: A national laboratory that offers certain types of eligible assistance to individual small businesses in New Mexico and incurs expenses for doing so may take a credit against the state portion of GRT of up to \$10,000 per business (\$20,000 per business in a rural area).

Statutory Basis: 7-9E NMSA 1978

Intended Purpose: To bring the technology and expertise of the national laboratories to small businesses in New Mexico to promote economic development in the state, with an emphasis on rural areas.

History: Originally enacted in 2000 and amended in 2007.

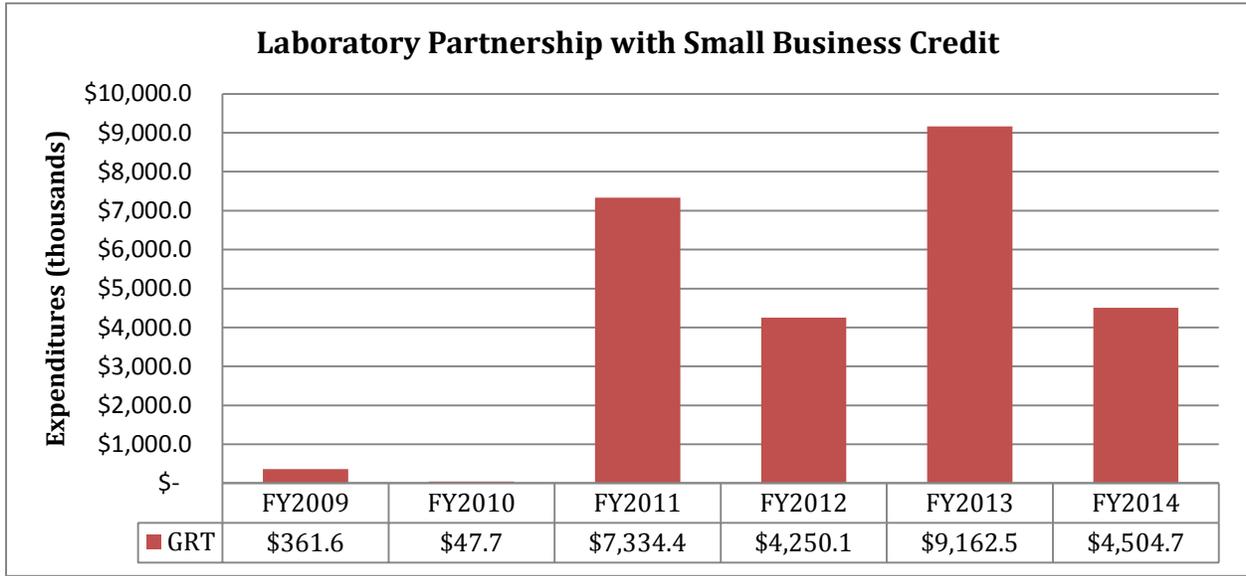
Evaluation: Sandia and Los Alamos National Laboratories, through New Mexico Small Business Assistance, file an annual report with the appropriate legislative committee, documenting various program metrics. From 2000 through 2013, they report that they have served 2,195 small businesses with 3,510 jobs created and retained. A full report can be found at www.nmsbaprogram.org. The volatility in the claimed amount reflects the year in which the credit is claimed, which is not necessarily the year for which the credit is earned. Also, the credit maximums are based on a calendar year, while the amounts are reported on a fiscal year basis.

Recommendations: None.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

NOTE: We are not required to redact this information even though it relates to fewer than three taxpayers because the data does not come from tax return information; rather, it comes from independent sources.

Fiscal Impact:



LOAN-RELATED COSTS DEDUCTION FROM GRT

Brief Description: Receipts from charges made in connection with the origination, making, or assumption of a loan or from charges made for handling loan payments are deductible from gross receipts.

Statutory Basis: 7-9-61.1 NMSA 1978

Intended Purpose: Presumably to reduce the costs of borrowing.

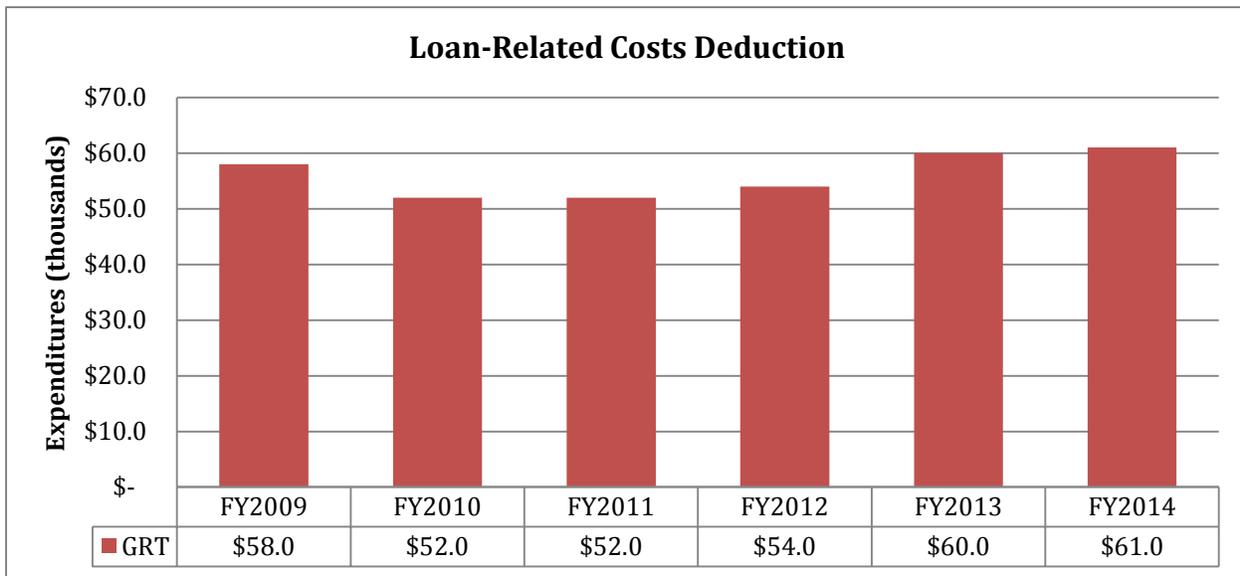
History: Originally enacted in 1981.

Evaluation: None.

Recommendations: None.

Reliability Factor: 4 - TRD does not have any direct data to estimate this deduction. Because the services are deductible only when performed for specific types of entities, industry sector data cannot be used. This estimate should be understood to represent the estimated general magnitude of the deduction.

Fiscal Impact:



LOCOMOTIVE ENGINE FUEL DEDUCTION FROM GRT AND COMPENSATING TAX

Brief Description: Receipts from the sale and the value of fuel to a common carrier to be loaded or used in a locomotive engine is deductible from gross receipts and in computing the Compensating Tax due.

Statutory Basis: 7-9-110.1 and 7-9-110.2 NMSA 1978

Intended Purpose: To encourage the construction, renovation, maintenance and operation of railroad locomotive refueling facilities and other railroad capital investments in New Mexico.

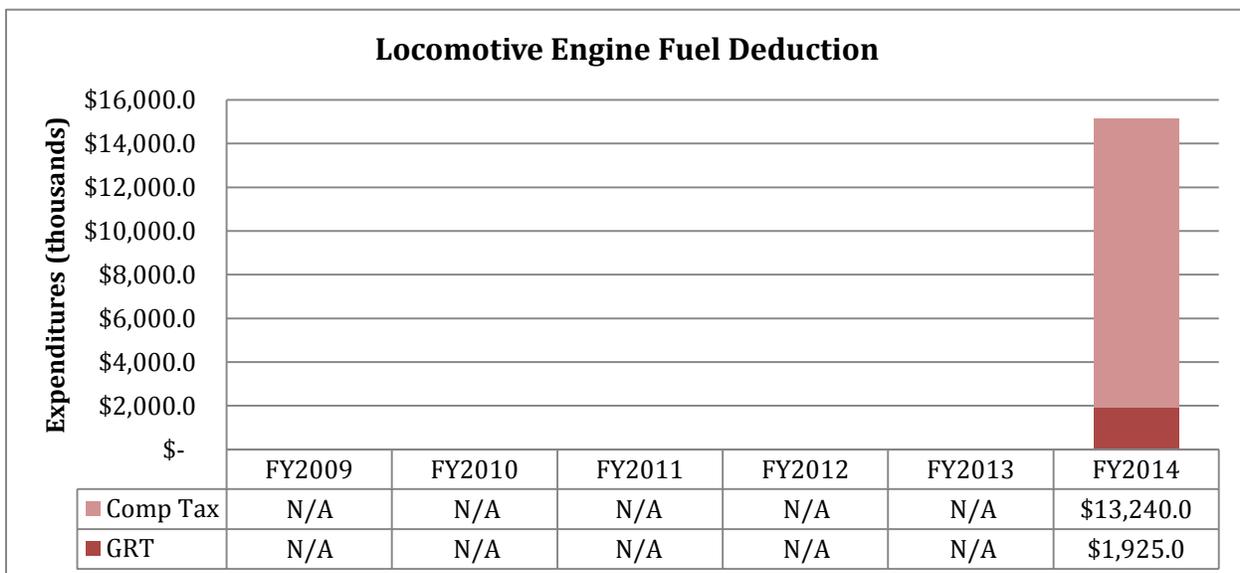
History: Originally enacted in 2011; became effective July 1, 2013 upon certification by the New Mexico Economic Development Department that construction had commenced.

Evaluation: Construction of the Union Pacific intermodal facility is well underway, with an expected completion in late 2014. Reports provided by Union Pacific and Burlington Northern indicate almost 2,500 construction jobs and 400 direct facility jobs.

Recommendations: None.

Reliability Factor: 1 - The amount of this deduction is separately reported directly by the taxpayer to EDD. While there was some estimation in the taxpayers' reports, no estimation is required by TRD.

Fiscal Impact:



LOTTERY RETAILER RECEIPTS DEDUCTION FROM GRT

Brief Description: Receipts of a lottery game retailer from selling New Mexico lottery tickets are deductible from gross receipts.

Statutory Basis: 7-9-87 NMSA 1978

Intended Purpose: Presumably to reduce the cost of lottery tickets in an effort to increase lottery ticket sales, a portion of which goes to the Lottery Scholarship program.

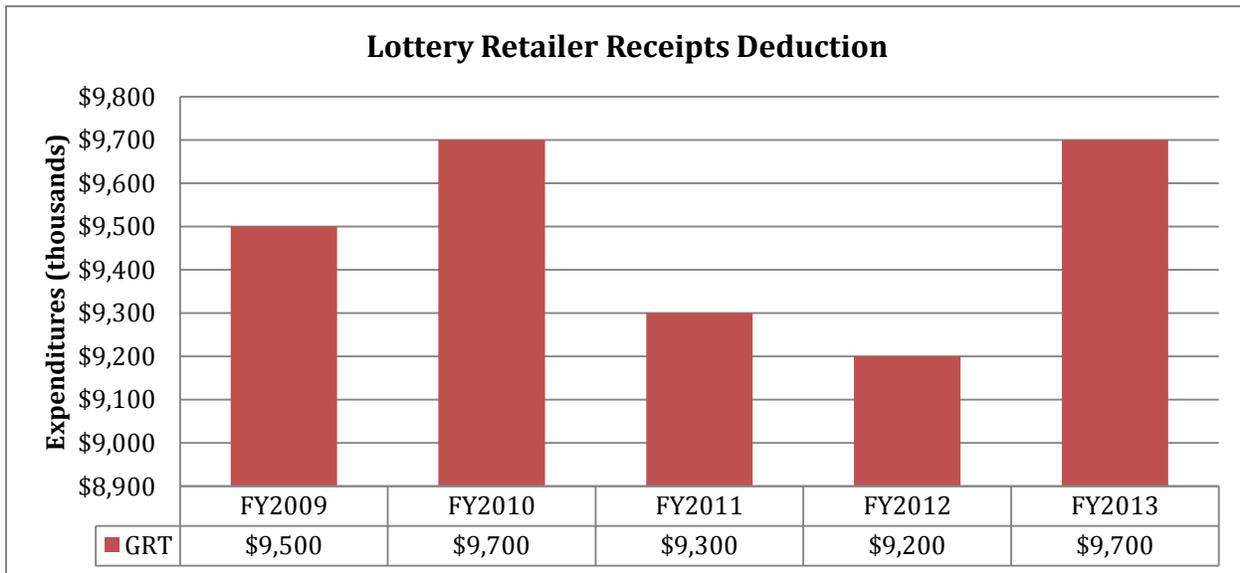
History: Originally enacted in 1995.

Evaluation: Given the funding difficulties experienced by the Lottery Scholarship program, it can be asserted that the tax deduction is not meeting its presumed goal of incentivizing the purchase of lottery tickets in sufficient amount to fund the Lottery Scholarship.

Recommendations: None.

Reliability Factor: 2 – The cost of this deduction was estimated using gross revenues published by the New Mexico Lottery, multiplied by the statewide average GRT rate for each year.

Fiscal Impact:



LOW- AND MIDDLE-INCOME TAXPAYERS EXEMPTION FROM PIT

Brief Description: An individual may claim an exemption against taxable personal income in a specified amount not to exceed an amount equal to the number of federal exemptions multiplied by \$2,500 of income includable, except for this exemption, in net income.

Statutory Basis: 7-2-5.8 NMSA 1978

Intended Purpose: Presumably to provide assistance to that segment of the population whose income is relatively low by reducing their tax liability.

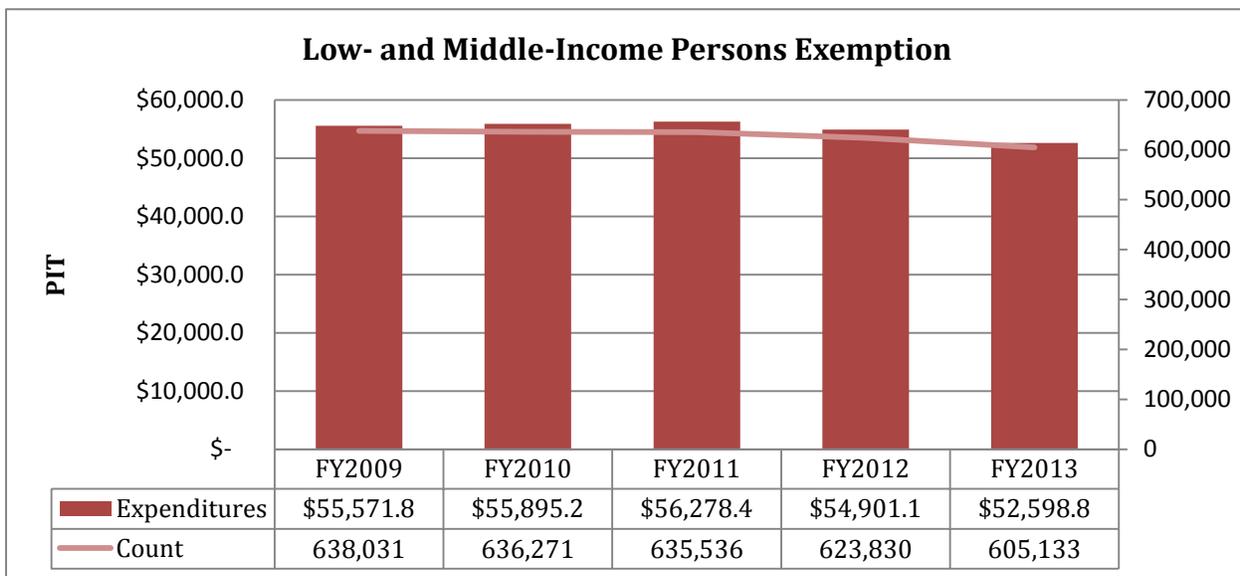
History: Originally enacted in 2005.
Amended in 2007 to increase the caps on the exemption.

Evaluation: More than \$50 million has remained in the pockets of taxpayers throughout the state. Given that the savings rate among this population is relatively low, there is a high likelihood that this money is circulating throughout the New Mexico economy.

Recommendations: None.

Reliability Factor: 1 - Taxes were computed for each taxpayer claiming this exemption, making this data more reliable than in past years when an average rate for all taxpayers was used.

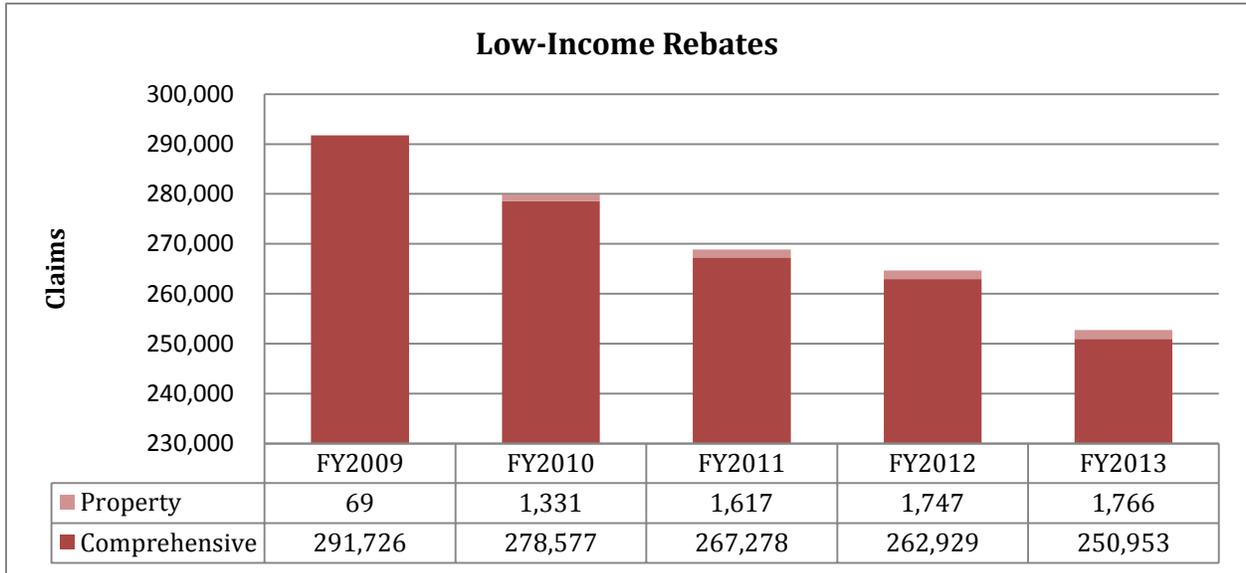
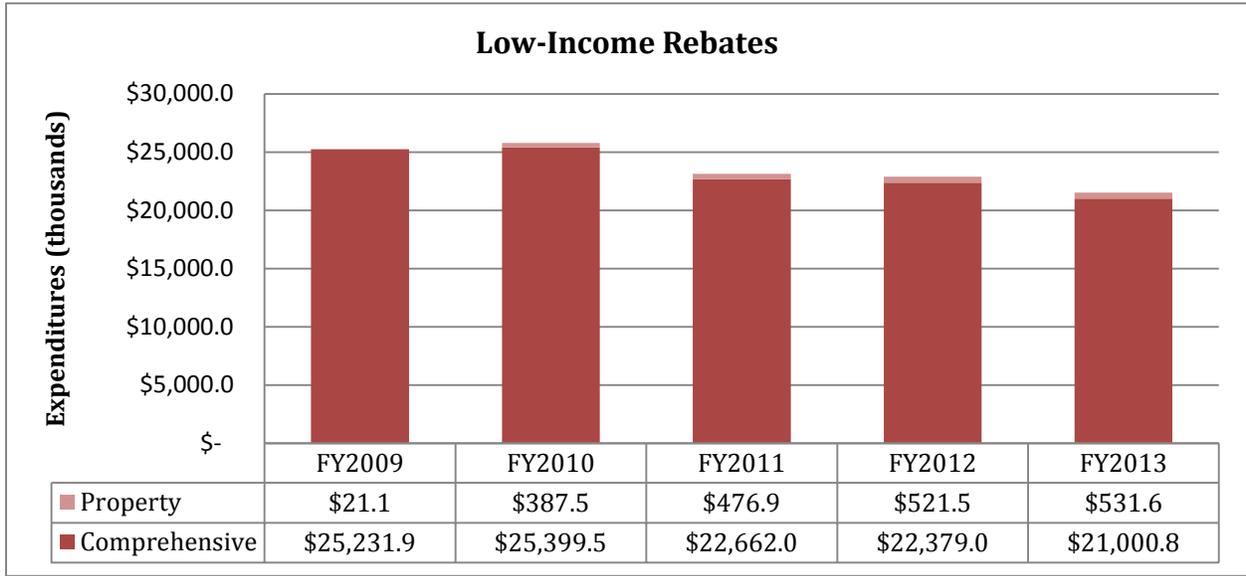
Fiscal Impact:



**LOW-INCOME
COMPREHENSIVE TAX REBATE AND PROPERTY TAX REBATE
AGAINST PIT**

- Brief Description:** The Low-Income Comprehensive Tax Rebate may be claimed by taxpayers with a modified gross income of less than \$22,000. The rebate amount is dependent upon modified gross income and the number of exemptions claimed (varies between \$10 and \$450).
- The Low-Income Property Tax Rebate may be claimed by individuals with:
- (1) a principal place of residence in a county that has enacted an ordinance authorizing the rebate (only Los Alamos and Santa Fe Counties have enacted the required ordinances), and
 - (2) modified gross income of less than \$24,000.
- The rebate is calculated as a percentage of the taxpayer's property tax liability; the percentage depends upon the taxpayer's modified gross income. The rebate amount cannot exceed \$350 (\$175 if married filing separately).
- The state is reimbursed annually by the authorizing county for any rebates granted under this section.
- Statutory Basis:** 7-2-14A and 7-2-14.3 NMSA 1978
- Intended Purpose:** Presumably to offset property taxes for those whose income is insufficient to cover their property taxes so that they are not forced out of their homes.
- History:** The Low-Income Comprehensive Tax Rebate was originally enacted in 1978; the Low-Income Property Tax Rebate was originally enacted in 1994.
- Evaluation:** A plausible explanation for the increase in the number of property claims in FY2010 was the enactment by Santa Fe County of the qualifying ordinance in 2009.
- Recommendations:** None.
- Reliability Factor:** 1 - These rebates are separately reported. No estimation is required.

Fiscal Impact:



MEDICAL AND HEALTH CARE SERVICES DEDUCTION FROM GRT

Brief Description: Receipts from payments by the United States government or any agency thereof for Medicare services received by certain medical practitioners and medical-related facilities, receipts of medical doctors and osteopathic physicians from payments by a third-party administrator of the federal TRICARE program, and receipts of a medical doctor or osteopathic physician from payments by or on behalf of the Indian Health Service of the US Department of Health and Human Services for the provision of medical and other health services to covered beneficiaries are deductible.

Statutory Basis: 7-9-77.1 NMSA 1978

Intended Purpose: Presumably to decrease the cost of health care as a public welfare mechanism.

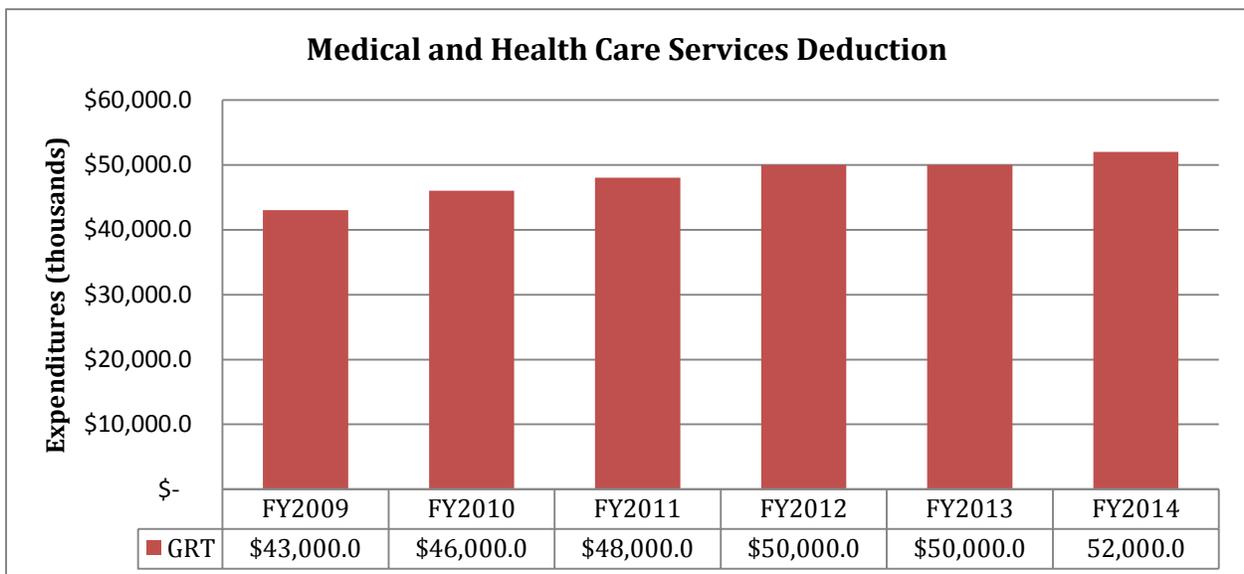
History: Originally enacted in 1998 and amended in 2003.

Evaluation: Because medical services of this type are typically reimbursed based on pre-established rate schedules, health care providers would likely not be able to recoup the gross receipts tax. Likewise, the out-of-pocket portion of the payment are also predetermined, leaving the provider unable to pass the burden of the tax on to the consumer.

Recommendations: None.

Reliability Factor: 3 - Centers for Medicare & Medicaid Services publish data on state level expenditures for Medicare through 2009, and projections for spending in subsequent years. The statewide average tax rate is applied to calculate the cost of the deduction.

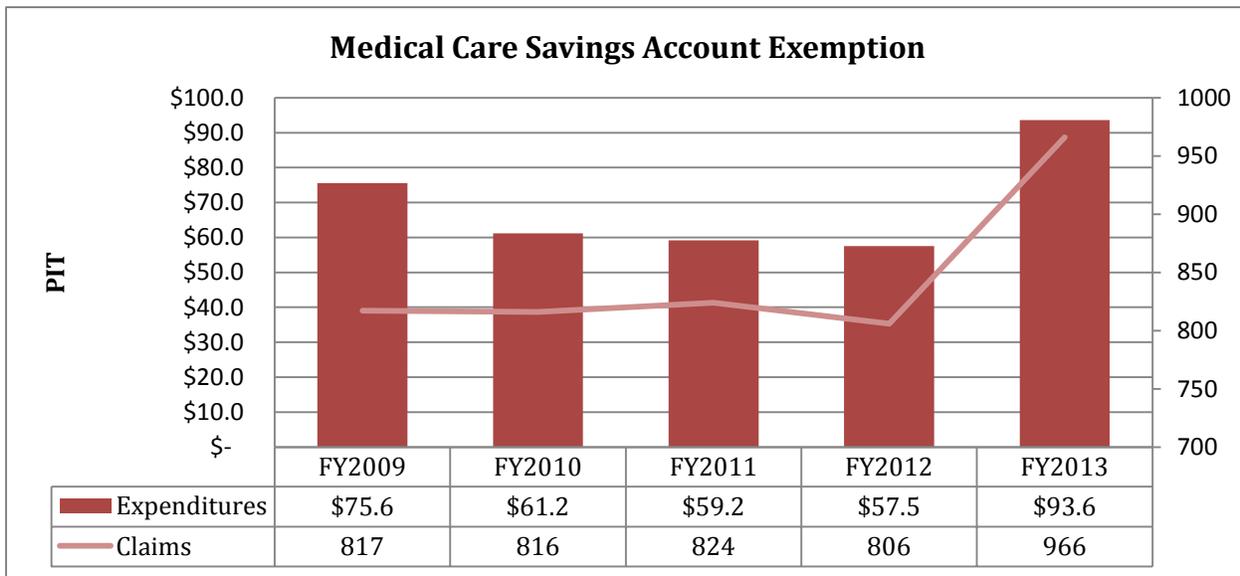
Fiscal Impact:



MEDICAL CARE SAVINGS ACCOUNT EXEMPTION FROM PIT

- Brief Description:** The interest earned on medical care savings accounts and money reimbursed to an employee for eligible medical expenses from those accounts or money advanced to the employee by the employer for eligible medical expenses are exempt from PIT.
- Statutory Basis:** 7-2-5.6 NMSA 1978
- Intended Purpose:** Presumably to incentivize the investment in medical care savings accounts.
- History:** Originally enacted in 1995.
- Evaluation:** None.
- Recommendations:** None.
- Reliability Factor:** 2 - Direct taxpayer data is used in conjunction with certain assumptions or projections; in this case, a statewide average tax rate was used to estimate foregone revenue.

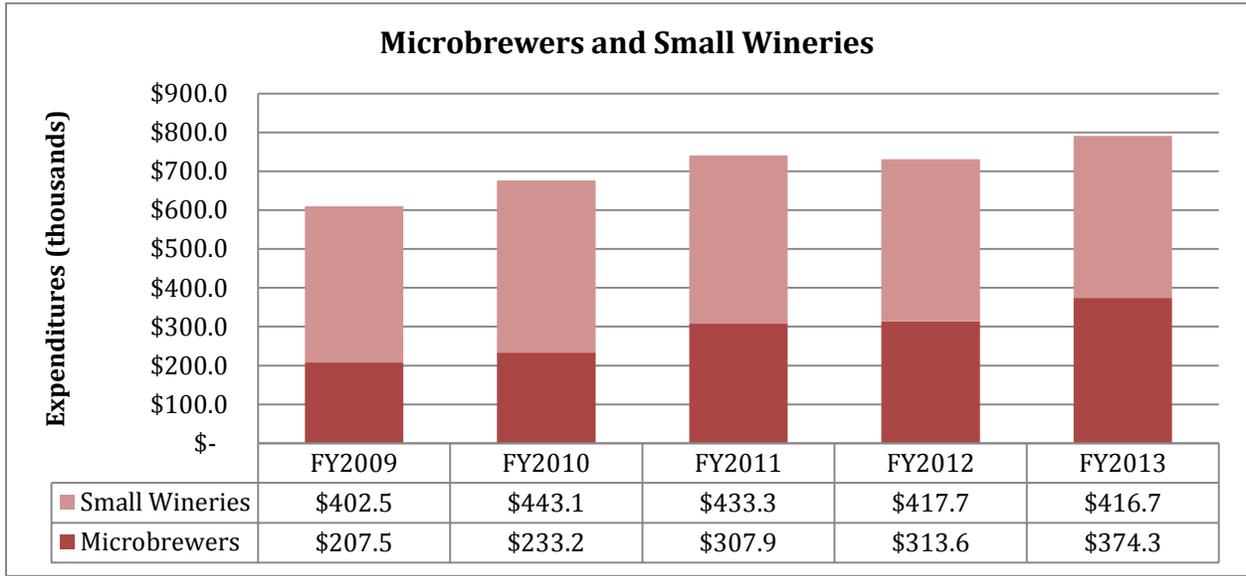
Fiscal Impact:



MICROBREWER BEER AND SMALL WINERIES RATE DIFFERENTIAL FROM LIQUOR EXCISE TAX

- Brief Description:** Beginning in 2014, beer manufactured or produced by a microbrewer and sold in this state is taxed at a rate of \$0.08 per gallon on the first 10,000 gallons sold and \$0.28 per gallon on all gallons sold more than 10,000 gallons but fewer than 15,000 gallons. For all gallons sold 15,000 or more, the tax rate is \$0.41 per gallon.
- Until 2014, beer manufactured or produced by a microbrewer and sold in this state was taxed at a rate of \$0.08 per gallon; beer produced by larger brewers was taxed at \$0.41 per gallon.
- Beginning in 2014, a tax of \$0.10 per liter on the first 80,000 liters sold, \$0.20 per liter on all liters sold over 80,000 liters but not over 950,000 liters, and \$0.30 per liter on each liter sold over 950,000 liters but not 1.5 million liters is imposed on wine manufactured or produced by a small winegrower and sold in NM; larger winegrowers are subject to an excise tax of \$0.45 per liter tax.
- Prior to 2014, a tax of \$0.10 per liter on the first 80,000 liters sold and \$0.20 per liter on all liters sold over 80,000 liters but less than 950,000 liters was imposed on wine manufactured or produced by a small winegrower and sold in New Mexico while larger winegrowers were subject to an excise tax of \$0.45 per liter tax.
- Statutory Basis:** 7-17-5A(5) and 7-17-5A(6) NMSA 1978
- Intended Purpose:** Presumably to stimulate the microbrewing and small winery industry in New Mexico by reducing their tax expense.
- History:** Originally enacted in 1993 and amended in 1994, 1995, 1996, 1997, 2000, 2000 (2nd Special Session), and 2008.
- Amended in 2014 to decrease the tax rate on gallons of beer manufactured or produced by a microbrewer and sold between 10,000 and 15,000, and to reduce the tax rate on liters sold between 950,000 and 1.5 million.
- Evaluation:** There has not been enough time since the passage of the increased rate differentials for microbrewers and small wineries to measure the impact.
- Recommendations:** None.
- Reliability Factor:** 1 - Qualifying beer and wine production is separately reported. No estimation is required.

Fiscal Impact:



MILITARY CONSTRUCTION SERVICES DEDUCTION FROM GRT

Brief Description: Receipts from military construction services provided at New Mexico military installations located in Curry County or Otero County to implement special operations mission transition projects pursuant to contracts entered into with the United States department of defense is deductible from gross receipts.

The deduction provided in this section applies to reporting periods beginning July 1, 2007 and ending December 31, 2010.

Statutory Basis: 7-9-106 NMSA 1978

Intended Purpose: Presumably to incentivize the US Department of Defense to implement - special operations mission transition projects at US Air Force bases located in NM.

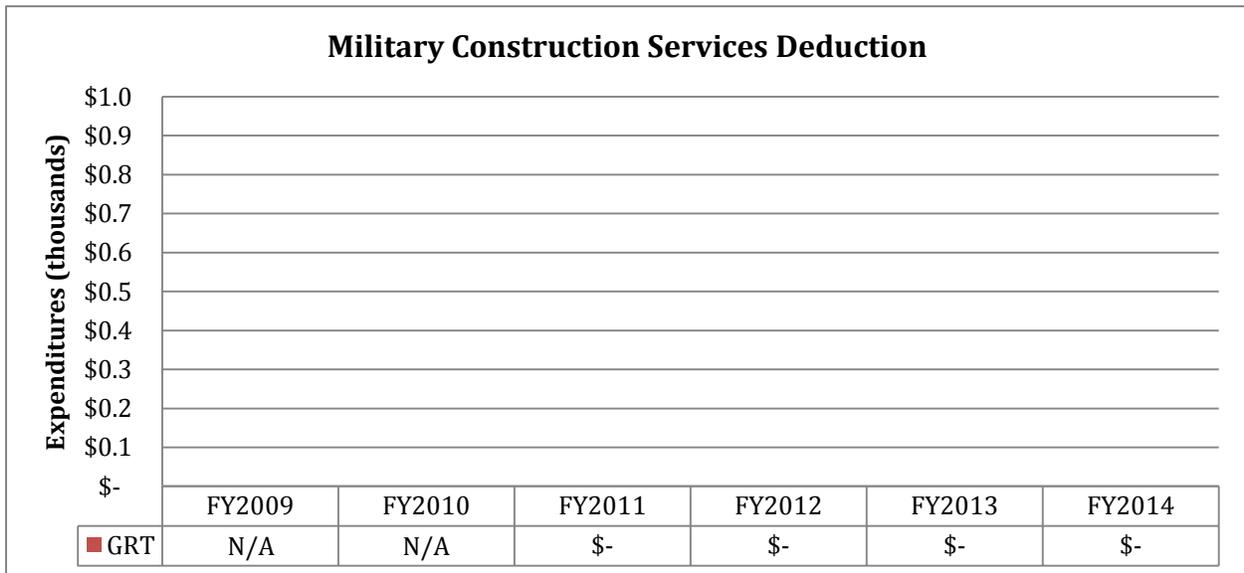
History: Originally enacted in 2007 with a sunset of December 31, 2010.

Evaluation: No taxpayer may take this deduction since it sunset on December 21, 2010.

Recommendations: Repeal.

Reliability Factor: 1 - Since FY2011, no estimation is needed as no one may claim this deduction.

Fiscal Impact:



MILITARY TRANSFORMATIONAL ACQUISITION PROGRAMS DEDUCTION FROM GRT

Brief Description:	Receipts from military transformational acquisition programs performing research and development and test and evaluation services at New Mexico major range and test facility bases are deductible.
Statutory Basis:	7-9-94 NMSA 1978
Intended Purpose:	Presumably to incentivize the location of military transformational acquisition programs at US Air Force bases in New Mexico as the deduction does not apply to programs tested in New Mexico before July 1, 2005.
History:	Originally enacted in 2005 with a sunset of June 30, 2008. Amended in 2006 to extend the sunset to June 30, 2016.
Evaluation:	None.
Recommendations:	Remove the sunset. The legislature can introduce legislation in any session to eliminate or amend the deduction if it decides the deduction is no longer necessary or in the state's best interest. Having a sunset on deductions, exemptions, and credits creates a presumption that the deduction, exemption, or credit will cease to exist as of the sunset date; that presumption has to be overcome by an act of the legislature, a difficult task even when the legislature is generally supportive.
Reliability Factor:	No data is available to estimate the fiscal impact.
Fiscal Impact:	Unknown.

**MOLYBDENUM, POTASH, AND TIMBER
RATE DIFFERENTIALS FROM RESOURCES TAX AND PROCESSORS
TAX COMPONENTS OF RESOURCES EXCISE TAX**

Brief Description: A severer of natural resources is required to pay the Resources Tax component of the Resources Excise Tax. The base rate is 0.75%. Some products, however, are subject to different rates as follows:

- Molybdenum: 0.125%
- Potash: 0.5%

A processor of natural resources is required to pay the Processors Tax component of the Resources Excises Tax. The base rate is 0.75%. Some products, however, are subject to different rates as follows:

- Molybdenum: 0.125%
- Potash: 0.125%
- Timber: 0.375%

Statutory Basis: 7-25-4A and 7-25-5A NMSA 1978

Intended Purpose: Presumably to incentivize the mining and processing of molybdenum.

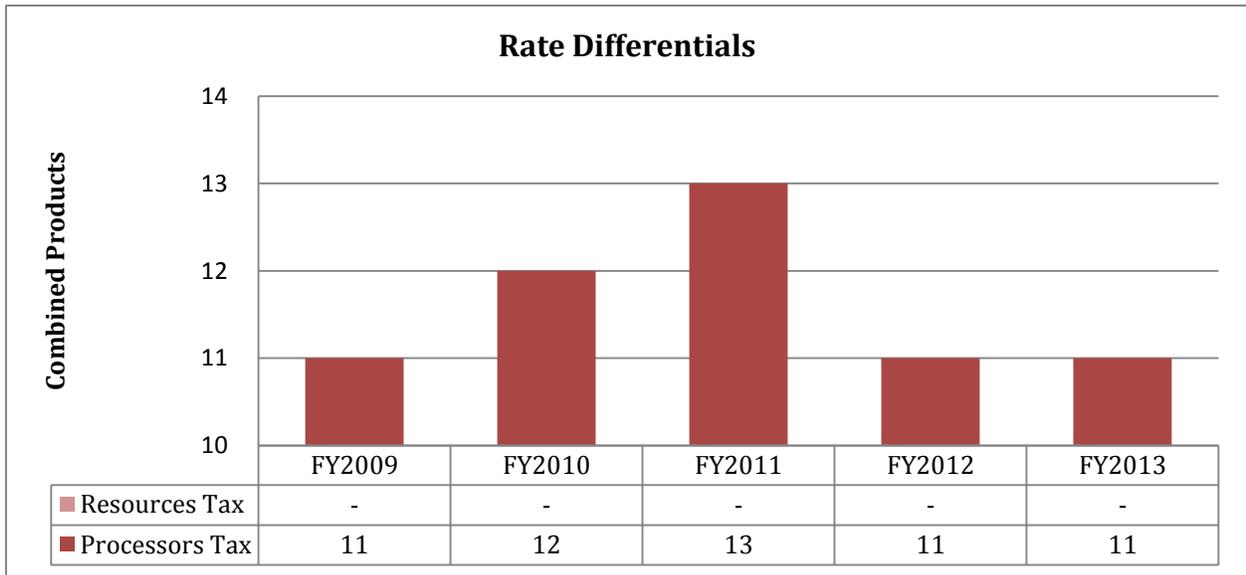
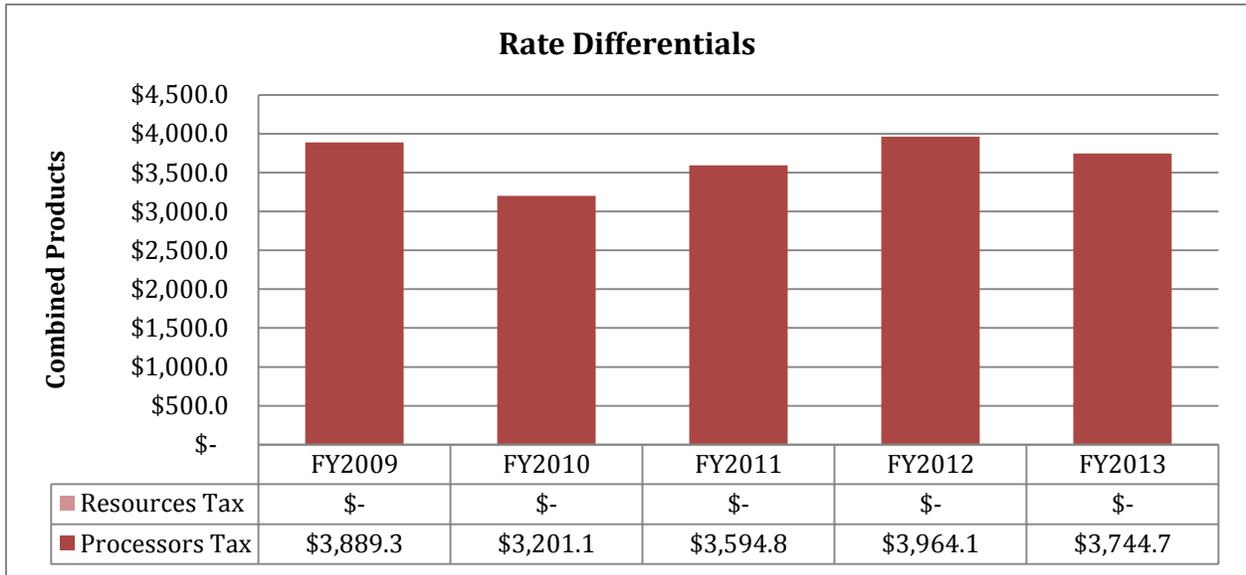
History: Originally enacted in 1996 and amended in 1970, 1973, and 1999.

Evaluation: None.

Recommendations: None.

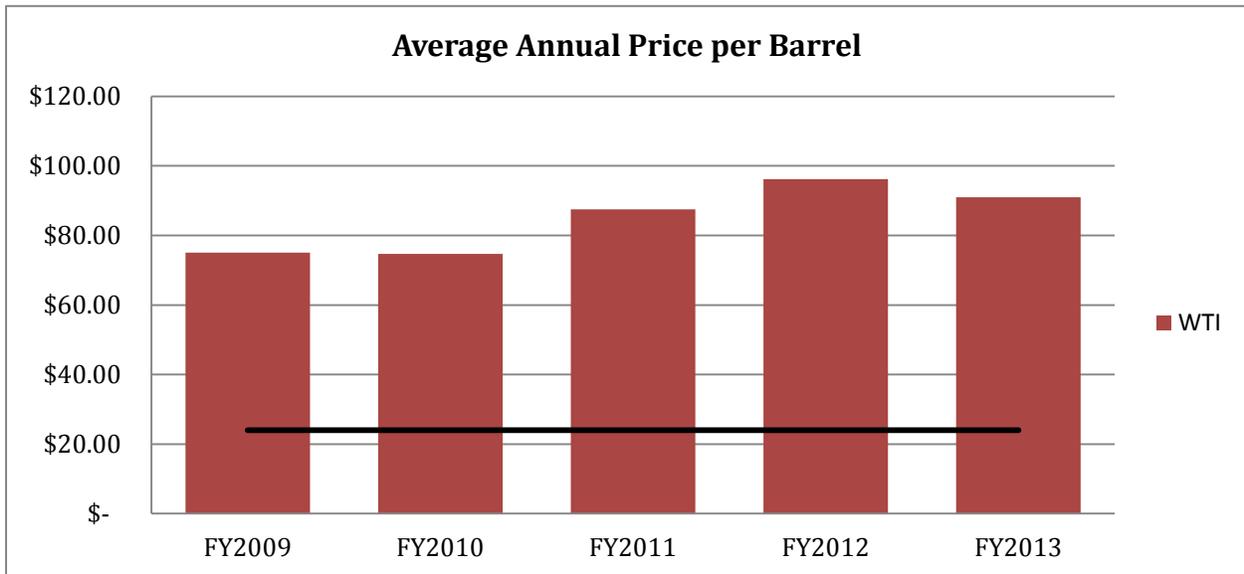
Reliability Factor: 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:

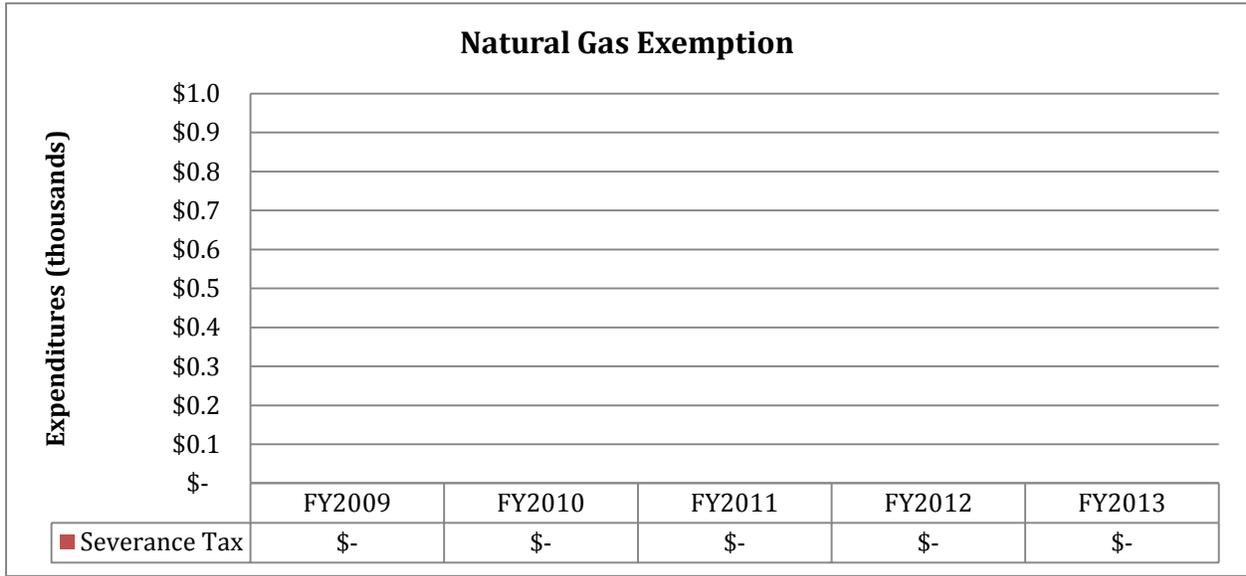


NATURAL GAS EXEMPTION FROM OIL AND GAS SEVERANCE TAX

- Brief Description:** Exempts natural gas that comes from a production restoration project for the first ten years after the restoration of production when the annual average price of WTI Crude oil was less than \$24 per barrel.
- Statutory Basis:** 7-29-4B(1) NMSA 1978
- Intended Purpose:** Presumably to incentivize the development of natural gas from a production restoration project when prices are low.
- History:** Originally enacted in 1980 and amended in 1987, 1989, 1992, 1995, 1999, and 2005.
- Evaluation:** No wells have qualified for this incentive in the past five years due to the price of WTI exceeding \$24/barrel.
- Recommendations:** None.
- Reliability Factor:** 1 – As the price of WTI has not dropped below \$24/barrel in the last five years, there have been no expenditures due to this exemption.

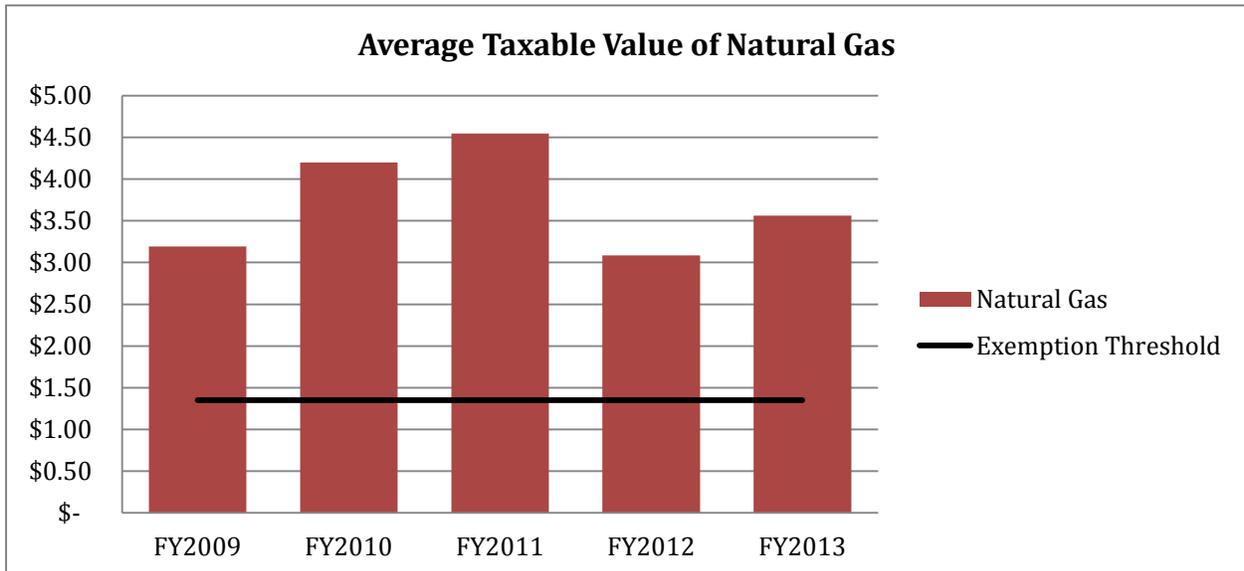


Fiscal Impact:



NATURAL GAS RATE DIFFERENTIAL FROM OIL AND GAS EMERGENCY SCHOOL TAX

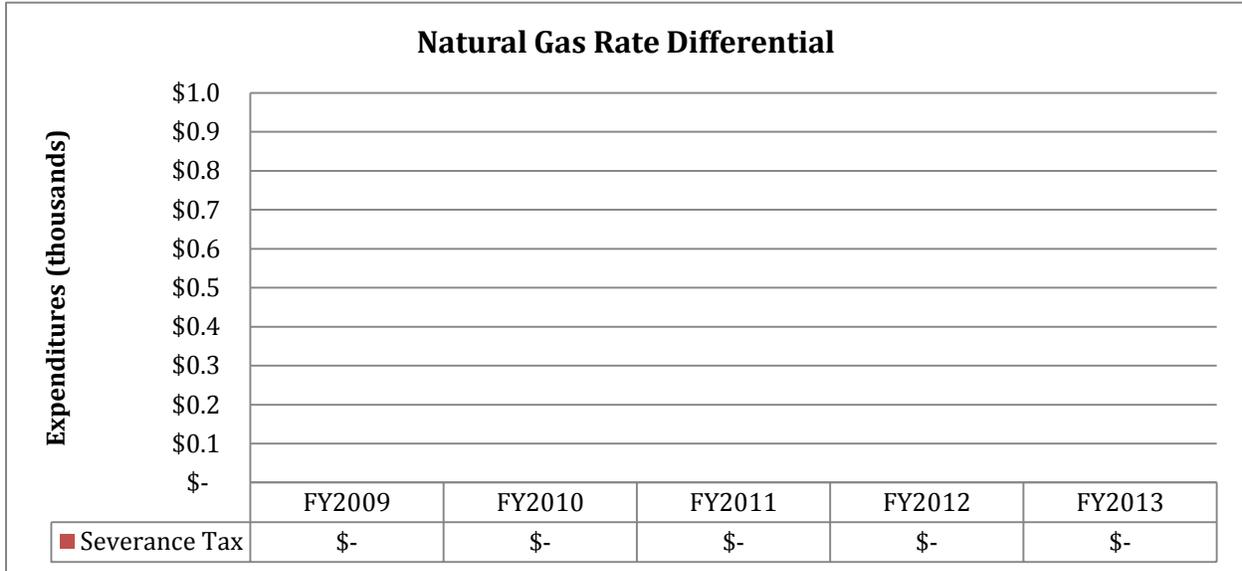
- Brief Description:** The Emergency School Tax rate on natural gas is 4% unless the product is taxed pursuant to a different rate as provided in statute.
- When the average annual taxable value of natural gas was equal to or less than \$1.15 per thousand cubic feet in the previous calendar year, the tax rate on natural gas from a stripper well property is 2%.
- When the average annual taxable value of natural gas was greater than \$1.15 per thousand cubic feet but not more than \$1.35 per thousand cubic feet in the previous calendar year, the tax rate on natural gas from a stripper well property is 3%.
- Statutory Basis:** 7-31-4A(6) and 7-31-4A(7) NMSA 1978
- Intended Purpose:** Presumably to incentivize high-cost, low-yield production when prices are low.
- History:** The section was originally enacted in 1959 and amended in 1963, 1983, 1993, 1999, and 2005.
- Evaluation:** No wells have qualified for this incentive in the past few years due to the price of natural gas exceeding \$1.35/mcf.



Recommendations: None.

Reliability Factor: 1 - As the price of natural gas has not dropped below \$1.35/mcf in the last five years, there have been no expenditures due to this rate differential.

Fiscal Impact:



NATURAL GAS RATE DIFFERENTIAL FROM OIL AND GAS SEVERANCE TAX

Brief Description: The Oil and Gas Severance Tax rate on natural gas is 3.75% unless the product is taxed pursuant to a different rate as provided in statute.

When the average annual taxable value of West Texas Intermediate crude oil was less than \$24 per barrel in the previous year, the tax rate on natural gas from a well workover project is 2.45%.

When the average annual taxable value of natural gas was equal to or less than \$1.15 per thousand cubic feet in the previous calendar year, the tax rate on natural gas from a stripper well property is 1.875%.

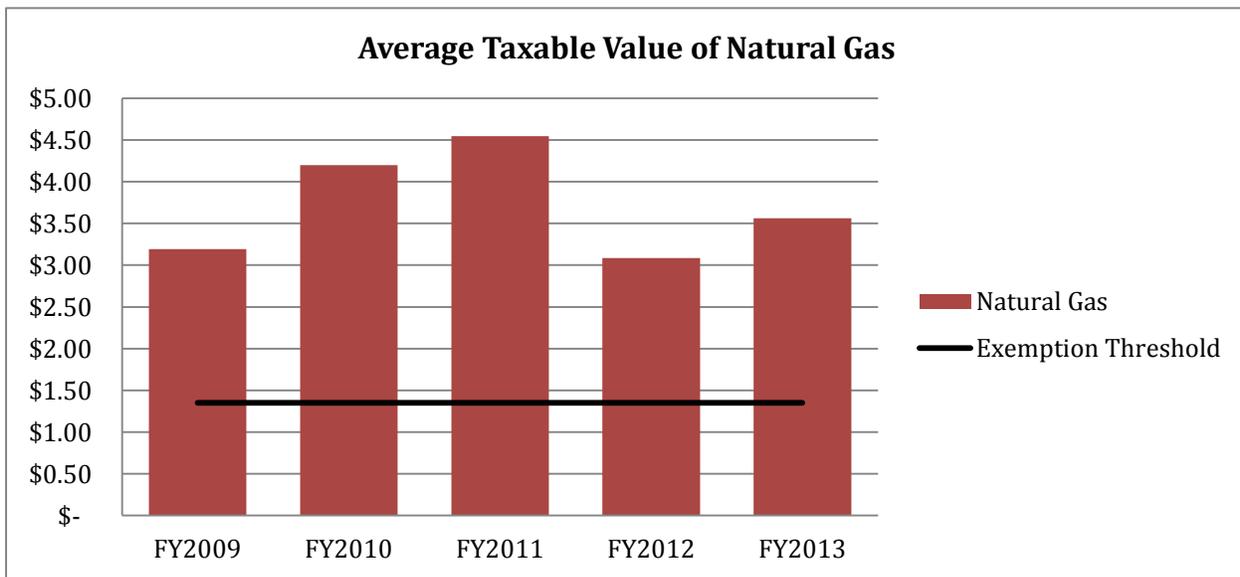
When the average annual taxable value of natural gas was greater than \$1.15 per thousand cubic feet but not more than \$1.35 per thousand cubic feet in the previous calendar year, the tax rate on natural gas from a stripper well property is 2.1875%.

Statutory Basis: 7-29-4A(4), 7-29-4A(6), and 7-29-4A(7) NMSA 1978

Intended Purpose: Presumably to incentivize high-cost, low-yield production when prices are low.

History: The section was originally enacted in 1980 and amended in 1987, 1989, 1992, 1995, 1999, and 2005.

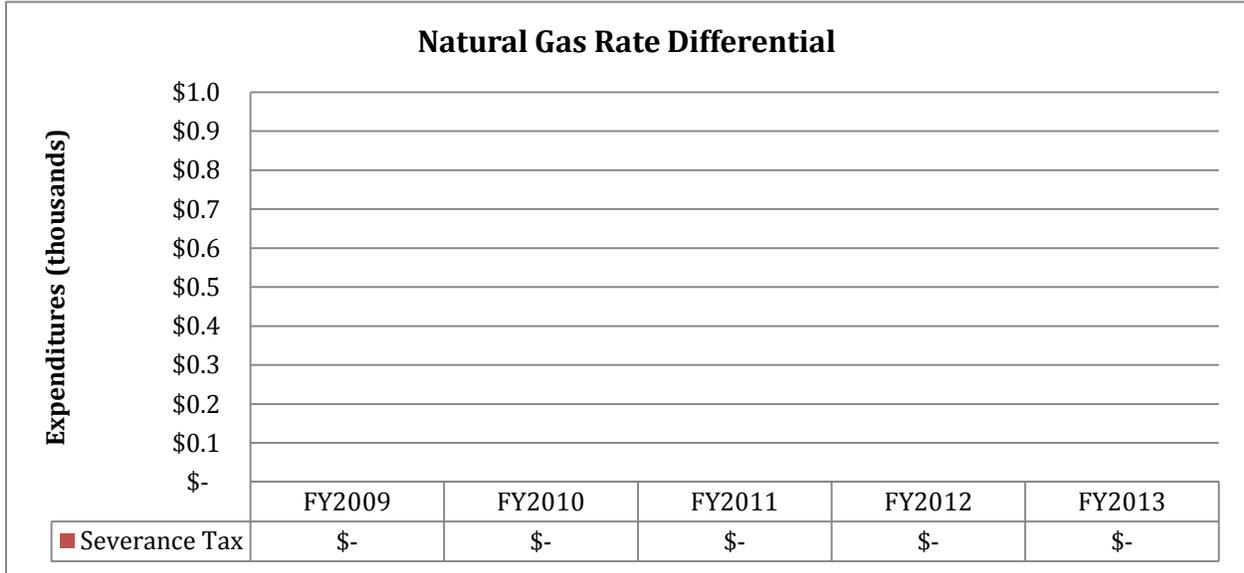
Evaluation: No wells have qualified for this incentive in the past few years due to the price of WTI exceeding \$24/barrel. Also the price of natural gas has exceeded \$1.35/mcf.



Recommendations: None.

Reliability Factor: 1 - As the price of WTI has not dropped below \$24/barrel in the last five years and the price of natural gas has not dropped below \$1.35/mcf, there have been no expenditures due to this exemption.

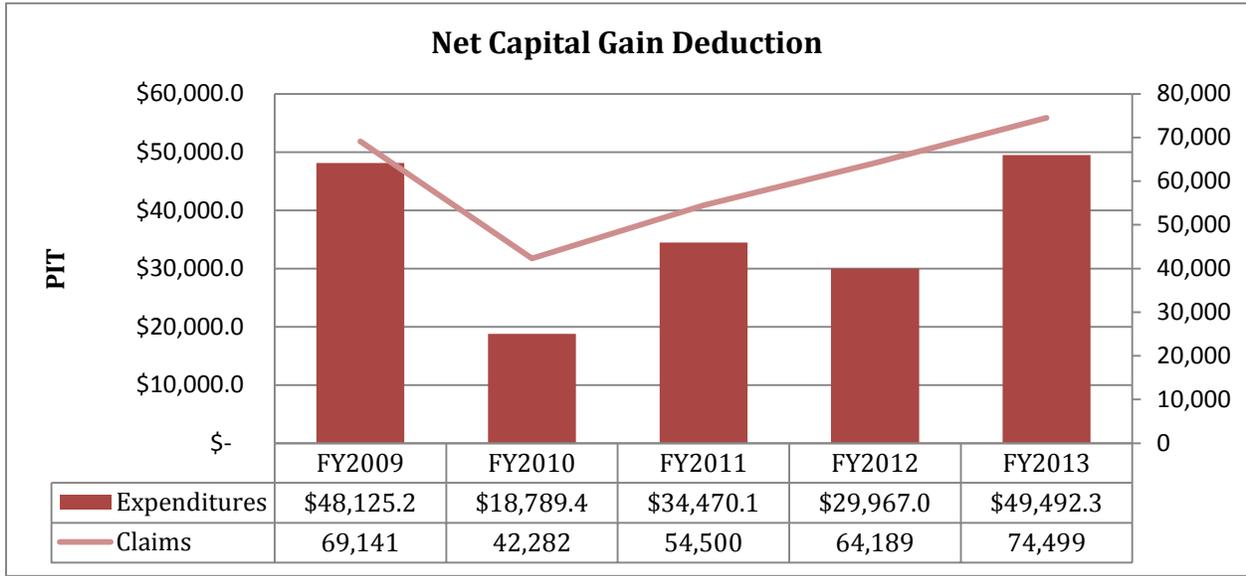
Fiscal Impact:



NET CAPITAL GAIN DEDUCTION AGAINST PIT

- Brief Description:** A taxpayer may claim a deduction from net income in an amount equal to the greater of:
- (1) the taxpayer's net capital gain income for the taxable year for which the deduction is being claimed, but not to exceed \$1,000; or
 - (2) 50% of the taxpayer's net capital gain income for the taxable year for which the deduction is being claimed.
- A taxpayer may not claim this deduction if the taxpayer pays federal income tax on a qualified diversifying business net capital gain has claimed a credit against the taxpayer's New Mexico PIT liability equal to a capital gain tax differential, if the taxpayer allocates the qualified diversifying business net capital gain to New Mexico.
- Statutory Basis:** 7-2-34 NMSA 1978
- Intended Purpose:** Presumably to encourage taxpayers to put their income to productive use by providing an incentive to invest in companies who can then use it to
- History:** Originally enacted in 1999 and amended in 2003.
- Evaluation:** None.
- Recommendations:** None.
- Reliability Factor:** 2 - Direct taxpayer data is used in conjunction with certain assumptions or projections; in this case, a statewide average tax rate was used to estimate foregone revenue.

Fiscal Impact:



NEWSPAPER SALES DEDUCTION FROM GRT

Brief Description: Receipts from selling newspapers, except from selling advertising space, are deductible from GRT.

Statutory Basis: 7-9-64 NMSA 1978

Intended Purpose: Presumably because the administrative burden on both the taxpayer and the Taxation and Revenue Department is too high relative to the revenue which would be realized for collecting this tax.

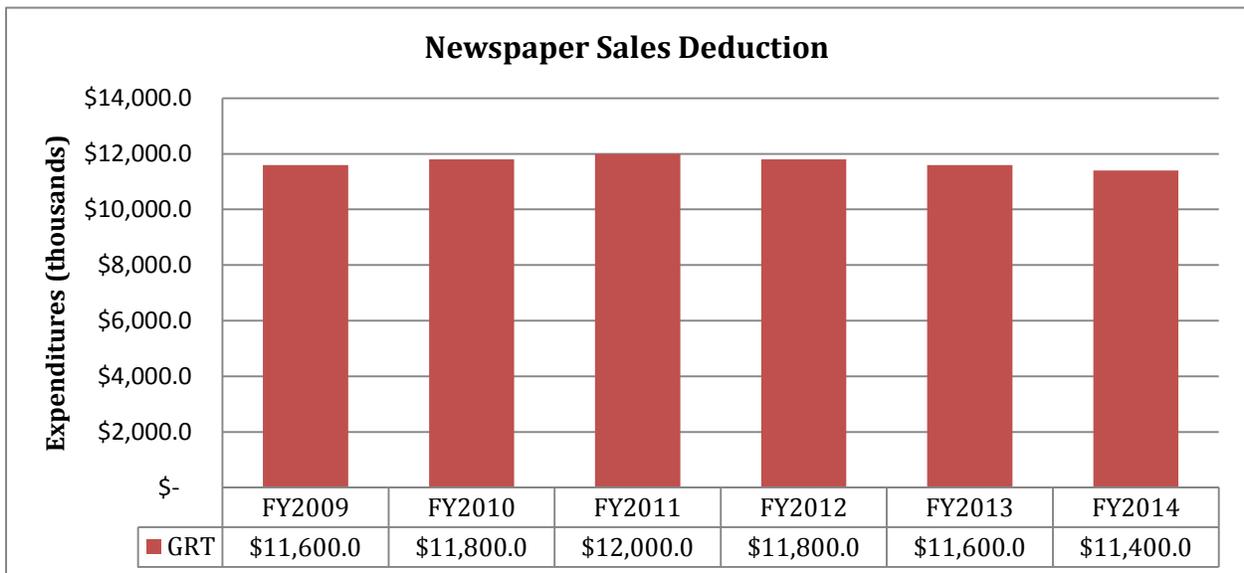
History: Originally enacted in 1969.

Evaluation: According to the Newspaper Association of America, nationwide daily newspaper circulation in 2011 (the most recent year available) was down nearly 30% from the peak in 1984. As news consumption is increasingly shifted to electronic media, this deduction may become less expensive even as it becomes more important to sustaining a shrinking industry.

Recommendations: None.

Reliability Factor: 3 - The Newspaper Association of America publishes national annual newspaper paid circulation data. The New Mexico estimate is based on the national data and New Mexico's population in proportion to that of the United States.

Fiscal Impact:



NM NATIONAL GUARD MEMBER PREMIUMS PAID FOR GROUP LIFE INSURANCE EXEMPTION FROM PIT

Brief Description: Payment for a service members' group life insurance premium from the National Guard Service Member's Life Insurance Reimbursement Fund are exempt from PIT.

Statutory Basis: 7-2-5.10 NMSA 1978

Intended Purpose: Presumably to prevent double taxation of the life insurance premium by National Guard members.

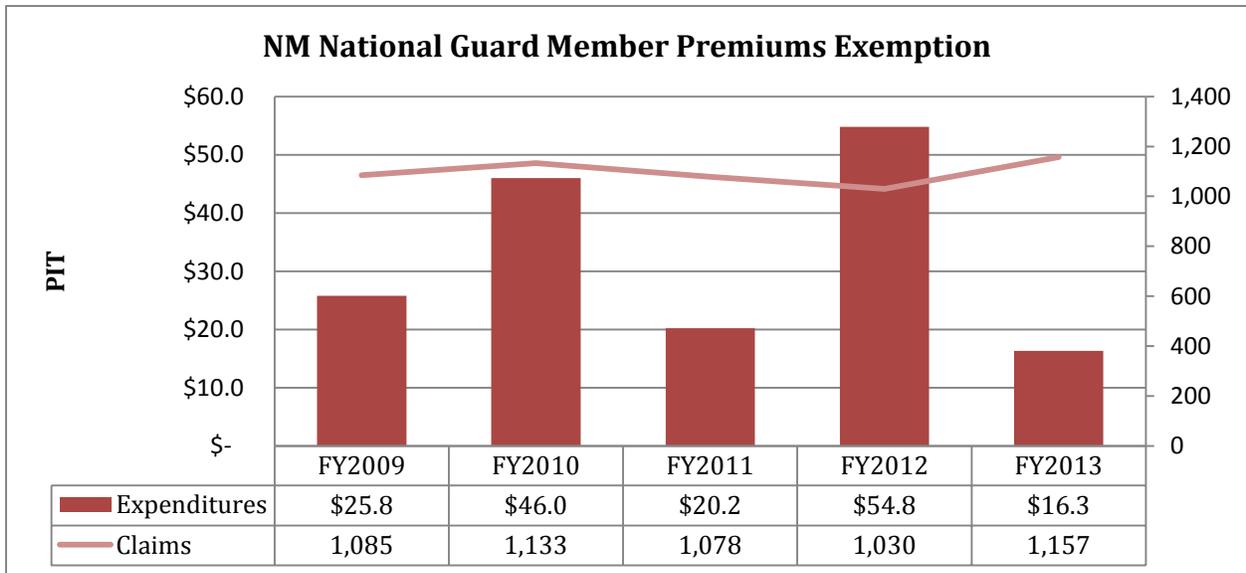
History: Originally enacted in 2006.

Evaluation: None.

Recommendations: None.

Reliability Factor: 2 - Direct taxpayer data is used in conjunction with certain assumptions or projections; in this case, a statewide average tax rate was used to estimate foregone revenue.

Fiscal Impact:



**NONATHLETIC SPECIAL EVENT AT NEW MEXICO STATE
UNIVERSITY
DEDUCTION FROM GRT**

Brief Description: Receipts from admissions to nonathletic special events held at the Pan American Center at New Mexico State University are deductible from gross receipts.

Statutory Basis: 7-9-104 NMSA 1978

Intended Purpose: Presumably to bring concerts to NMSU rather than having them go to El Paso.

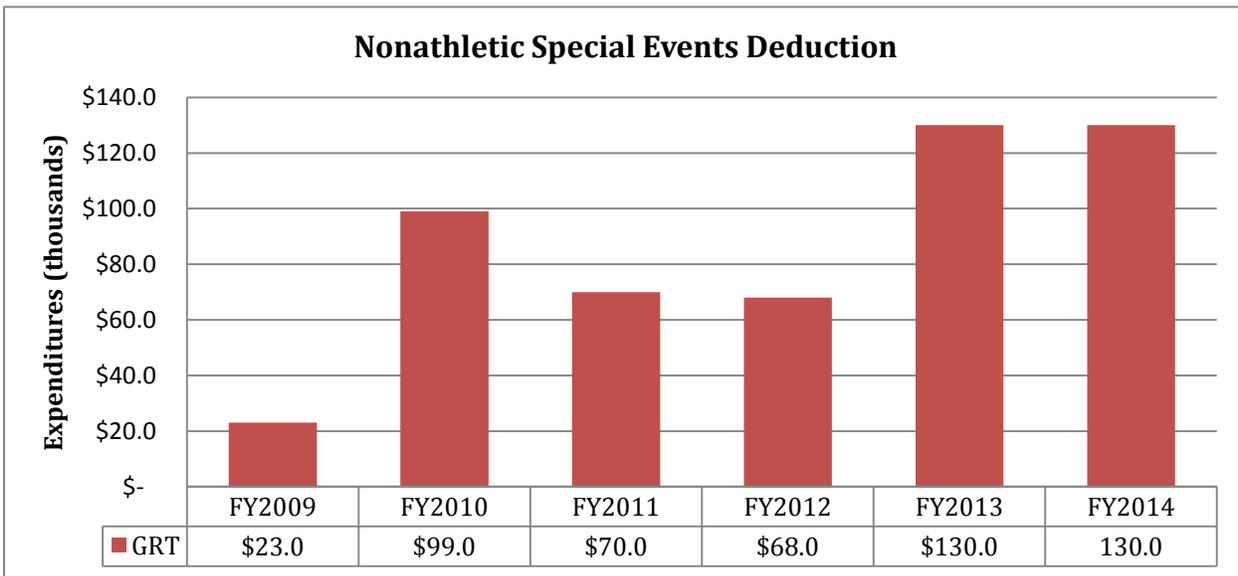
History: Originally enacted in 2007 with a sunset of June 30, 2012.
Amended in 2012 to extend the sunset to June 30, 2017.

Evaluation: None.

Recommendations: Remove the sunset. The legislature can introduce legislation in any session to eliminate or amend the deduction if it decides the deduction is no longer necessary or in the state’s best interest. Having a sunset on deductions, exemptions, and credits creates a presumption that the deduction, exemption, or credit will cease to exist as of the sunset date; that presumption has to be overcome by an act of the legislation, a difficult task even when the legislature is generally supportive.

Reliability Factor: 3 - Ticket sales figure and Venues Today ranking data were used to estimate the cost of this deduction.

Fiscal Impact:



NONPROFIT ELDERLY CARE FACILITY EXEMPTION FROM GRT

Brief Description:	Receipts of nonprofit entities from the operation of facilities designed and used for providing accommodations for retired elderly persons are exempt from GRT.
Statutory Basis:	7-9-16 NMSA 1978
Intended Purpose:	Presumably to reduce the cost of caring for retired elderly persons.
History:	Originally enacted in 1969.
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	No data is available to estimate the fiscal impact.
Fiscal Impact:	Unknown.

NONPROFIT ORGANIZATIONS EXEMPTION FROM GRT AND COMPENSATING TAX

Brief Description: Receipts of an organization that has been granted a tax exemption under Section 501(c)(3) or Section 501(c)(6) of the US Internal Revenue Code are exempt from GRT and Compensating Tax so long as the receipts are not derived from unrelated trade or business as defined in Section 513 of the US Internal Revenue Code.

Statutory Basis: 7-9-29 and 7-9-15 NMSA 1978

Intended Purpose: Presumably to subsidize the activities of organizations the federal government has determined to be performing socially-beneficial activities.

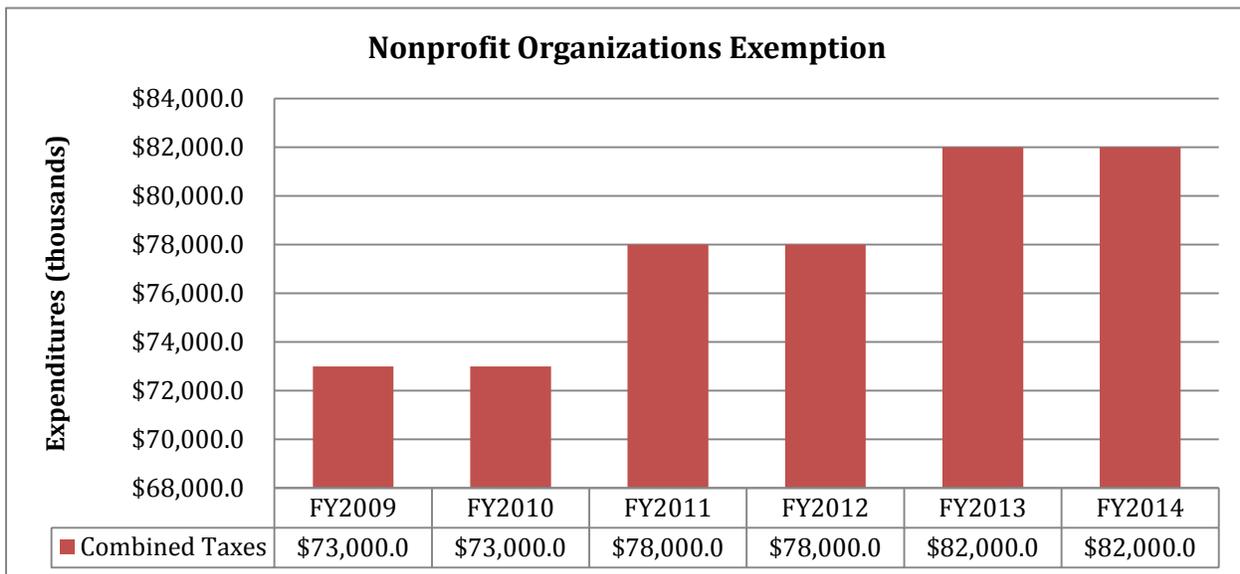
History: The exemption from GRT was originally enacted in 1970.
The exemption from Compensating Tax was originally enacted in 1969.

Evaluation: This tax expenditure represents a conscious decision to provide government support to nonprofit entities in the form of reduced tax burden.

Recommendations: None.

Reliability Factor: 4 - There is no direct data to estimate this exemption. The National Center for Charitable Statistics reports that 7,063 registered public charities and private foundations reported in June 2014 about \$4.8 billion in total revenues in New Mexico over the prior 24 months. Assuming that 50% of that would have been otherwise taxable gross receipts, this results in an estimated deduction of about \$2.4 billion or lost revenue of about \$16.4 million over two years.

Fiscal Impact:



OFFICIATING AT NEW MEXICO ACTIVITIES ASSOCIATION EVENTS EXEMPTION FROM GRT

Brief Description: Receipts from refereeing, umpiring, scoring, or other officiating at school events sanctioned by the New Mexico Activities Association are exempt from gross receipts taxation.

Statutory Basis: 7-9-41.4 NMSA 1978

Intended Purpose: Presumably to reduce the cost to public education institutions of providing athletic opportunities to their students.

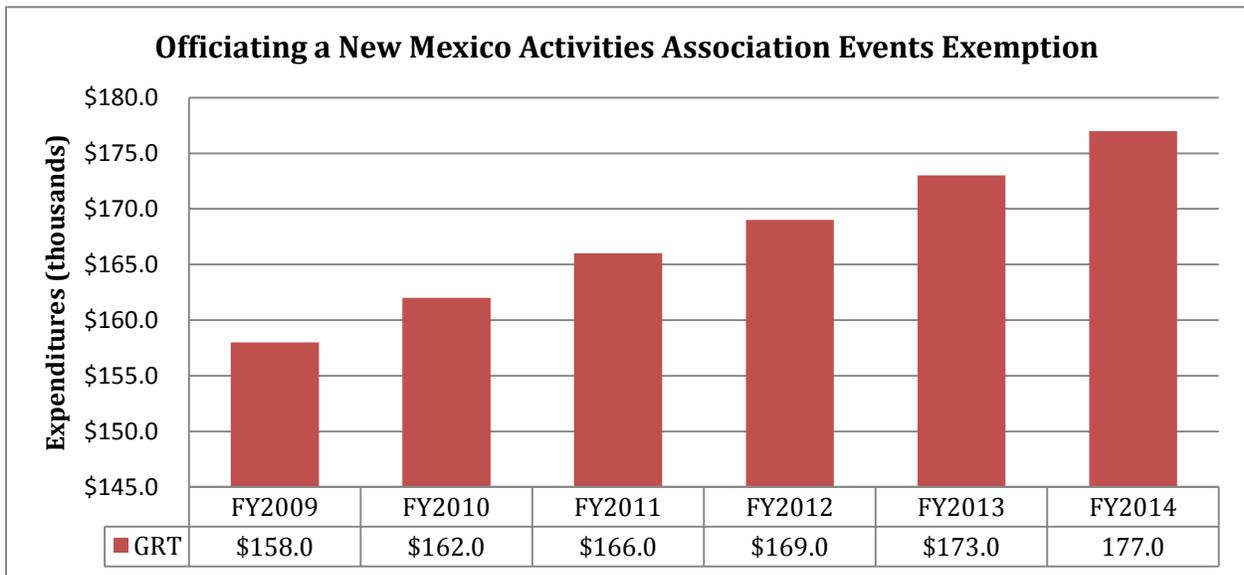
History: Originally enacted in 2009.

Evaluation: This exemption also reduces the burden on the taxpayer, as the officials would otherwise be required to register and file as GRT taxpayers for a relatively small amount of receipts.

Recommendations: None.

Reliability Factor: 3 - Pay schedules published by the New Mexico Activities Association are used to estimate this exemption. Because GRT exemptions are not reported at all, accurate estimation is difficult.

Fiscal Impact:



OIL AND OTHER LIQUID HYDROCARBONS EXEMPTION FROM OIL AND GAS SEVERANCE TAX

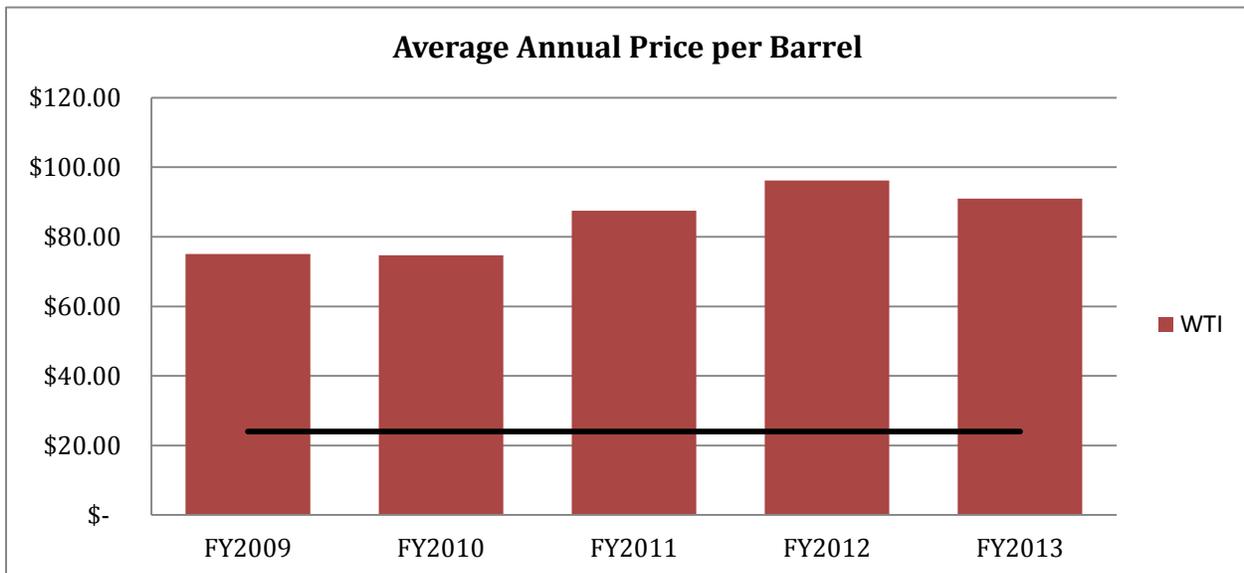
Brief Description: Exempts oil and other liquid hydrocarbons that come from a production restoration project for the first ten years after the restoration of production when the annual average price of West Texas Intermediate Crude oil was less than \$24 per barrel.

Statutory Basis: 7-29-4B(2) NMSA 1978

Intended Purpose: Presumably to incentivize the development of oil and other liquid hydrocarbon from a production restoration project when prices are low.

History: Originally enacted in 1980 and amended in 1987, 1989, and 1992, 1995, 1999, and 2005.

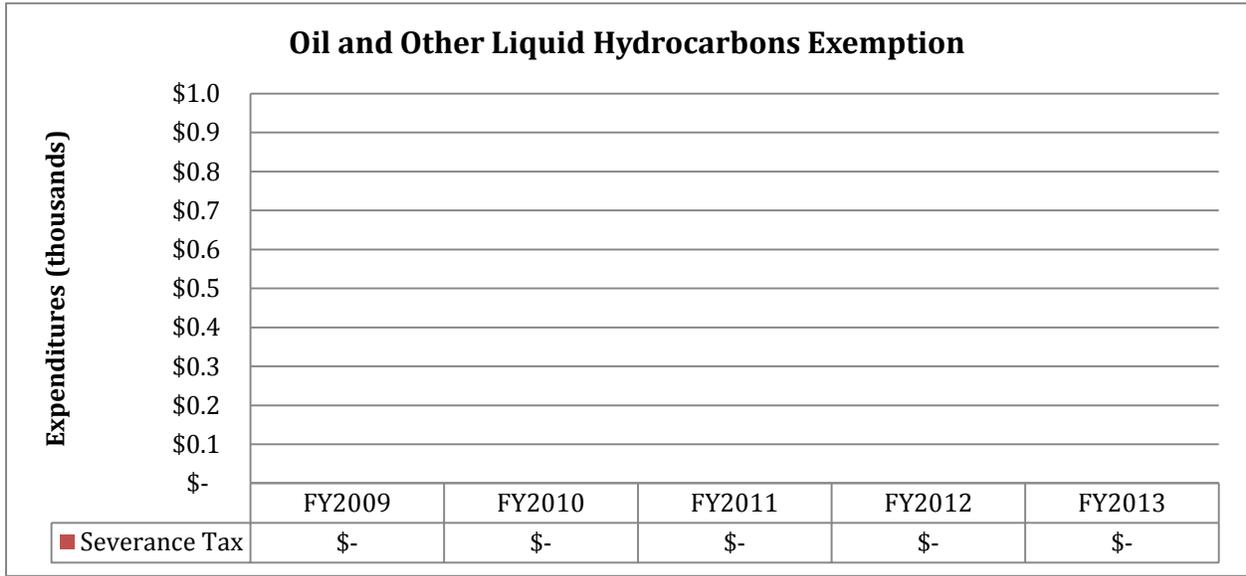
Evaluation: This exemption provides incentive for well restoration activity. No wells have qualified for this incentive in the past few years due to the price of WTI exceeding \$24/barrel.



Recommendations: None.

Reliability Factor: 1 - As the price of WTI has not dropped below \$24/barrel in the last five years, there have been no expenditures due to this exemption.

Fiscal Impact:



OIL AND OTHER LIQUID HYDROCARBONS RATE DIFFERENTIAL FROM OIL AND GAS EMERGENCY SCHOOL TAX

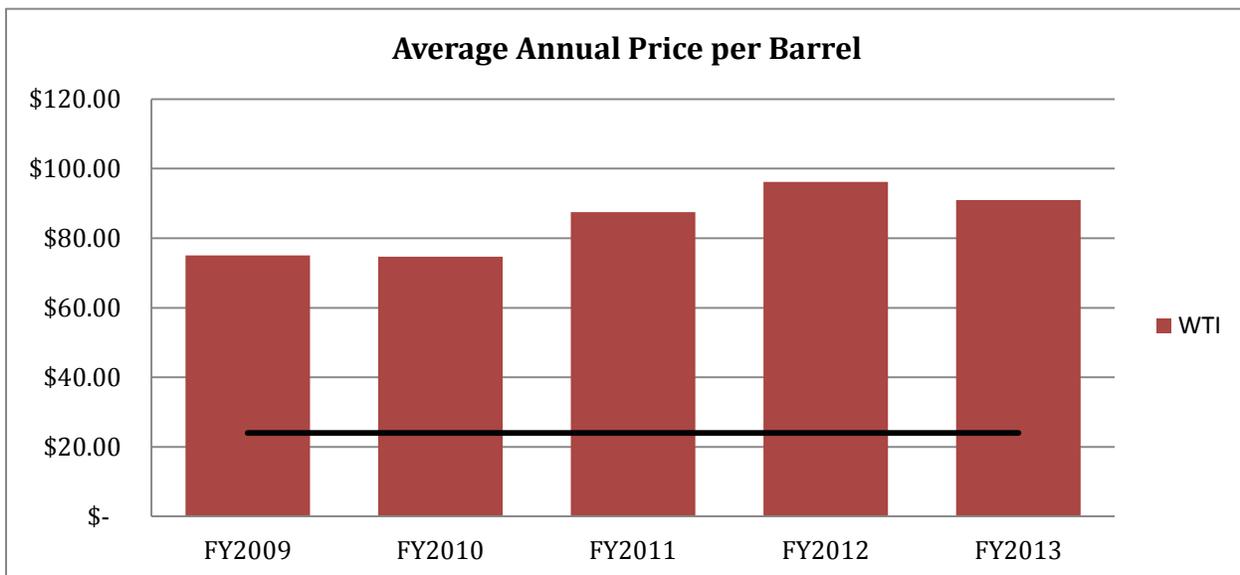
Brief Description: If oil and other liquid hydrocarbons that are removed from a stripper well and the average annual taxable value of oil in the calendar year preceding July 1 of the fiscal year in which the tax rate was imposed was not greater than \$15 per barrel, the rate is 1.58% and greater than \$15 per barrel but not greater than \$18 per barrel, the rate is 2.36%. These rates compare to 3.15% for non-stripper well oil and other liquid hydrocarbons.

Statutory Basis: 7-31-4A(4) and 7-31-4A(5) NMSA 1978

Intended Purpose: Presumably to incentivize the development of oil and other liquid hydrocarbon from a stripper well when prices are low.

History: Originally enacted in 1959 and amended in 1963, 1983, 1993, 1999 and 2005.

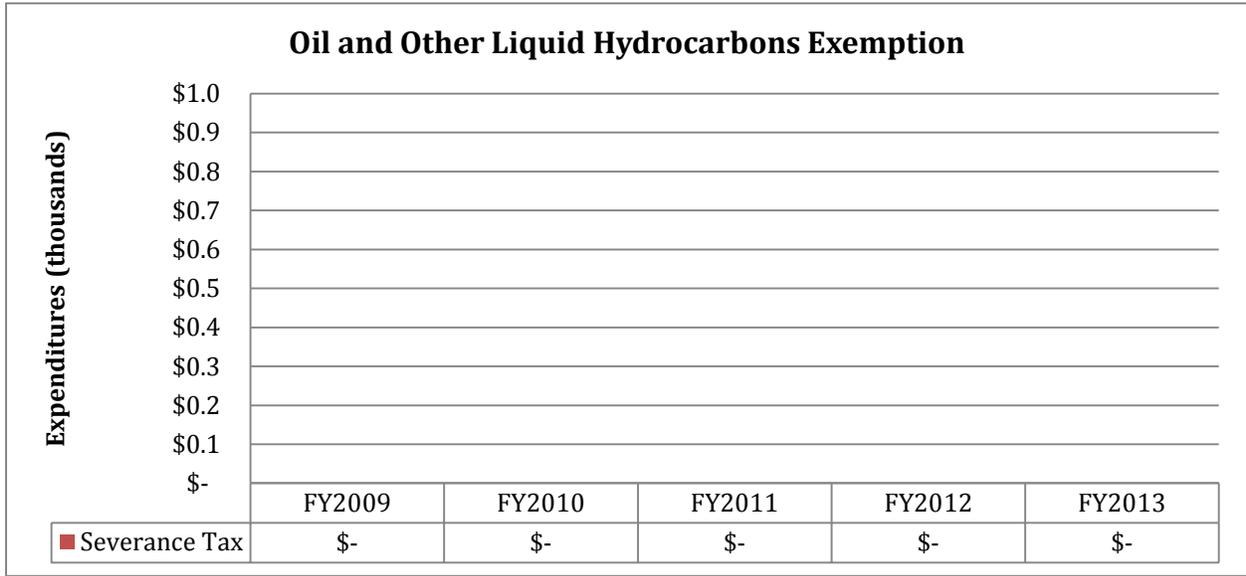
Evaluation: This exemption provides incentive for well restoration activity. No wells have qualified for this incentive in the past few years due to the price of WTI exceeding \$24/barrel.



Recommendations: None.

Reliability Factor: 1 - As the price of WTI has not dropped below \$24/barrel in the last five years, there have been no expenditures due to this exemption.

Fiscal Impact:



OIL AND OTHER LIQUID HYDROCARBONS RATE DIFFERENTIAL FROM OIL AND GAS SEVERANCE TAX RATE

Brief Description: The Oil and Gas Severance Tax rate on oil and other liquid hydrocarbons is 3.75% unless the product is taxed pursuant to a different rate as provided in statute.

When the average annual taxable value of West Texas Intermediate crude oil was less than \$28 per barrel in the previous year, the tax rate on oil and other liquid hydrocarbons from a qualified enhanced recovery project is 1.875%.

When the average annual taxable value of West Texas Intermediate crude oil was less than \$24 per barrel in the previous year, the tax rate on oil and other liquid hydrocarbons from a well workover project is 2.45%.

When the average annual taxable value of oil was equal to or less than \$15 per barrel in the previous calendar year, the tax rate on oil and other liquid hydrocarbons from a stripper well property is 1.875%.

When the average annual taxable value of oil was greater than \$15 per barrel but not more than \$18 per barrel in the previous calendar year, the tax rate on oil and other liquid hydrocarbons from a stripper well property is 2.1875%.

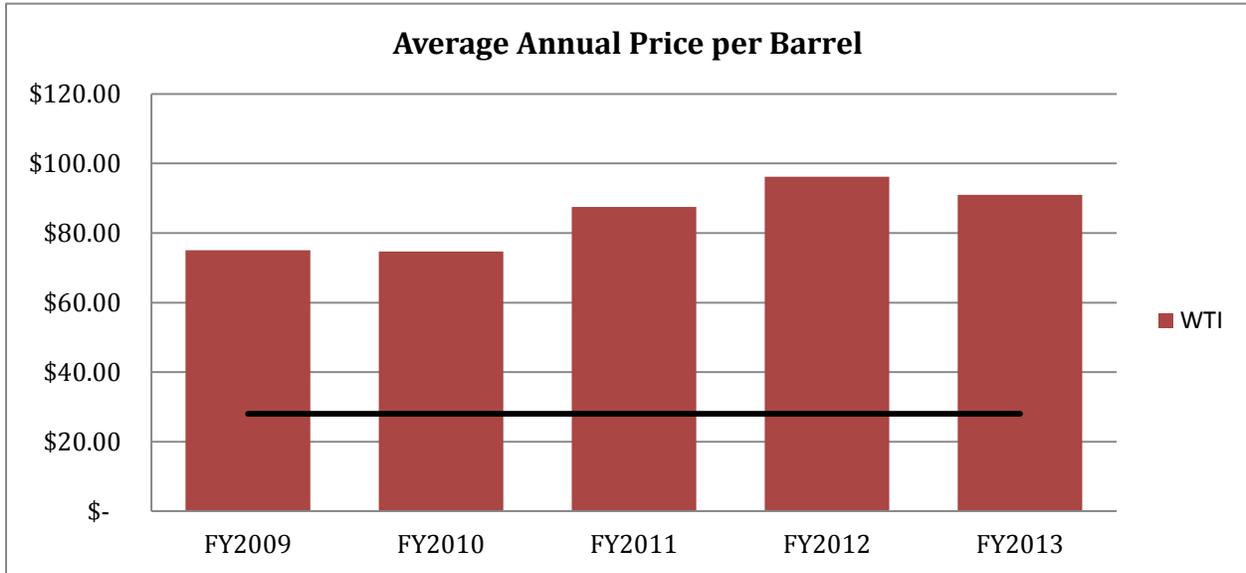
Statutory Basis: 7-29-4A(3), 7-29-4A(5), 7-29-4A(8), and 7-29-4A(9) NMSA 1978

Intended Purpose: Presumably to incentivize high cost production when prices are low.

History: Originally enacted in 1980 and amended in 1987, 1989, 1992, 1995, 1999, and 2005.

Evaluation:

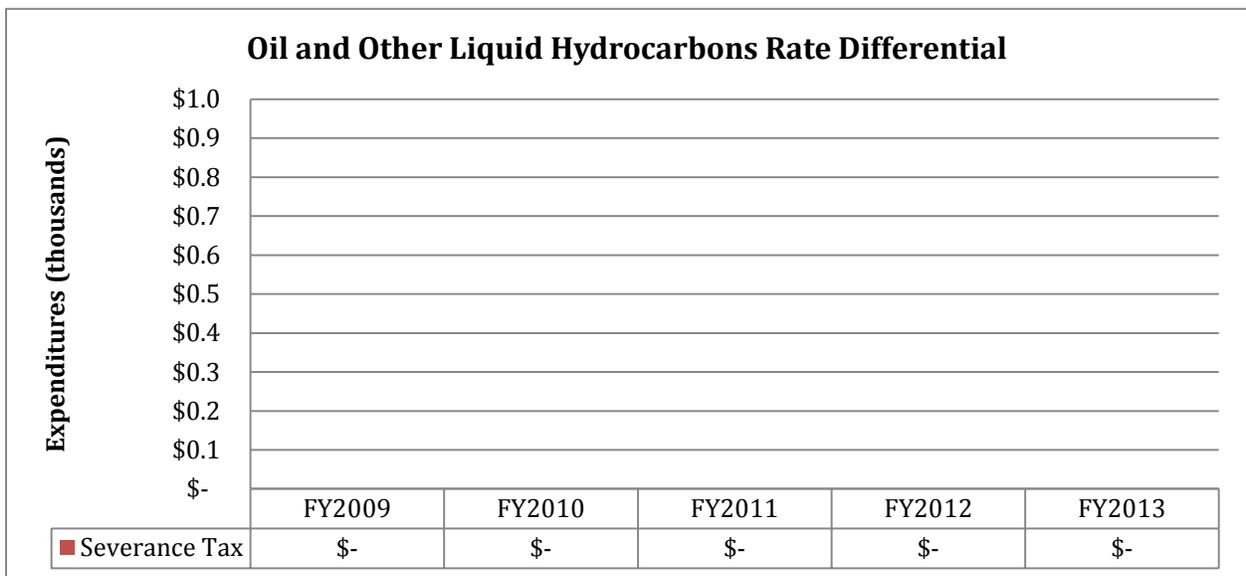
No wells have qualified for this incentive in the past few years due to the price of WTI exceeding \$28/barrel.



Recommendations: None.

Reliability Factor: 1 - As the price of WTI has not dropped below \$24/barrel in the last five years, there have been no expenditures due to this exemption.

Fiscal Impact:



ONE-WAY HAUL AND EMPTY TRAVEL RATE DIFFERENTIAL FROM WDT

Brief Description: If (1) a motor vehicle is customarily used for one-way haul, (2) the motor vehicle travels empty of all load for at least 45% of the mileage traveled during a registration year, and (3) the registrant of the vehicle has made a sworn application, the tax is 2/3rds of the standard WDT.

Statutory Basis: 7-15A-6B NMSA 1978

Intended Purpose: Presumably to appropriately tax vehicles according to their impact to wear and tear on New Mexico roads.

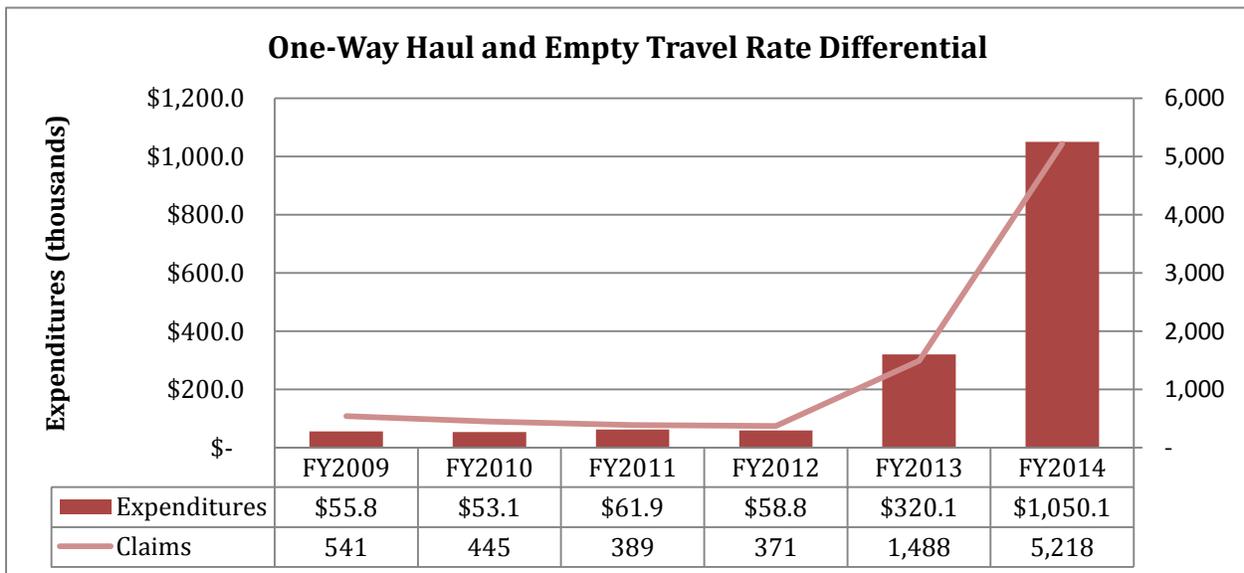
History: Originally enacted in 1988 and amended in 2003 (1st SS).

Evaluation: The data shows significant increases in estimated expenditure from FY2012 to FY2013, and again from FY2013 to FY2014. A plausible explanation for the increases is that the introduction of the Taxpayer Access Point (“TAP”) system has resulted in significantly better reporting of miles travelled for previous months by one-way haulers.

Recommendations: None.

Reliability Factor: 2 - Information on miles travelled by one-way haulers and number of claims were made available by TRD’s internal database. The number of miles was then multiplied by 1/3 of the standard WDT to estimate the impact.

Fiscal Impact:



ORGAN DONATION DEDUCTION FROM PIT

Brief Description: A taxpayer may claim a deduction from net income in an amount not to exceed \$10,000 of organ donation-related expenses, including lost wages, lodging expenses and travel expenses, incurred during the taxable year by the taxpayer or the taxpayer's dependent as a result of the taxpayer's or dependent's donation of a human organ to another person for transfer of that human organ to the body of another person.

Statutory Basis: 7-2-36 NMSA 1978

Intended Purpose: Presumably to help remove obstacles that prevent people from making living organ donations by reducing the associated financial losses.

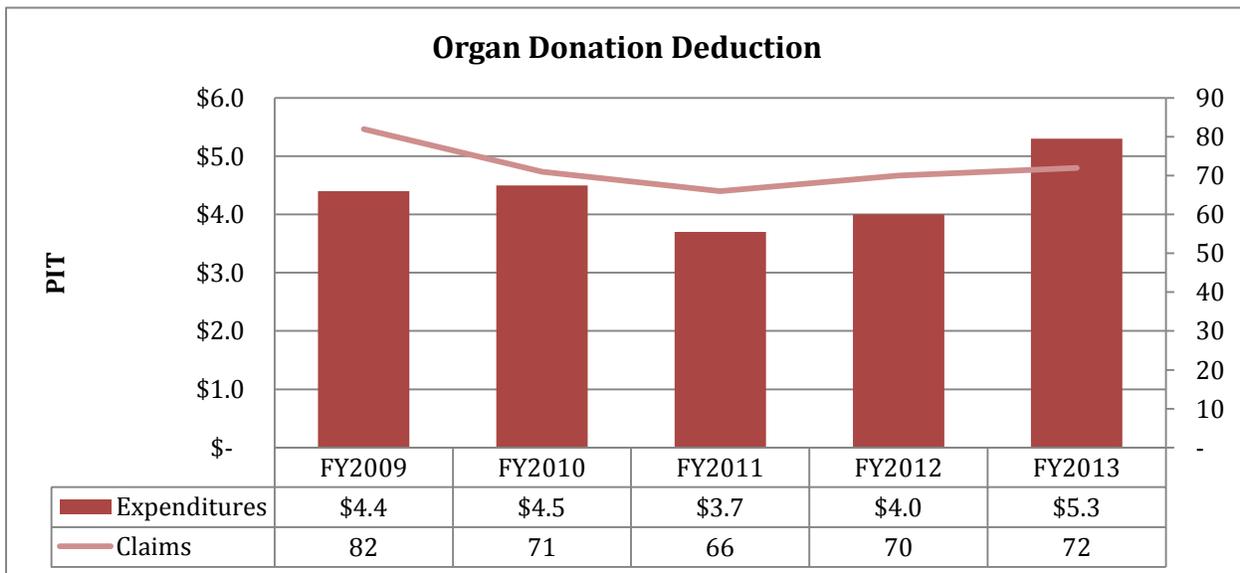
History: Originally enacted in 2005.

Evaluation: While factors like blood type serve as an unchangeable barrier to donating organs, for those who are matches this credit is helping to offset related expenses.

Recommendations: None.

Reliability Factor: 2 - Direct taxpayer data is used in conjunction with certain assumptions or projections; in this case, a statewide average tax rate was used to estimate foregone revenue.

Fiscal Impact:



PENALTY PURSUANT TO SECTION 7-1-71.2 NMSA 1978
CREDIT AGAINST GRT, COMPENSATING TAX AND WITHHOLDING
TAX

Brief Description:	Taxpayers who paid the double local option penalty in effect prior to July 1, 2007 that was imposed for incorrectly reporting food and medical GRT deductions created in 2004. The credit is equal to the amount of the penalty paid.
Statutory Basis:	7-9-105 NMSA 1978
Intended Purpose:	Presumably to refund penalties paid for incorrectly reporting the food deduction (7-9-92 NMSA 1978) or the health care practitioner services deduction (7-9-93 NMSA 1978).
History:	Originally enacted in 2007.
Evaluation:	Statute has no effect anymore.
Recommendations:	Repeal.
Reliability Factor:	1 - This credit is separately reported. No estimation is required.
Fiscal Impact:	No possible fiscal impact.

PERSONS ONE HUNDRED AND OLDER EXEMPTION FROM PIT

Brief Description: The income of an individual who is (1) a natural person, (2) one hundred years of age or older, and (3) not a dependent of another individual is exempt from PIT.

Statutory Basis: 7-2-5.7 NMSA 1978

Intended Purpose: Presumably to reduce the administrative burden and financial burden on this aging population.

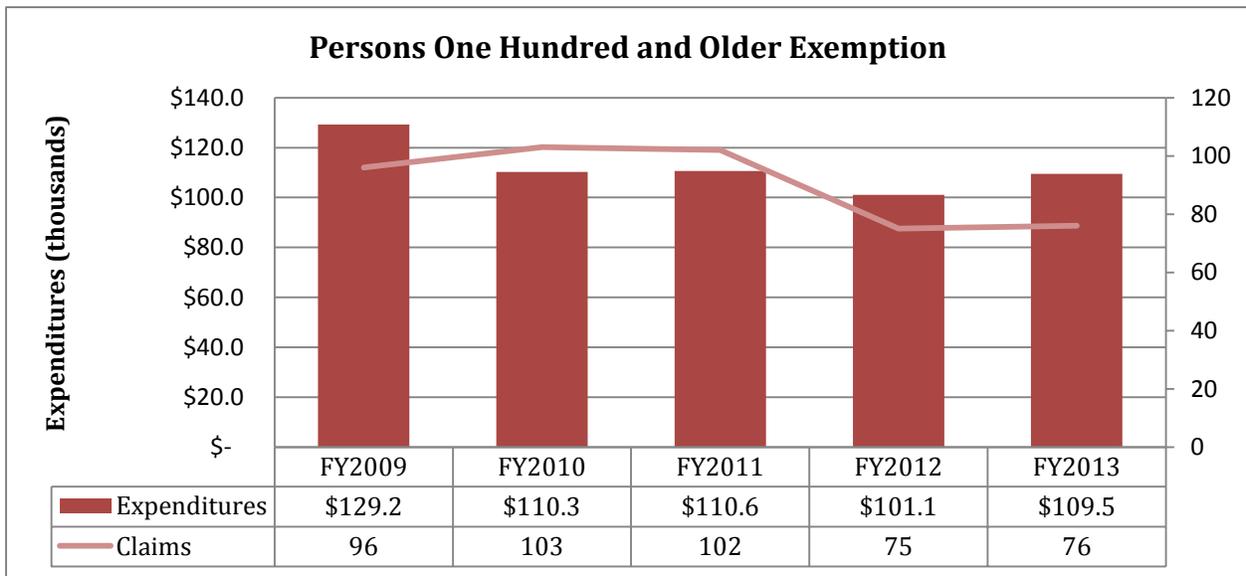
History: Originally enacted in 2002.

Evaluation: None.

Recommendations: None.

Reliability Factor: 2 - Direct taxpayer data is used in conjunction with certain assumptions or projections; in this case, a statewide average tax rate was used to estimate foregone revenue.

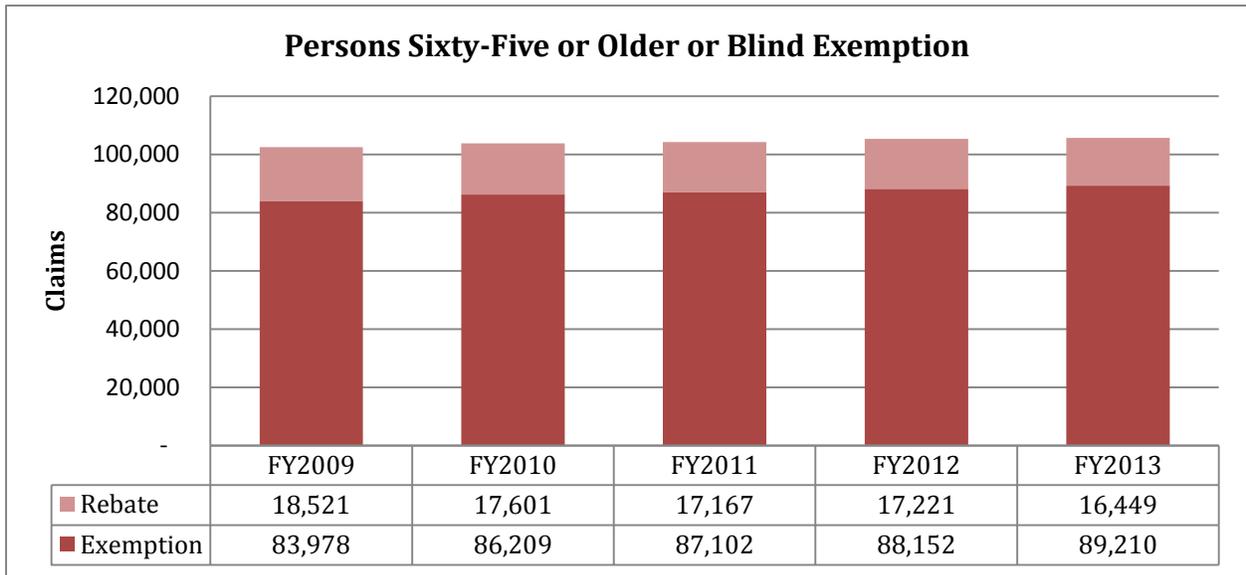
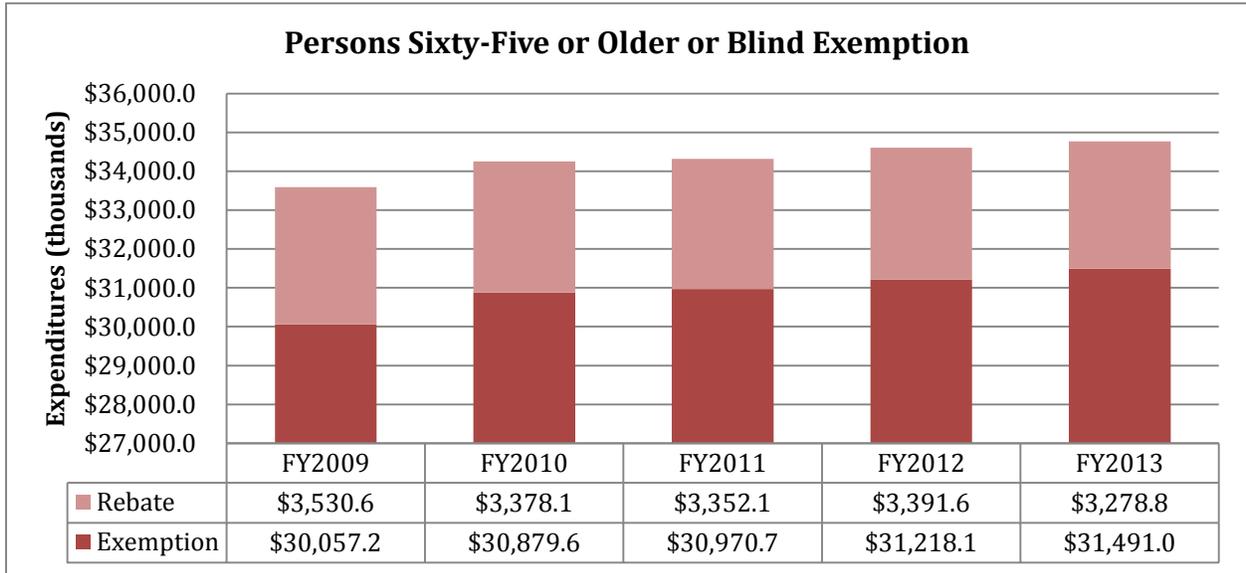
Fiscal Impact:



PERSONS SIXTY-FIVE AND OLDER OR BLIND EXEMPTION FROM PIT AND COMPREHENSIVE REBATE

- Brief Description:** An individual who is 65 years or older or who is blind may claim an exemption from PIT based on a sliding scale (not to exceed \$8,000).
- An individual who is 65 years or older may claim additional exemptions for the Low-Income Comprehensive Tax Rebate, thus qualifying for a higher rebate.
- Statutory Basis:** 7-2-5.2 and 7-2-14C NMSA 1978
- Intended Purpose:** Presumably to reduce the financial burden on those who are likely to be living on fixed incomes.
- History:** The PIT exemption was originally enacted in 1985.
- The Comprehensive Rebate was originally enacted in 1972 and has been amended numerous times, most recently in 1998.
- Evaluation:** The increase in the number of claims and the amount claimed can be attributed to the growing population of persons sixty-five and older.
- Recommendations:** None.
- Reliability Factor:** 1 - For the rebate component, the information is separately reported. No estimation is required.
- 2 - For the exemption component, direct taxpayer data is used in conjunction with certain assumptions or projections. In this case, a statewide average tax rate was used to estimate foregone revenue.

Fiscal Impact:



PHYSICIAN PARTICIPATING IN CANCER TREATMENT CLINICAL TRIALS CREDIT AGAINST PIT

Brief Description: A licensed oncologist who practices in rural New Mexico may claim a credit of \$1,000 for each patient participating in a cancer clinical trial under the oncologist's supervision.

The credit is capped at \$4,000 per physician per year.

Statutory Basis: 7-2-18.27 NMSA 1978

Intended Purpose: Presumably to incentivize the participation in cancer clinical trials by oncologists working in rural NM.

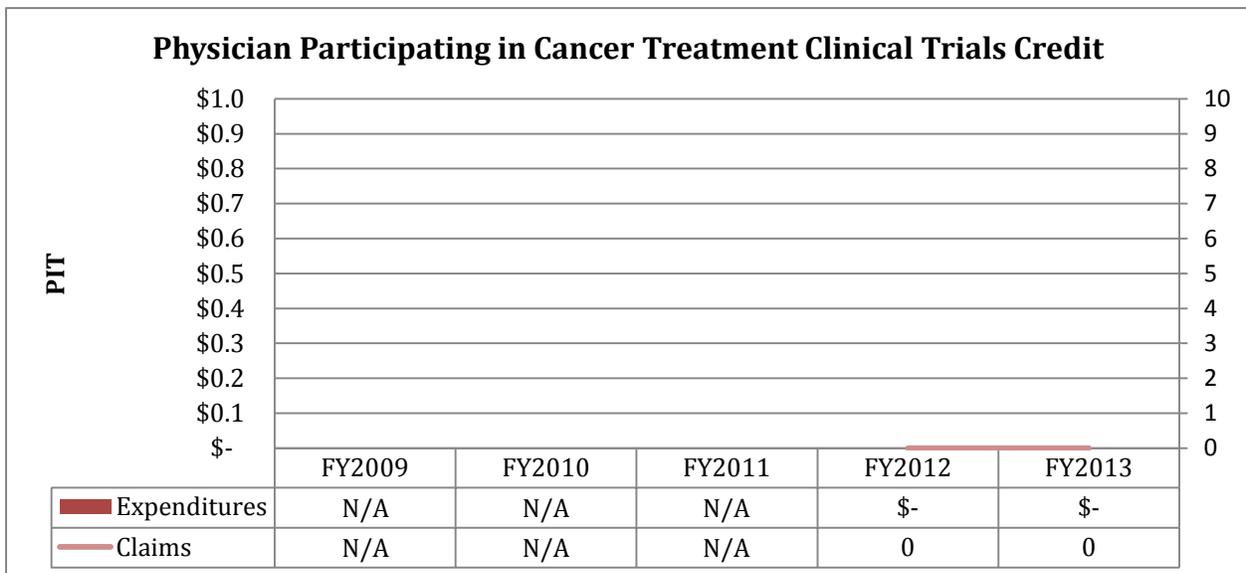
History: Originally enacted in 2011.

Evaluation: The credit has not been taken in the four years since it was enacted. It could be that there are no oncologists participating in cancer clinical trials in rural New Mexico or that the credit is not large enough to incentivize the participation.

Recommendations: Undertake an effort to better understand how oncology clinical trials work. If the factors that prevent them from being conducted in rural communities, work to eliminate them.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



PRESCRIPTION DRUGS AND OXYGEN DEDUCTION FROM GRT AND GGRT

Brief Description: Receipts from the sale of prescription drugs, oxygen, and oxygen services provided by a licensed Medicare durable medical equipment provider are deductible from gross receipts and governmental gross receipts.

Statutory Basis: 7-9-73.2 NMSA 1978

Intended Purpose: Presumably to reduce the effective cost of prescription drugs and oxygen as a public welfare mechanism.

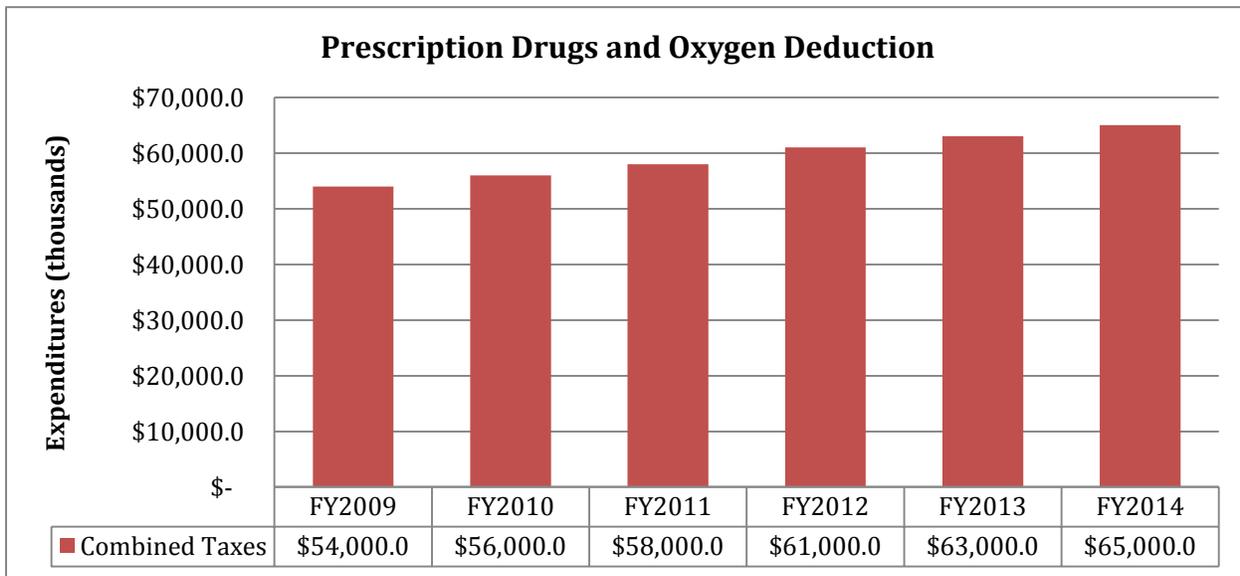
History: Originally enacted in 1998 and amended in 2007.

Evaluation: This deduction removes the gross receipts tax burden from sellers, who would otherwise pass it on to consumers of these medically necessary goods.

Recommendations: None.

Reliability Factor: 3 - Data published by the Kaiser Family Foundation on total retail sales of prescription drugs was used to calculate this deduction.

Fiscal Impact:



PRESERVATION OF CULTURAL PROPERTY CREDIT AGAINST PIT AND CIT

Brief Description: Taxpayers may take a credit on a PIT or CIT return of 50% of the cost of restoring, rehabilitating, or preserving properties listed on the New Mexico Register of Cultural Properties.

The credit may not exceed \$25,000 if listed on the New Mexico Register of Cultural Properties or \$50,000 if the property is within an arts and cultural district designed by the state or a municipality as designated in the Arts and Cultural District Act.

The credit is not refundable but may be carried forward up to four years.

Statutory Basis: 7-2-18.2 and 7-2A-8.6 NMSA 1978

Intended Purpose: To encourage the restoration, rehabilitation and preservation of cultural properties.

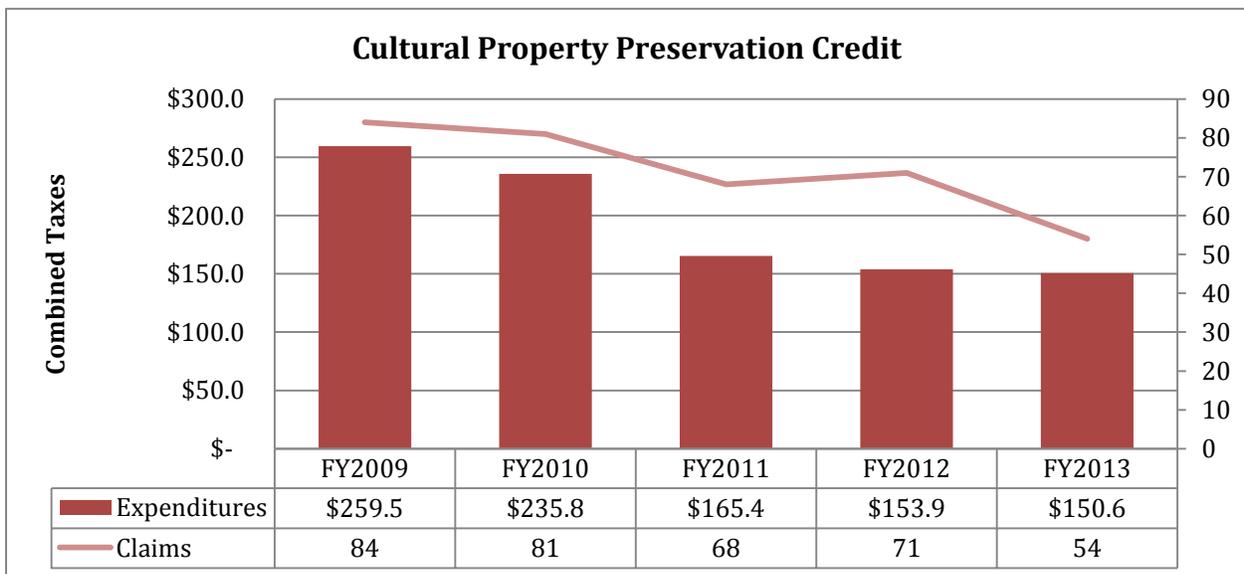
History: Originally enacted in 1984 and amended in 2007.

Evaluation: The activity on the credit has been fairly consistent. This credit is not refundable; therefore, a taxpayer must have enough tax liability to take the credit.

Recommendations: None.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



PRODUCTION OR STAGING OF PROFESSIONAL CONTESTS DEDUCTION FROM GRT

Brief Description: Receipts from producing or staging professional boxing, wrestling, or martial arts contests that occur in New Mexico, including receipts from ticket sales and broadcasting, are deductible from gross receipts.

Statutory Basis: 7-9-107 NMSA 1978

Intended Purpose: Presumably to incentivize professional boxing, wrestling, and martial arts contests to take place in NM.

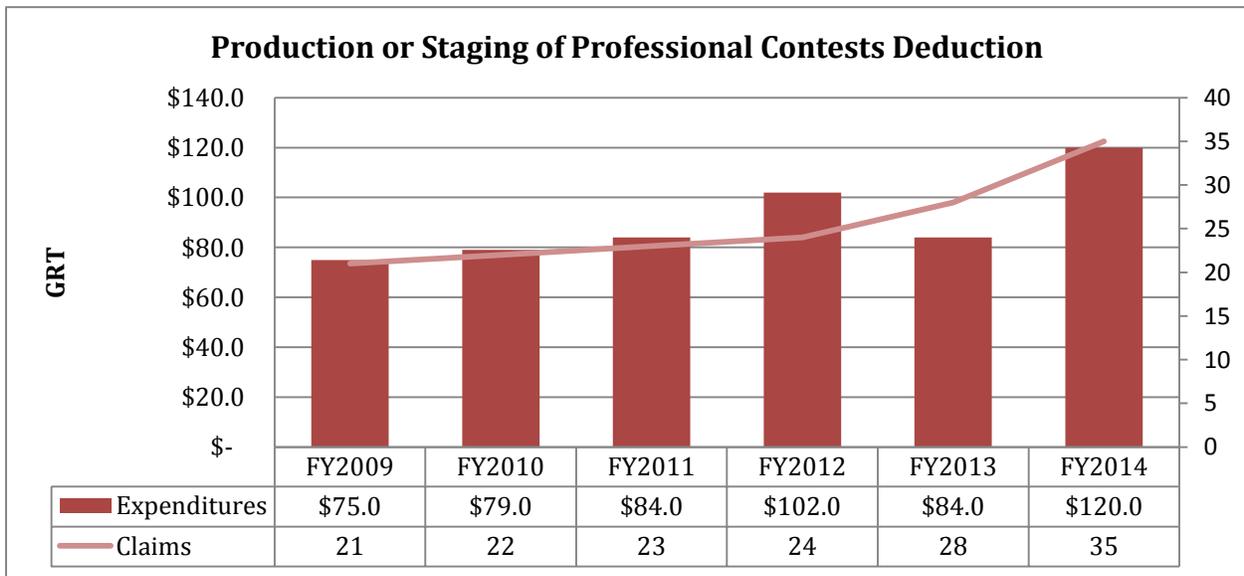
History: Originally enacted in 2007.

Evaluation: The number of applicable events sanctioned by the New Mexico Athletic Commission has increased steadily since the enactment of this deduction.

Recommendations: None.

Reliability Factor: 3 - The New Mexico Athletic Commission reports that in 2014, 35 sanctioned events were held, accounting for approximately \$1.8 million in gross receipts and foregone revenue of about \$120,000.

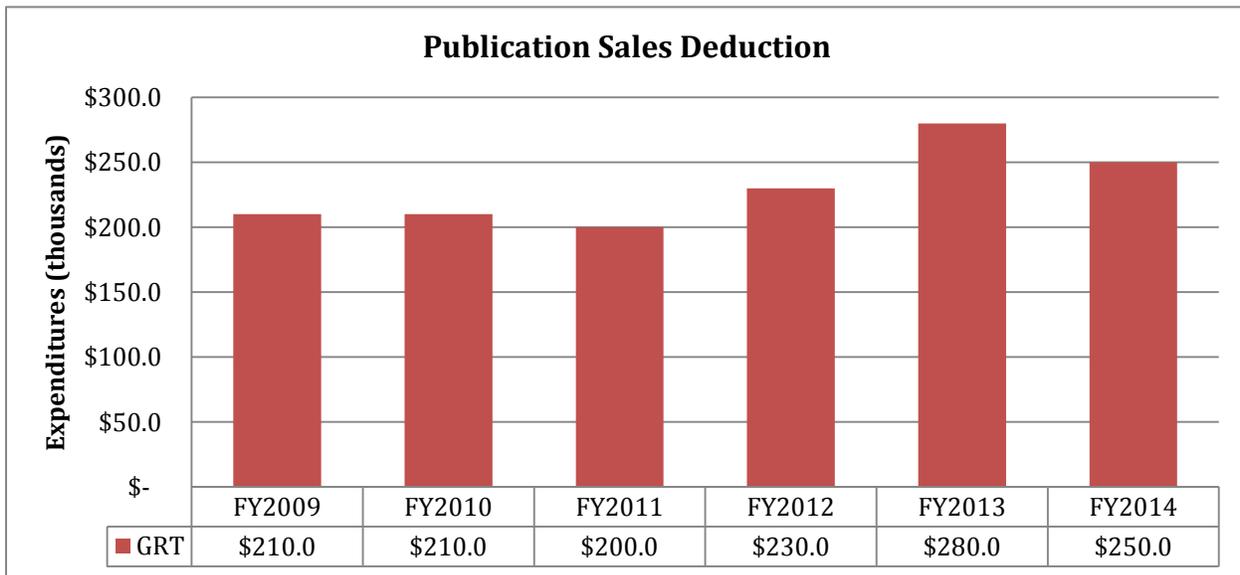
Fiscal Impact:



PUBLICATION SALES DEDUCTION FROM GRT

- Brief Description:** Receipts from publishing newspapers or magazines are deductible from gross receipts. Receipts from selling magazines at retail may not be deducted from gross receipts.
- Statutory Basis:** 7-9-63 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding as the final sale of magazines is taxed; but for another deduction (7-9-64 NMSA 1978), newspaper sales would be as well.
- History:** Originally enacted in 1969.
- Evaluation:** Assuming that the baseline scenario (i.e., ignoring other deductions or exemptions) is that the final sale of newspapers and magazines would be taxed, this is arguably not a tax expenditure as the published items would be intended for resale.
- Recommendations:** None.
- Reliability Factor:** 2 - Taxpayer reported deductions filed by publishing-related NAICS sectors were used to estimate this deduction.

Fiscal Impact:



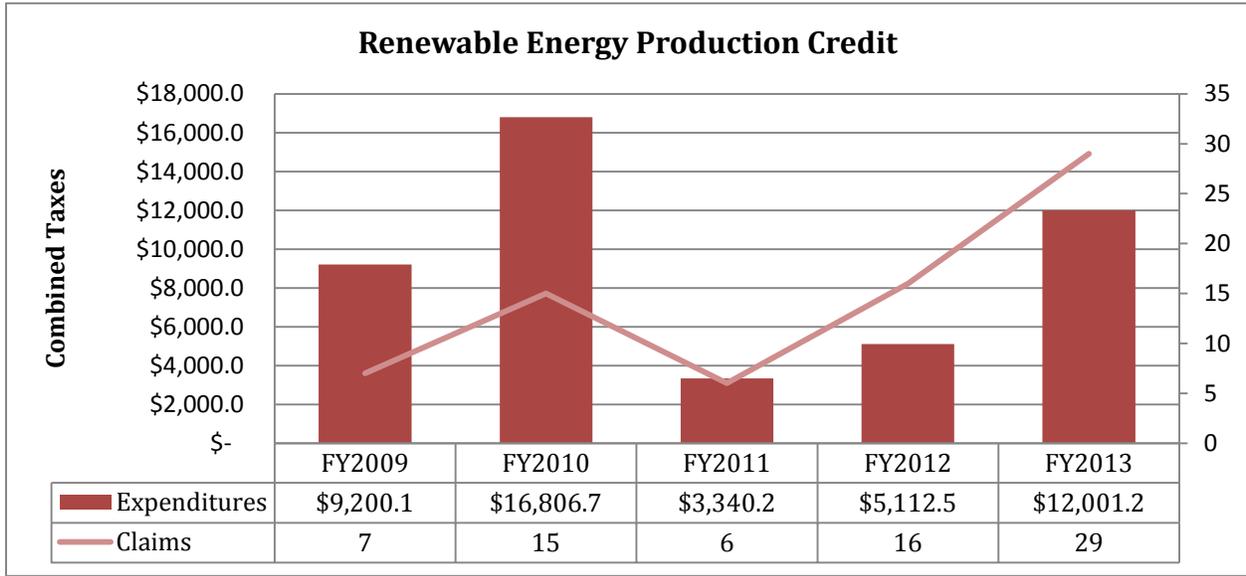
RAILROAD EQUIPMENT, AIRCRAFT, AND SPACE VEHICLES EXEMPTION FROM COMPENSATING TAX

Brief Description:	The use of railroad locomotives, trailers, containers, tenders or cars procured or bought for use in railroad transportation; the use of commercial aircraft bought or leased primarily for use in the transportation of passengers or property for hire in interstate commerce; and the use of space vehicles for transportation of persons or property in, to, or from space are exempt from Compensating Tax.
Statutory Basis:	7-9-30 NMSA 1978
Intended Purpose:	Presumably to reduce the cost of railroad transportation, aircraft transportation, and space transportation; potentially to comply with the preemption doctrine.
History:	Originally enacted in 1969 and amended in 1988 and 2003.
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	No data is available to estimate the fiscal impact.
Fiscal Impact:	Unknown.

RENEWABLE ENERGY PRODUCTION CREDIT AGAINST PIT AND CIT

- Brief Description:** Taxpayers are able to receive a credit against PIT and CIT for producing electricity using solar light or heat, wind, or biomass.
- The amount of the credit is equal to one cent per kilowatt-hour up to 400,000 megawatt-hours annually per taxpayer for wind- or biomass-derived electricity.
- The amount of the credit is equal to anywhere from one and a half cents to four cents per kilowatt-hour up to 200,000 megawatt-hours annually per taxpayer for solar-light-derived or solar-heat-derived electricity depending on the consecutive taxable year for which the credit is being claimed.
- A qualified taxpayer is eligible for the renewable energy production tax credit for ten consecutive years, beginning on the date the qualified energy generator begins producing electricity.
- Statutory Basis:** 7-2-18.18 and 7-2A-19 NMSA 1978
- Intended Purpose:** Presumably to encourage the construction and development of generating facilities in New Mexico and to sequester or control carbon dioxide emissions.
- History:** Originally enacted in 2007.
- Evaluation:** Because of the way the program has been implemented, there are taxpayers who are producing electricity but who are precluded from claiming the credit.
- For those who began producing before 2008, the credit is not refundable but may be carried forward for five years. This has resulted in a significant amount of unclaimed credit building up over time.
- Recommendations:** Restructure the program so that those who have made investments based on the promise of receiving the credit are given the full 10-year benefit of the credit.
- Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



RESEARCH AND DEVELOPMENT SMALL BUSINESS CREDIT AGAINST GRT OR FIFTY PERCENT CREDIT AGAINST WITHHOLDING TAX

Brief Description: A qualified research and development small businesses may claim a credit equal to the sum of all gross receipts or 50% of Withholding Taxes owed to New Mexico for the reporting period in which the business qualifies for the credit.

In general, a qualified business is a corporation, general partnership or similar entity with 25 or fewer employees, revenues under \$5 million annually, and whose qualified research and development expenditures for the prior 12 months was equal to at least 20% of total expenditures for those calendar months.

Statutory Basis: 7-9H NMSA 1978

Intended Purpose: Presumably to incentivize the foundation and expansion of small research and development businesses.

History: Originally enacted in 2005 to be effective against GRT and Compensating Tax with a sunset of June 30, 2009.

Amended in 2011 (after it had sunset) to reenact it with a sunset of June 30, 2015 (while excluding the period after the original sunset date and the effective date of June 30, 2011), to remove Compensating Tax, and to reduce the Withholding Tax credit to 50%.

Evaluation: This credit has been underused. Its relationship to several other similar credits and deductions should be studied to understand how they interact. While it was being used prior to the sunset, it has not been used since then. It is at least plausible that this is due to the uncertainty surrounding this credit, given that the legislature let it sunset the first time.

Recommendations: Remove the sunset. The legislature can introduce legislation in any session to eliminate or amend the credit if it decides the credit is no longer necessary or in the state's best interest. Having a sunset on deductions, exemptions, and credits creates a presumption that the deduction, exemption, or credit will cease to exist as of the sunset date; that presumption has to be overcome by an act of the legislature, a difficult task even when the legislature is generally supportive.

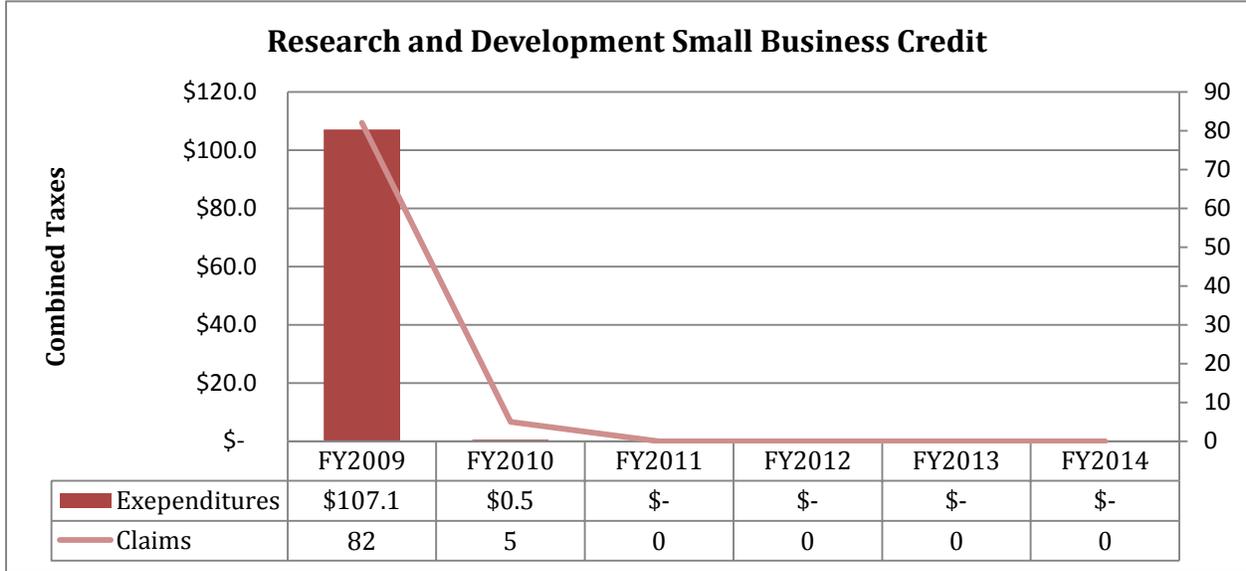
In this case, legislation was introduced in 2008 to extend the sunset; it passed three House committees and the House without a dissenting vote anywhere, yet it failed to clear the Senate as time ran out. In 2009, identical legislation was introduced; it cleared two Senate committees, the Senate floor, and two House committees without a dissenting vote, yet it, too, failed to be enacted into law as the session adjourned before it could be brought to the House floor. ***Therefore, the credit sunset despite no opposition and***

enough support for it that it received Do Pass votes on nine separate occasions.

If the legislature is unwilling to remove the sunset, at a minimum it should be extended to 2025.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



RURAL HEALTH CARE PRACTITIONER CREDIT AGAINST PIT

Brief Description: Licensed doctors, osteopathic physicians, dentists, clinical psychologists, podiatrists and optometrists who have provided health care services in New Mexico in a rural health care, underserved area in a taxable year may claim a credit of up to \$5,000 against PIT.

Licensed dental hygienists, physician assistants, certified nurse midwives, certified registered nurse anesthetists, certified nurse practitioners and clinical nurse specialists who have provided health care services in New Mexico in a rural health care, underserved area in a taxable year may claim a credit of up to \$3,000 against PIT.

To qualify for the full credit, a practitioner must have provided health care for 2,080 hours at a practice site in an approved area. If the practitioner provided health care for at least 1,040 hours, the practitioner is eligible for 50% of the credit.

Statutory Basis: 7-2-18.22 NMSA 1978

Intended Purpose: Presumably to encourage doctors and nurses to work in rural NM.

History: Originally enacted in 2007.

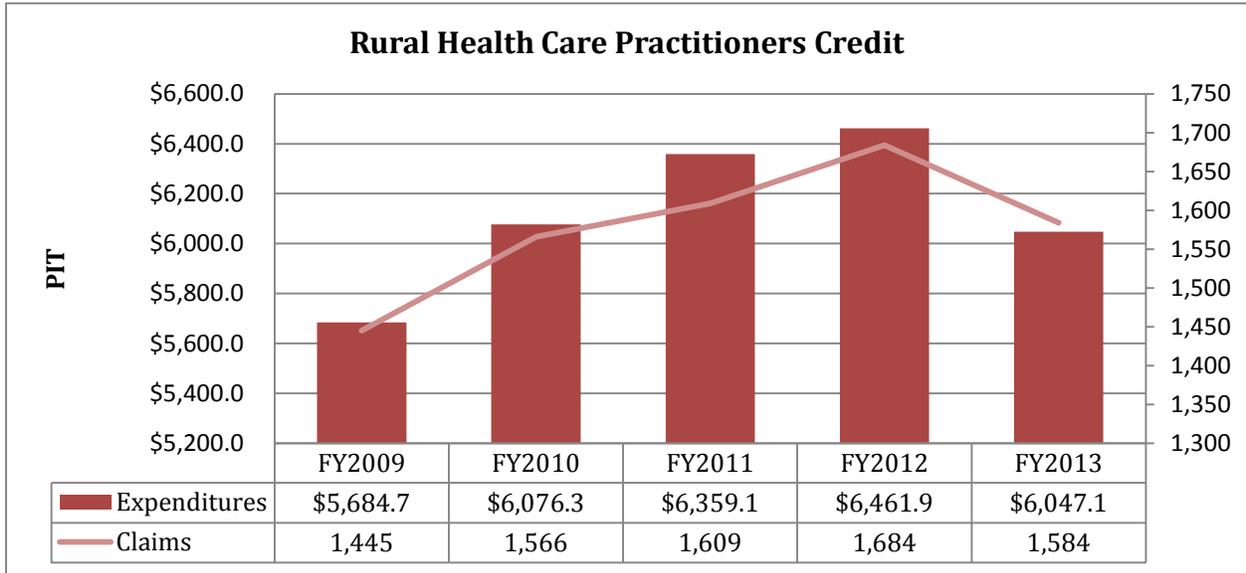
Evaluation: Prior to a dip in FY2013, the number of claims was increasing steadily. To the extent that this increase is due to new health care practitioners moving to rural communities, this credit is working. A recently-released report by the New Mexico Healthcare Workforce Commission indicates that while “financial incentives such as ... tax credits have been important recruitment and retention tools”⁴, there continues to be a shortage of physicians in many rural parts of the state.

Recommendations: None.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

⁴ *New Mexico Health Care Workforce Committee Report*, October 1, 2014, pg. 4

Fiscal Impact:



RURAL JOB CREDIT AGAINST MODIFIED COMBINED TAX, PIT, AND CIT

Brief Description: Eligible employers may earn the Rural Job Tax Credit for each qualifying job created after July 1, 2000, applying it to GRT (less Local Option GRT), Compensating Tax, Withholding Tax, PIT, or CIT.

An eligible employer is one whom the Economic Development Department has approved for Job Training Incentive Program assistance.

A qualifying job means a job filled by an eligible employee for 48 weeks in a 12-month qualifying period.

The credit is for 25% of the first \$16,000 of wages paid, if the job is performed or based in a Tier 1 Area and 12.5% of the first \$16,000 of wages paid, if the job is performed or based in a Tier 2 Area. The Credit is 6.25% of the first \$16,000 in wages paid if the job in four qualifying periods at a location in a Tier 1 Area; and two qualifying periods at a location in a Tier 2 Area.

Statutory Basis: 7-2E-1.1 NMSA 1978

Intended Purpose: To encourage businesses to start new businesses in rural areas of the state.

History: Originally enacted in 2007.

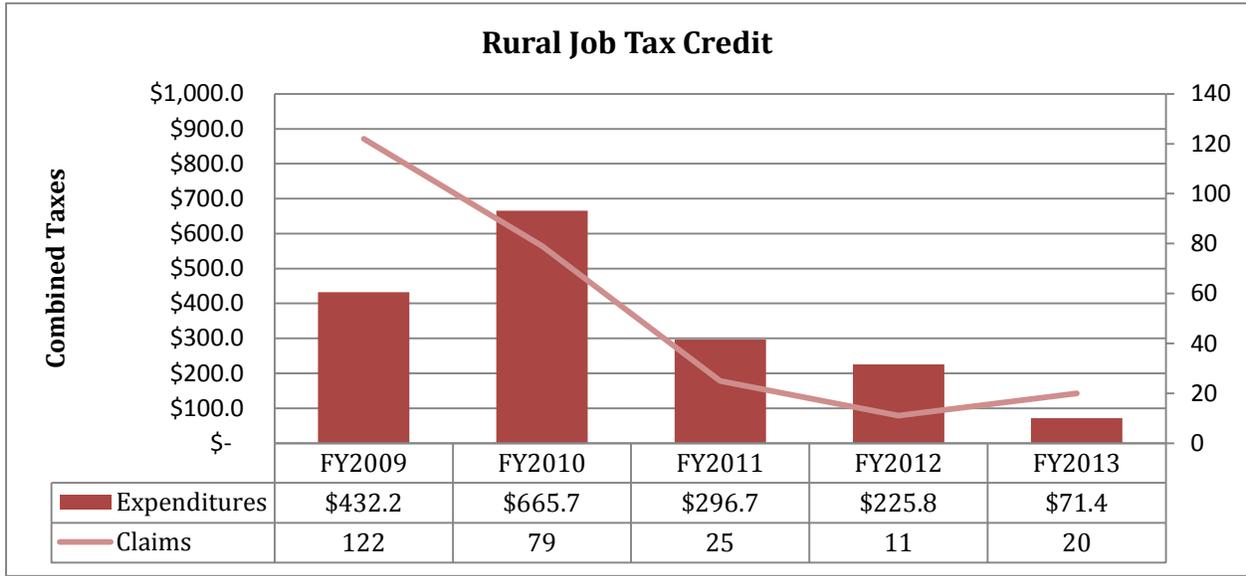
Amended in 2013 to tighten the definition of qualifying jobs and to clarify the definition of wages.

Evaluation: Stagnant employment growth in rural New Mexico is a plausible explanation for the decreases in credit amounts since FY2010. UNM's Bureau of Business and Economic Research published levels of employment for Non-metro New Mexico show FY2014 employment still being below peak pre-recession levels.

Recommendations: None.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



SALE AND USE OF AGRICULTURAL IMPLEMENTS AND FARM TRACTORS
FIFTY PERCENT DEDUCTION FROM GRT AND COMPENSATING TAX

Brief Description: 50% of the receipts from selling or of the value of farm tractors and agricultural implements when used by persons engaged in the business of farming or ranching is deductible from gross receipts and from the total value before computing Compensating Tax.

Statutory Basis: 7-9-62A and 7-9-77A NMSA 1978

Intended Purpose: Presumably to incentivize agricultural activities by reducing the effective cost of agricultural implements and farm tractors.

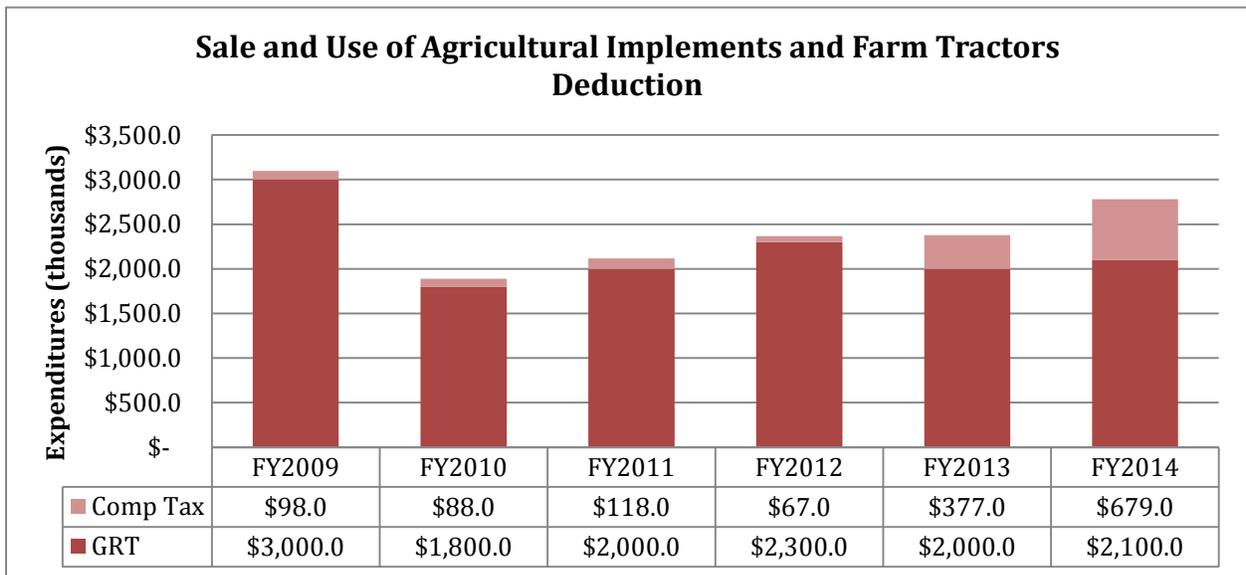
History: Originally enacted in 1969 and amended in 1975, 1998, 2000, and 2007.

Evaluation: To the extent that the agricultural implements are used in the production of agricultural goods intended for sale, this deduction could be viewed as reducing the effects of pyramiding.

Recommendations: None.

Reliability Factor: 2 - This estimate is based on reported deductions from selected NAICS industry groups, calculated at the statewide average effective tax rate. The compensating tax portion is estimated using the amount of compensating tax paid in the applicable sectors. Assuming that all comp tax eligible purchases made within the sector would have been deducted at 50%, the paid remainder would be equal to the amount deducted.

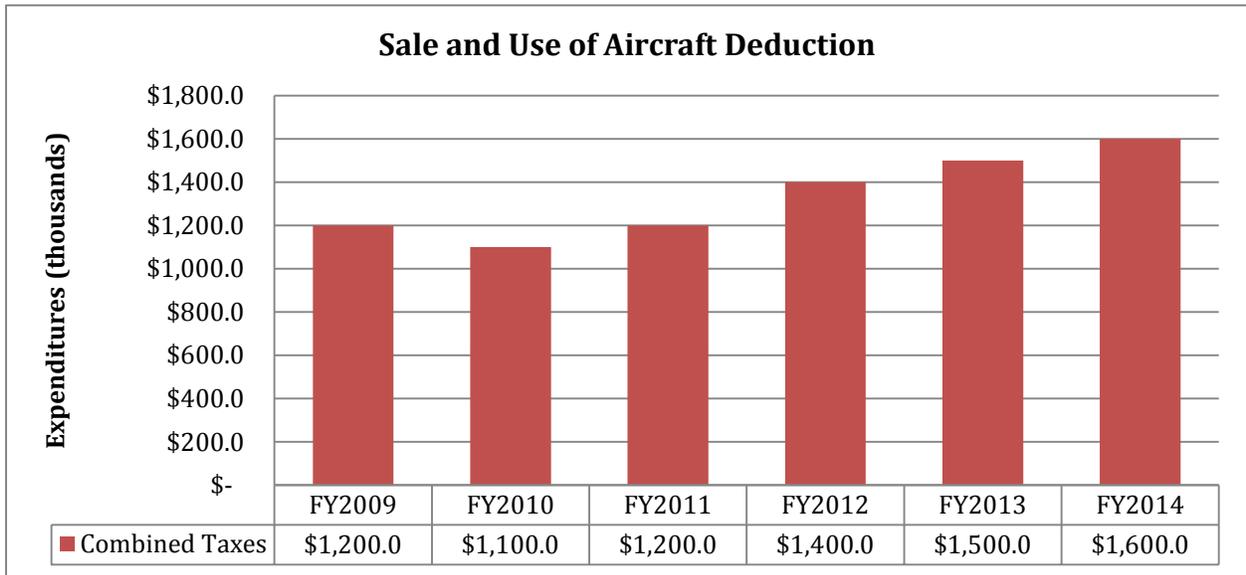
Fiscal Impact:



SALE AND USE OF AIRCRAFT FIFTY PERCENT DEDUCTION FROM GRT AND COMPENSATING TAX

- Brief Description:** 50% of the receipts from selling or of the value of aircraft not bought or leased primarily for use in the transportation of passengers or property for hire in interstate commerce is deductible from gross receipts and from the total value before computing Compensating Tax.
- Statutory Basis:** 7-9-62A and 7-9-77A NMSA 1978
- Intended Purpose:** Presumably to reduce the cost of aircraft which are used for things other than transportation of passengers or property for hire in intrastate commerce.
- History:** The section was originally enacted in 1969 and amended in 1975, 1998, 2000, and 2007.
- Evaluation:** To the extent that the aircraft are used in the production of agricultural goods intended for sale, this deduction could be viewed as an anti-pyramiding device. From FY2015 forward, taxpayers wishing to take this deduction will be required to separately state the amount deducted. However, because this section contains several different deductions, it will still not be possible to separate each subsection from the whole.
- Recommendations:** None.
- Reliability Factor:** 4 - No direct data exists with which to estimate the impact of this deduction. The Aerospace Industries Association estimates that nationwide 2014 sales of civil aircraft will reach about \$72 billion. Making certain assumptions about the amount of applicable sales occurring in New Mexico, this deduction is estimated to cost about \$1.6 million per year in foregone revenue. Some overlap with the deduction in 7-9-62B prior to 2014 is inevitable.

Fiscal Impact:



**SALE AND USE OF MOTOR VEHICLES THAT DON'T HAVE TO BE
REGISTERED
FIFTY PERCENT DEDUCTION FROM GRT AND COMPENSATING TAX**

Brief Description:	50% of the receipts from selling or of the value of vehicles not required to be registered under the Motor Vehicle Code is deductible from gross receipts and from the total value before computing Compensating Tax.
Statutory Basis:	7-9-62A and 7-9-77A NMSA 1978
Intended Purpose:	Presumably to reduce the cost of vehicles not required to be registered under the Motor Vehicle Code.
History:	Originally enacted in 1969 and amended in 1975, 1998, 2000 (2 nd SS), 2007, and 2014 (the amendment didn't effect this tax expenditure).
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	No data is available to estimate the fiscal impact.
Fiscal Impact:	Unknown.

SALE OF AIRCRAFT DEDUCTION FROM GRT

Brief Description: Receipts of an aircraft manufacturer or affiliate from selling aircraft or from selling aircraft flight support, pilot training or maintenance training services is deductible from gross receipts.

Statutory Basis: 7-9-62B NMSA 1978

Intended Purpose: Presumably to incentivize the development of the aircraft industry in New Mexico.

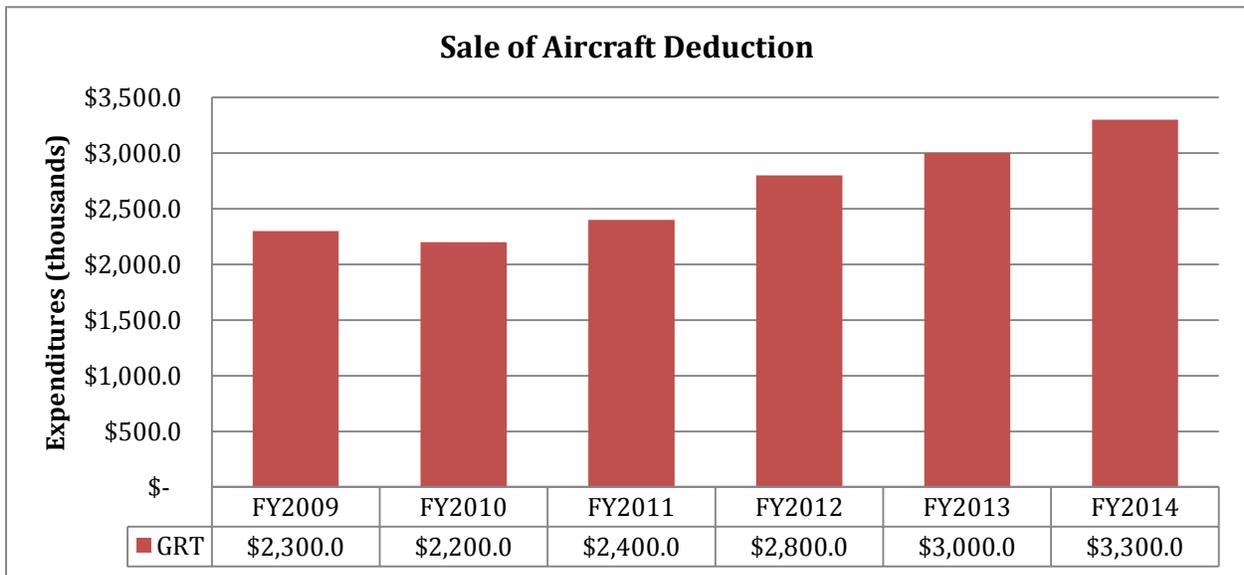
History: Originally enacted in 1969 and amended in 1975, 1998, 2000, 2007, and 2014 (the amendment was unrelated to this tax expenditure).

Evaluation: None.

Recommendations: None.

Reliability Factor: 4 – No direct data exists with which to estimate the impact of this deduction. The Aerospace Industries Association estimates that nation-wide 2014 sales of civil aircraft will reach about \$72 billion. The New Mexico amount is estimated as a portion of the national figure.

Fiscal Impact:



SALE OF AIRCRAFT PARTS AND SERVICES DEDUCTION FROM GRT

Brief Description: Receipts from selling aircraft parts or maintenance services for aircraft or aircraft parts is deductible from gross receipts.

Statutory Basis: 7-9-62C NMSA 1978

Intended Purpose: Presumably to incentivize the development of the aircraft industry in New Mexico.

History: The section was originally enacted in 1969 and amended in 1975, 1998, 2000, and 2007.

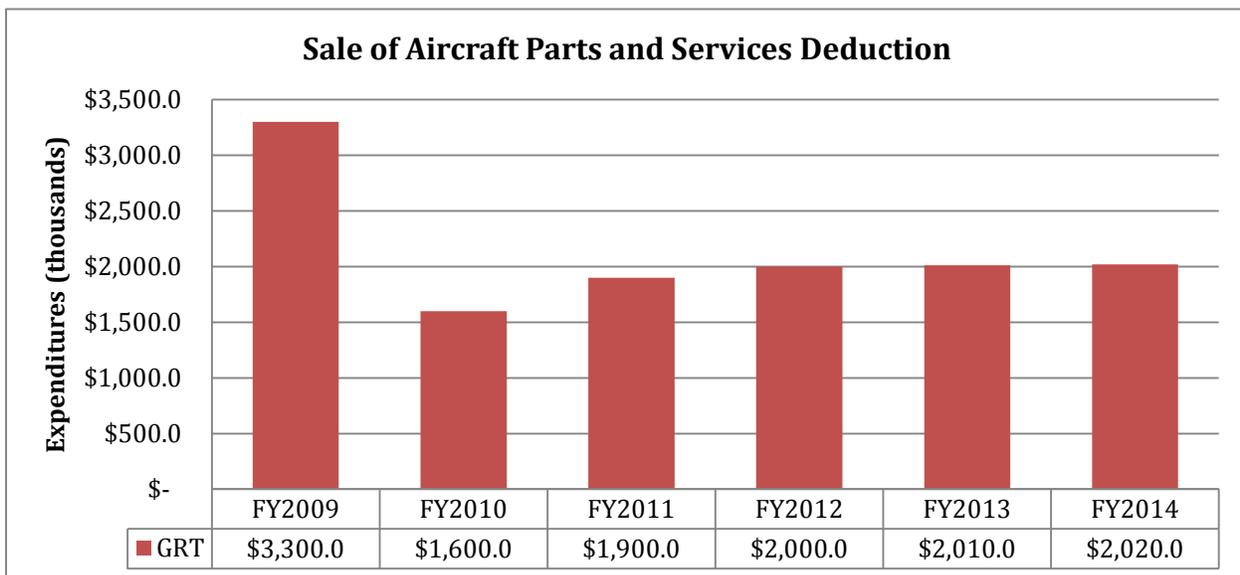
Amended in 2014 to expand the deduction to allow anyone who sells aircraft parts or maintenance services for aircraft or aircraft parts to take the deduction.

Evaluation: With the recent changes to this deduction potentially adding a significant amount to the taxpayer benefit, having not taken effect in the time period covered by this report, an evaluation of this deduction will be more meaningful in subsequent reports.

Recommendations: None.

Reliability Factor: 2 - Taxpayer reported gross receipts deductions reported by taxpayers classified as Support for Air Transportation were used to estimate the impact of this deduction. All deductions reported by the selected sectors were assumed to result from this deduction.

Fiscal Impact:



SALE OF AEROSPACE SERVICES FOR THE US AIR FORCE DEDUCTION FROM GRT

Brief Description:	Receipts from aerospace research and development services sold or for resale to an organization for resale to the US, other than a national laboratory, are deductible from gross receipts.
Statutory Basis:	7-9-54.1 NMSA 1978
Intended Purpose:	To incentivize the US Air Force to relocate the space systems division to NM.
History:	Originally enacted in 1992.
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	No data is available to estimate the fiscal impact.
Fiscal Impact:	Unknown.

SALE OF FOOD AT RETAIL FOOD STORES DEDUCTION FROM GRT AND HOLD HARMLESS DISTRIBUTION

Brief Description: Receipts from qualifying food sales at retail food stores as defined under the federal food stamp program are deductible from gross receipts.

The deduction is required to be separately-stated by the taxpayer.

Enacted with the originating statute were provisions that the revenues of municipal and county governments would be held harmless from the deduction.

Statutory Basis: 7-9-92 and 7-1-6.46 NMSA 1978

Intended Purpose: Presumably to make the cost of food less expensive.

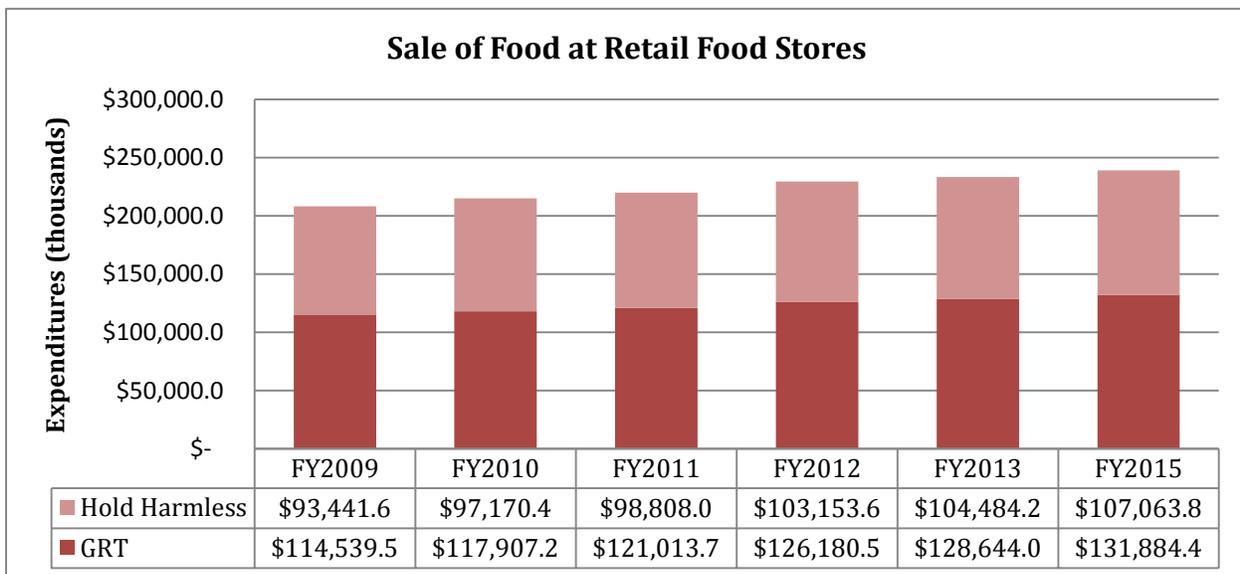
History: Originally enacted in 2004.

Evaluation: As is evidenced by the size of the GRT deduction, this is reducing the costs of food. Because of the Hold Harmless provision and the loss of the revenue which has been made up through other tax burdens, this reduction comes at a significant cost to both the general fund and the very taxpayers it is benefitting. As an anti-poverty measure, a blanket deduction of all food sales from gross receipts is not the most efficient method.

Recommendations: None.

Reliability Factor: 1 - This deduction is separately reported. No estimation is required.

Fiscal Impact:



SALE OF SOFTWARE DEVELOPMENT SERVICES DEDUCTION FROM GRT

Brief Description: Receipts from the sale of software development services that are performed in a rural area (defined as everywhere except an incorporated municipality with a population of more than 50,000) by an eligible software company are deductible from gross receipts.

Statutory Basis: 7-9-57.2 NMSA 1978

Intended Purpose: To stimulate new business development in rural areas.

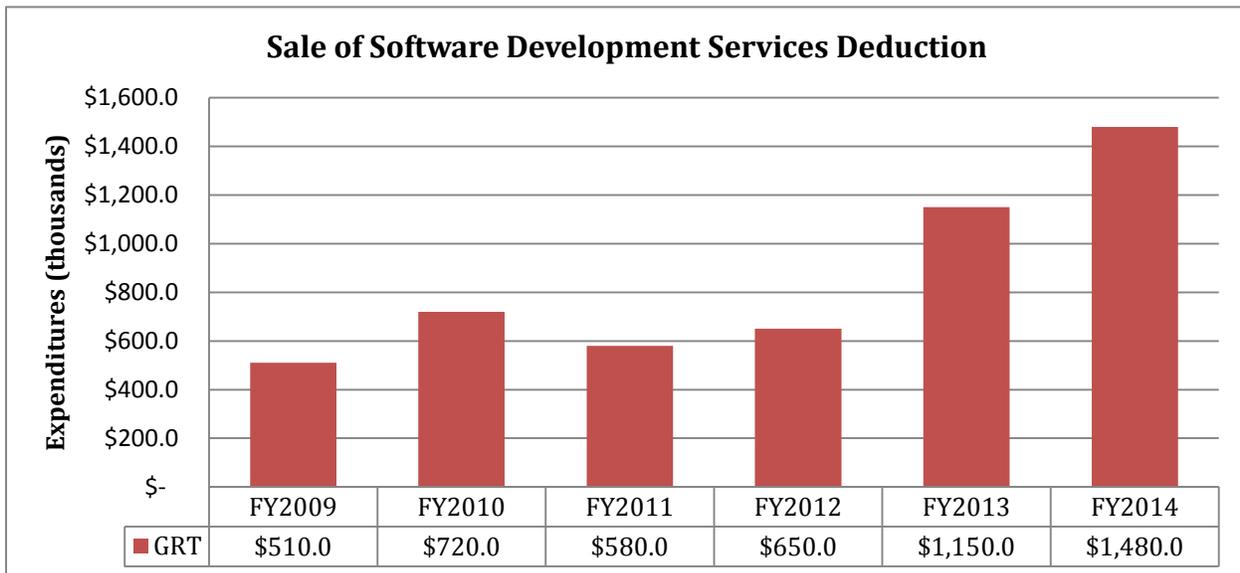
History: Originally enacted in 2002.

Evaluation: It is impossible to say with any certainty whether this deduction is the cause of any expansion in the targeted locations and industries, but the amount of the applicable deductions has increased significantly in recent years.

Recommendations: None.

Reliability Factor: 2 - Gross receipts deductions for taxpayers classified as software publishers and computer programmers reported outside of incorporated municipalities are assumed to fall into this category; calculated using the statewide average rate.

Fiscal Impact:



SALE OF TEXTBOOKS IN CERTAIN BOOKSTORES EXEMPTION FROM GRT

Brief Description: Receipts of certain bookstores from selling textbooks and other materials required for courses at a public post-secondary educational institution to a student enrolled at the institution are exempt.

Statutory Basis: 7-9-13.4 NMSA 1978

Intended Purpose: Presumably to reduce the cost of educational materials to those attending higher educational institutions.

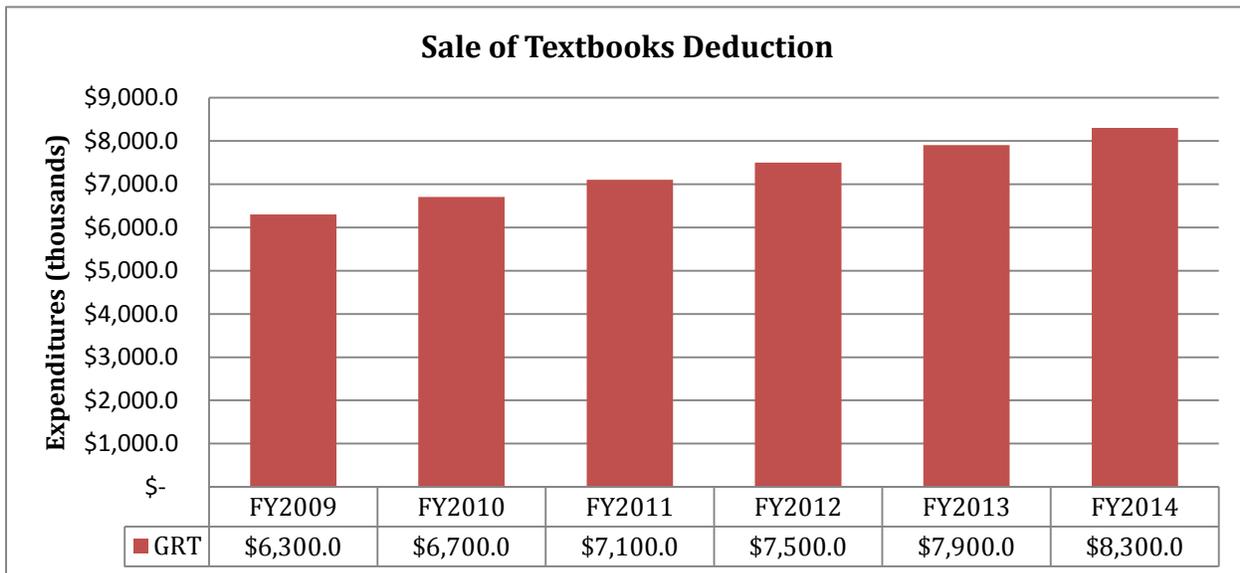
History: Originally enacted in 2002.

Evaluation: While the cost of books is only one component of the overall cost of a college education, the exemption is providing some relief.

Recommendations: Address the disparate treatment of similarly-situated taxpayers by expanding the exemption so that it is not limited to bookstores located on the campus of a post-secondary education institution.

Reliability Factor: 4 - The textbook component of the estimated cost of attendance data for major New Mexico public universities were used to estimate the impact of this exemption

Fiscal Impact:



SALES TO NONPROFIT ORGANIZATIONS DEDUCTION FROM GRT AND GGRT

Brief Description: Receipts from selling tangible personal property to 501(c)(3) organizations for use in their tax exempt functions, and receipts from the sale of construction materials to a 501(c)(3) organization organized for the purpose of providing homeownership opportunities to low-income families are deductible from GRT and GGRT.

Statutory Basis: 7-9-60 NMSA 1978

Intended Purpose: Presumably to subsidize the activities of certain types of non-profit entities.

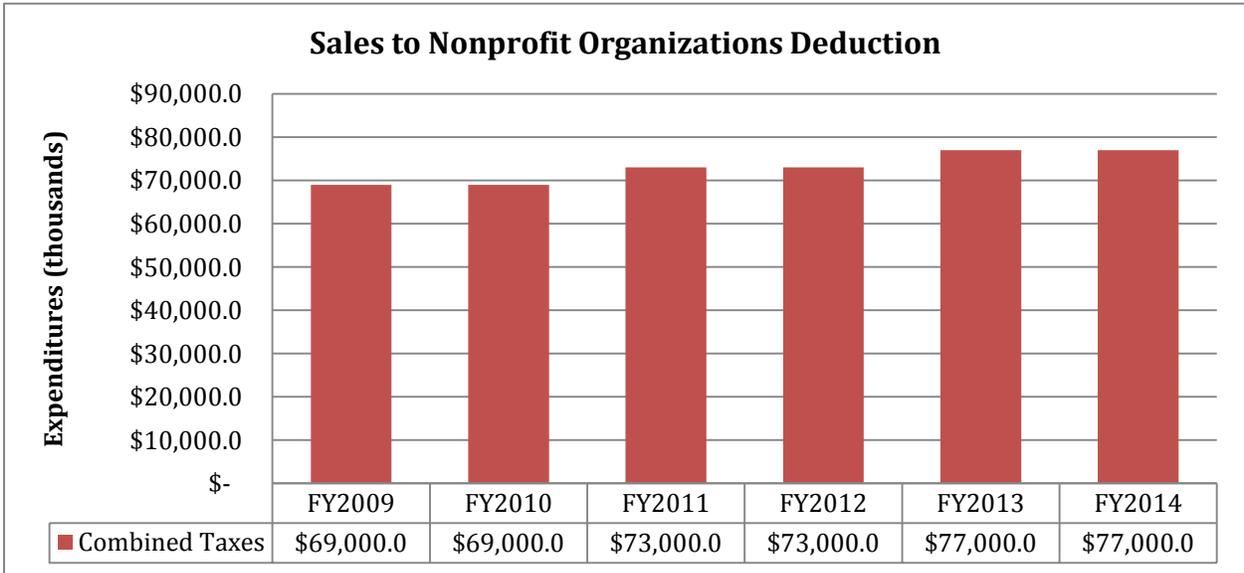
History: Originally enacted in 1970.

Evaluation: This tax expenditure represents a conscious decision to provide government support to nonprofit entities in the form of reduced tax burden.

Recommendations: None.

Reliability Factor: 4 - There is no direct data with which to estimate the impact of this deduction. The National Center for Charitable Statistics reports that nationally in 2013 private charities reported about \$1.6 trillion in expenses to about \$1.7 trillion in income. Assuming the same proportions for the \$2.4 billion in revenue reported in New Mexico in the same period, and that 50 percent of that would have been spent on tangible personal property otherwise subject to gross receipts tax, the size of the deduction would be about \$1.1 billion in gross receipts.

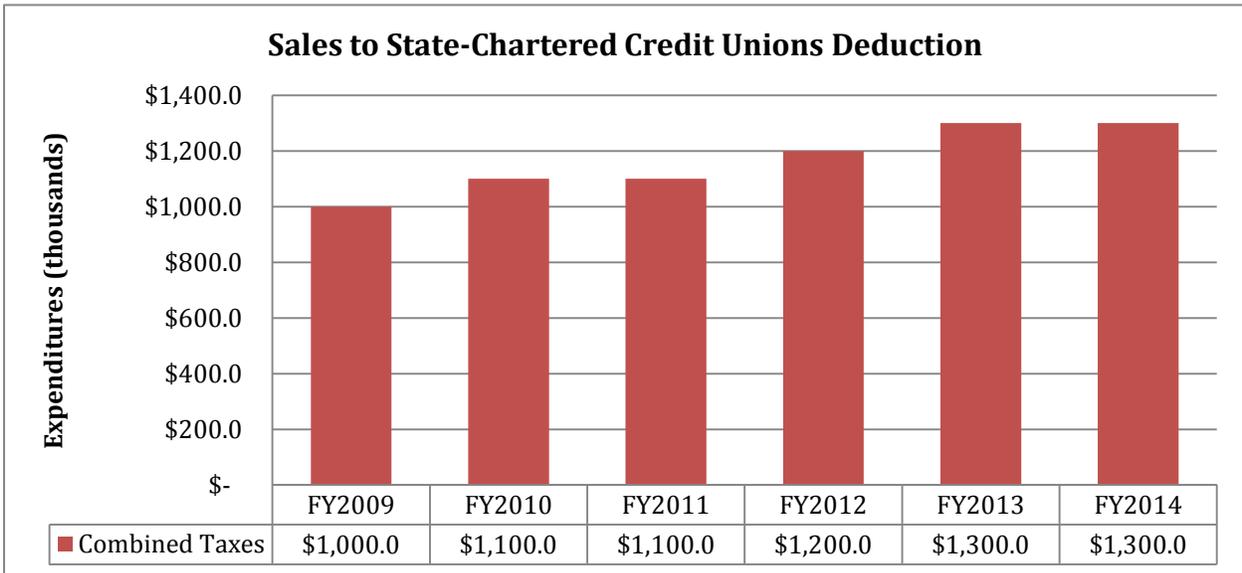
Fiscal Impact:



SALES TO STATE-CHARTERED CREDIT UNIONS DEDUCTION FROM GRT AND GGRT

- Brief Description:** Receipts from selling TPP to state-chartered credit unions are deductible from gross receipts to the same extent that receipts from the sale of TPP to federal credit unions are deductible.
- Statutory Basis:** 7-9-61.2 NMSA 1978
- Intended Purpose:** Presumably to provide equitable tax treatment between federally-chartered credit unions and state-chartered credit unions.
- History:** Originally enacted in 2000.
- Evaluation:** This deduction may include some transactions that would be taxable for federally-chartered credit unions.
- Recommendations:** None.
- Reliability Factor:** 3 - According to the Regulation and Licensing Department's Financial Institutions Division, there were 23 state chartered credit unions in New Mexico as of 12/31/2013, with "Total Other Operating Expenses" totaling \$37 million. Half of this is assumed to be related to the purchase of tangible personal property.

Fiscal Impact:



SALES TO TAX-EXEMPT ENTITIES DEDUCTION AGAINST PROCESSORS TAX COMPONENT OF RESOURCES EXCISE TAX

Brief Description: The Resources Excise Tax is made up of three different components: 1) the Resources Tax, 2) the Processors Tax, and 3) the Service Tax.

In calculating the taxable value of severed natural resources, producers may deduct the value of sales to tax-exempt organizations against the Processors Tax component of the Resources Excise Tax.

Statutory Basis: 7-25-3I and 7-25-5A NMSA 1978

Intended Purpose: Presumably to subsidize the activities of tax-exempt organizations who use natural resources in the conduct of their tax-exempt functions.

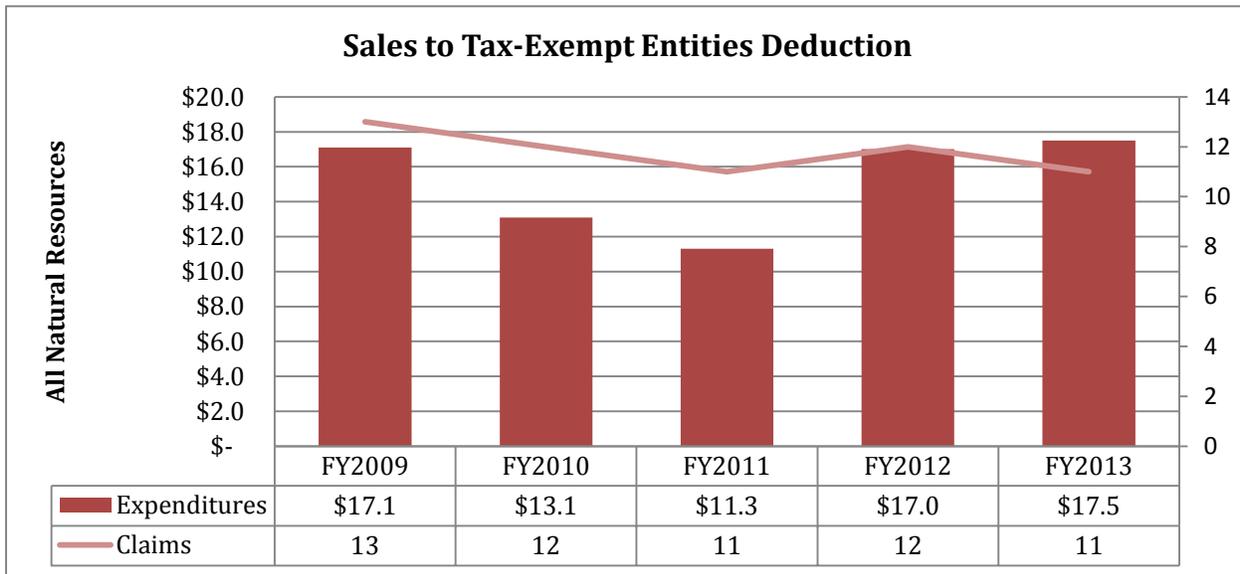
History: Originally enacted in 1985 and amended in 1999.

Evaluation: None.

Recommendations: None.

Reliability Factor: 3 - Only sales to tax-exempt entities are expenditures. These deductions are not reported separately, so we assume 1/3 deductions came from sales to tax-exempt entities.

Fiscal Impact:



SALES TO TAX-EXEMPT ENTITIES DEDUCTION AGAINST RESOURCES TAX COMPONENT OF RESOURCES EXCISE TAX

Brief Description: The Resources Excise Tax is made up of three different components: 1) the Resources Tax, 2) the Processors Tax, and 3) the Service Tax.

In calculating the taxable value of severed natural resources, producers may deduct the value of sales to tax-exempt organizations against the Resources Tax component of the Resources Excise Tax.

Statutory Basis: 7-25-3I and 7-25-4A NMSA 1978

Intended Purpose: Presumably to subsidize the activities of tax-exempt organizations who use natural resources in the conduct of their tax-exempt functions.

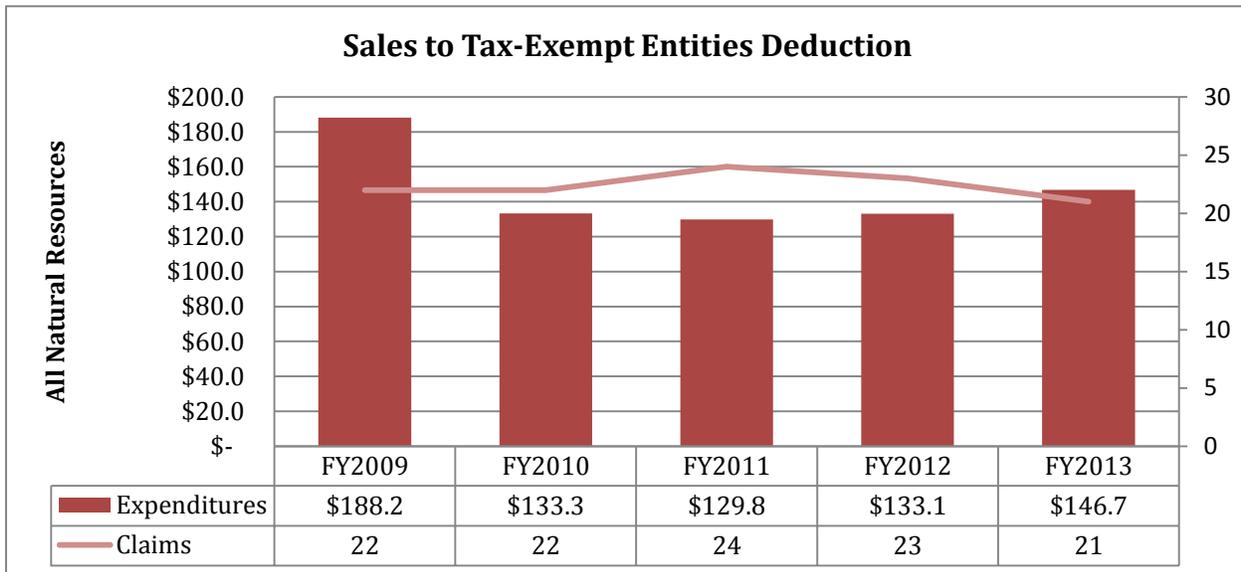
History: Originally enacted in 1966 and amended in 1999.

Evaluation: None.

Recommendations: None.

Reliability Factor: 3 - Only sales to tax-exempt entities are expenditures. These deductions are not reported separately, so we assume 1/3 deductions came from sales to tax-exempt entities.

Fiscal Impact:



SOLAR ENERGY SYSTEMS DEDUCTION FROM GRT

Brief Description: Receipts from the sale or installation of solar energy systems are deductible from gross receipts.

Statutory Basis: 7-9-112 NMSA 1978

Intended Purpose: Presumably to incentivize the installation of solar energy systems.

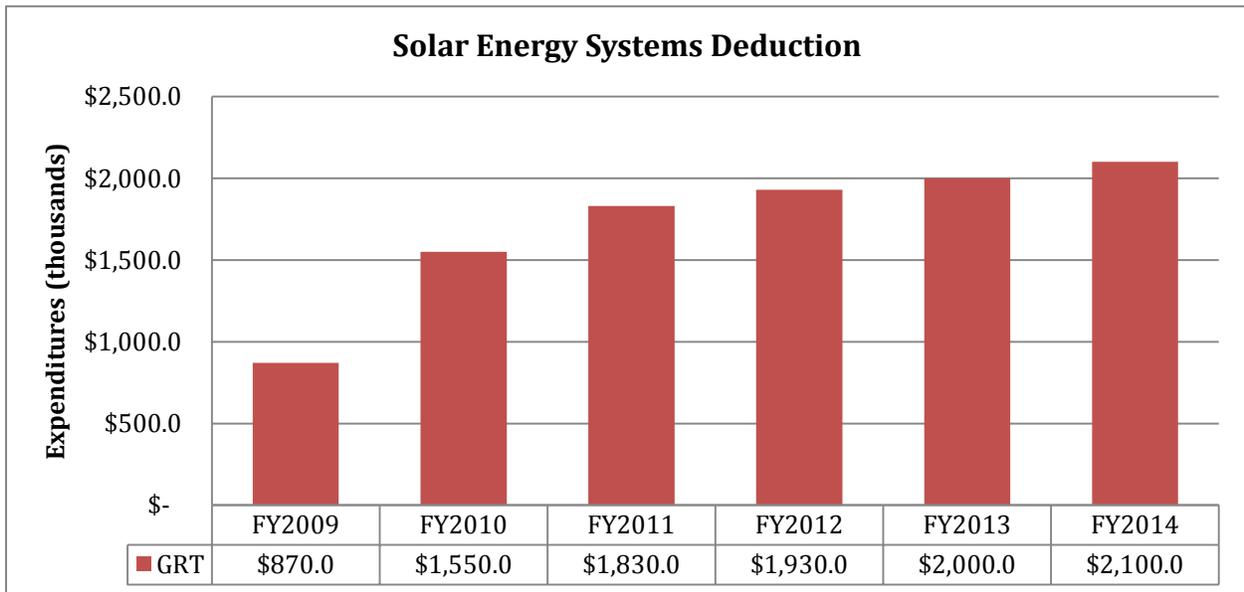
History: Originally enacted in 2007.

Evaluation: Slowed growth in tax year 2012 may indicate a market reaching maturity, but existing data is not sufficient to make any substantive evaluation.

Recommendations: None.

Reliability Factor: 3 - In the absence of direct data, the Solar Market Development Credit is used as a proxy to estimate the size of this deduction. Average growth rates used to estimate 2013 and 2014 impacts.

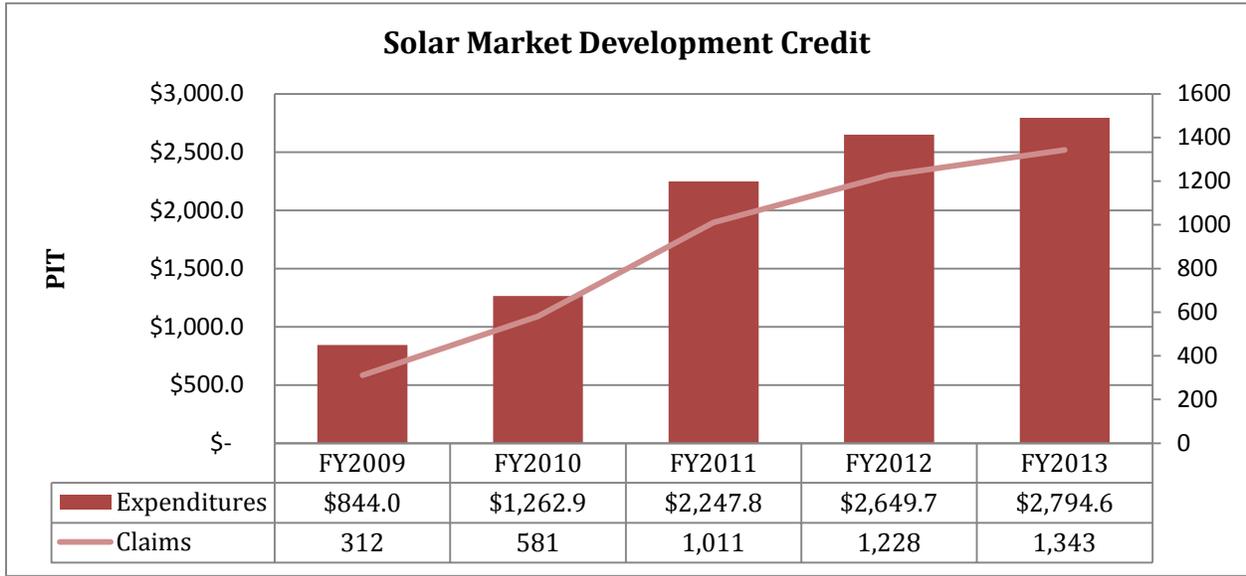
Fiscal Impact:



SOLAR MARKET DEVELOPMENT CREDIT AGAINST PIT

- Brief Description:** After January 1, 2006 but before December 31, 2016, taxpayers who purchase and install a solar thermal system or a photovoltaic system in a residence, business, or agricultural enterprise that they own in New Mexico may apply for a solar market development tax credit of up to 10% of the purchase and installation cost of the system against their PIT.
- The credit shall not exceed \$9,000.
- The maximum aggregate amount of credits allowed in any year is \$2 million for solar thermal systems and \$3 million for photovoltaic systems.
- The credit is not refundable but may be carried forward for up to ten years.
- Statutory Basis:** 7-2-18.14 NMSA 1978
- Intended Purpose:** Presumably to subsidize the solar industry by paying for a portion of the purchase and installation costs of solar systems in New Mexico.
- History:** Originally enacted in 2006.
- Amended in 2009 to reduce the credit from 30% to 10% and remove the cumulative federal and state cap of 30%.
- Evaluation:** A plausible explanation for the steady increase in the number and size of claims is that the solar market is beginning to mature, potentially to the point where the subsidy will soon no longer be necessary.
- Recommendations:** Further study to better understand the maturity level of this industry.
- Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



SPACEPORT-RELATED ACTIVITIES DEDUCTION FROM GRT

Brief Description: Deductible from gross receipts are receipts from:

- (1) launching, operating or recovering space vehicles or payloads;
- (2) preparing a payload;
- (3) operating a spaceport; or
- (4) providing research, development, testing, and evaluation services for the U.S. Air Force Operationally Responsive Space Program.

Statutory Basis: 7-9-54.2 NMSA 1978

Intended Purpose: Presumably to encourage the development of the space industry in New Mexico.

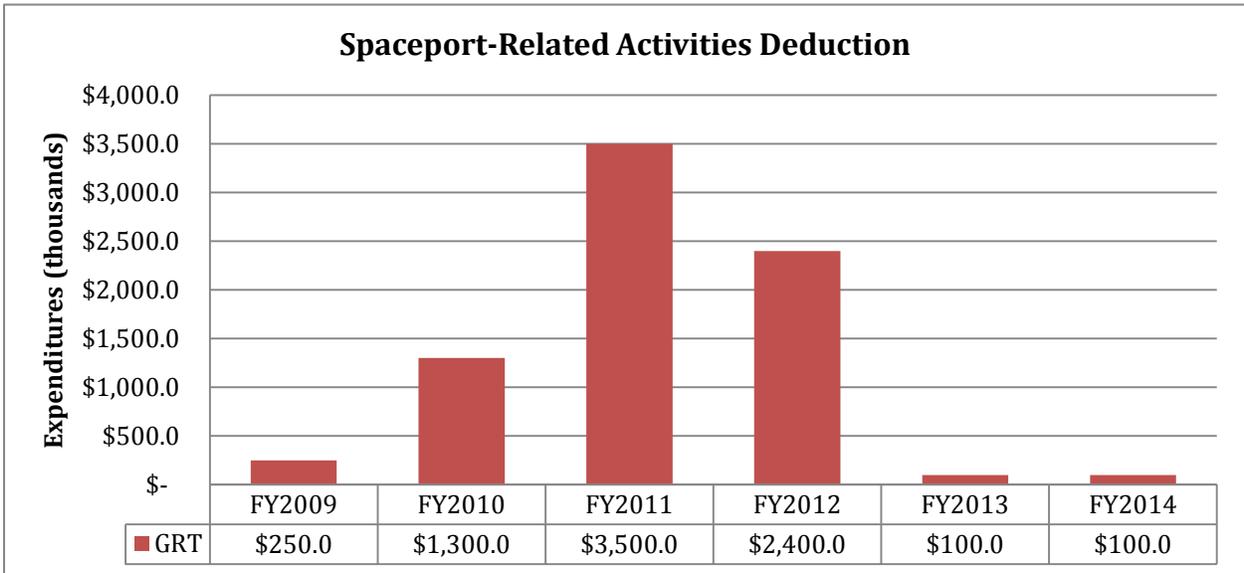
History: Originally enacted in 1995 and amended in 1997, 2001, 2003, and 2007.

Evaluation: In FY2011 and FY2012 there was significant construction activity at the Spaceport.

Recommendations: None.

Reliability Factor: 4 - New Mexico Spaceport Authority annual report data was used to estimate the impact of this deduction. This excludes any receipts from providing services to the Operationally Responsive Space Program, which were unavailable, and so should be considered an absolute minimum impact.

Fiscal Impact:



SPACE-RELATED TEST ARTICLES DEDUCTION FROM COMPENSATING TAX

Brief Description:	The value of space-related test articles used in New Mexico exclusively for research or testing, placing on public display after research, testing, or storage for future research testing, or public display and the value of equipment and materials used in New Mexico for research or testing, or for supporting the research or testing of space-related test articles, or for storage of such equipment or materials for research or testing, or supporting the research and testing of space-related test articles is deductible in computing Compensating Tax due.
Statutory Basis:	7-9-54.4 NMSA 1978
Intended Purpose:	Presumably to incentivize the development of the space industry in New Mexico.
History:	Originally enacted in 2003.
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	No data is available to estimate the fiscal impact.
Fiscal Impact:	Unknown.

SPECIAL FUEL AND DYED DIESEL DEDUCTION FROM GRT

Brief Description: Receipts from the sale of special fuel consisting of at least 99% vegetable oil or animal fat are deductible.

Statutory Basis: 7-9-113 NMSA 1978

Intended Purpose: Presumably to avoid double taxation as the fuel must be subject to the Special Fuel Excise Tax.

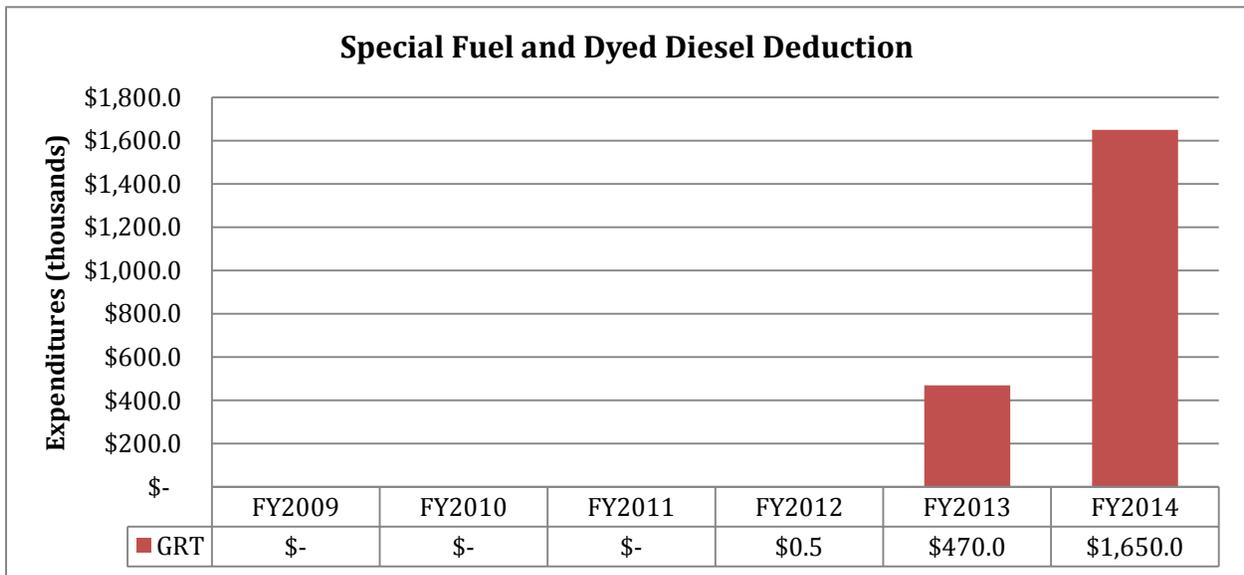
History: Originally enacted in 2009 with a delayed repeal of July 1, 2014.

Evaluation: Repealed. Senate Bill 160 (2013) took effect in May 2013 adding biodiesel and blended biodiesel to the Special Fuels tax statute definitions. As a result, taxpayers began to report fuel containing at least 99% vegetable oil or animal fat in greater amounts beginning in June of FY13.

Recommendations: None.

Reliability Factor: 3 - Gallons deducted from special fuels tax under 7-16A-10H NMSA 1978 multiplied by average diesel prices less CFT and then multiplied by the statewide average GRT rate were used to estimate this deduction.

Fiscal Impact:



SPECIAL NEEDS ADOPTED CHILD CREDIT AGAINST PIT

Brief Description: A taxpayer who has adopted a special needs child (an individual certified as a "difficult to place child") may claim a credit against PIT in the amount of \$1,000.

If the amount of credit due to a taxpayer exceeds the taxpayer's PIT liability, the excess is refunded.

Statutory Basis: 7-2-18.16 NMSA 1978

Intended Purpose: Presumably to provide tax relief for those who have adopted special needs child.

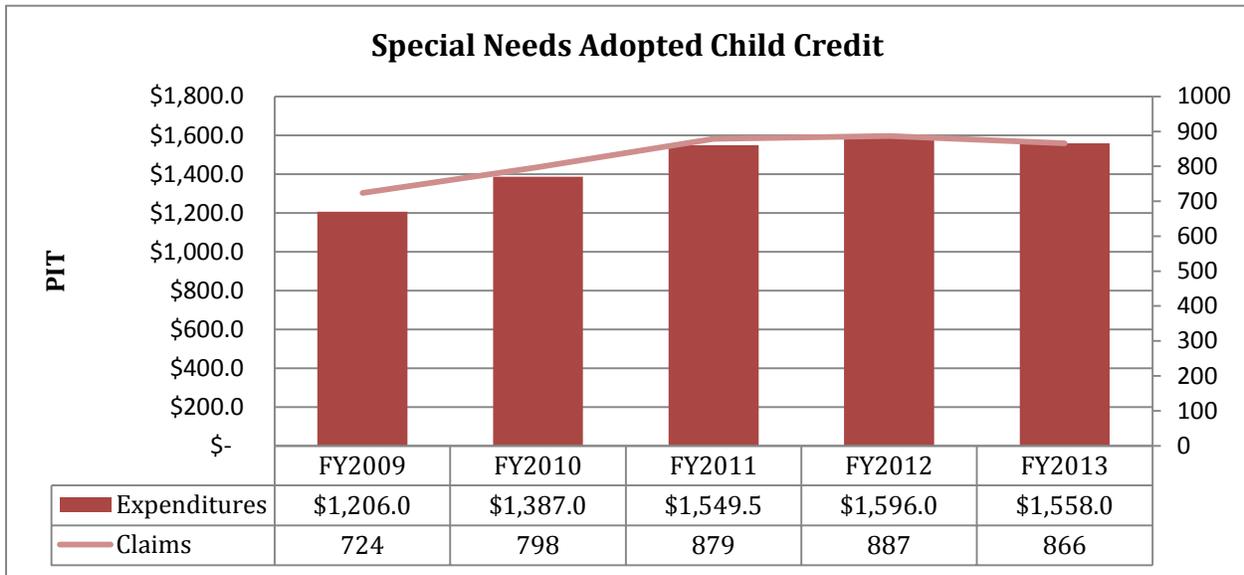
History: Originally enacted in 2007.

Evaluation: None.

Recommendations: None.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



SUSTAINABLE BUILDING CREDIT AGAINST PIT AND CIT

Brief Description: Until December 31, 2016, a taxpayer may claim a credit against PIT and CIT for investments in constructing or renovating sustainable residential or commercial buildings that meet specific “green” building standards.

The amount of the credit that may be claimed ranges from \$0.70 per square foot to \$9.00 per square foot depending on the square footage of the building, the type of building, and the certification level the building has achieved in the LEED green building rating system.

For credits that are less than \$100,000, a maximum of \$25,000 will be applied against the taxpayer’s liability each year as needed; for credits of \$100,000 and more, a maximum of 25% will be applied against the taxpayer’s liability each year.

The credit is not refundable but may be carried forward up to seven years.

Statutory Basis: 7-2-18.19 and 7-2A-21 NMSA 1978

Intended Purpose: To encourage the construction of sustainable buildings and the renovation of existing buildings into sustainable buildings.

History: Originally enacted in 2007 and amended in 2009.

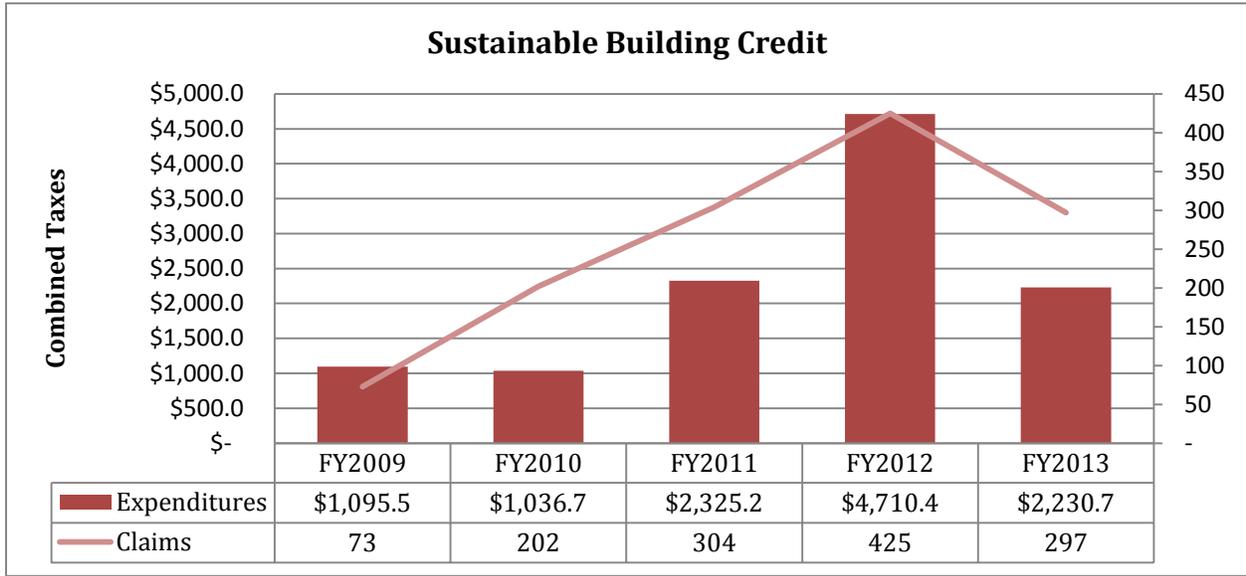
Amended in 2013 to extend the sunset, change the aggregate cap from \$5 million to \$1 million with respect to commercial buildings and from \$5 million to \$4 million with respect to residential buildings, and establish thresholds for how much of the credit can be claimed in each year.

Evaluation: According to EMNRD, the credit has reached its cap in FY15 and FY16. In the 12-month period through October 2013, EMNRD received, reviewed, and processed 1,078 applications comprising 2.7 million square feet of floor area: six commercial buildings of 663,970 square feet; 216 multifamily housing units of 201,763 square feet; 67 manufactured homes of 111,082 square feet; and 795 single-family homes of 1,787,047 square feet. The construction of these new homes and commercial buildings that meet ENERGY STAR, LEED, or Build Green New Mexico standards, have provided jobs in 22 counties.

Recommendations: Lower the credit that may be claimed per square foot for each building type and certification level to enable more taxpayers to take advantage of the credit without expanding the State’s liability.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



TAX STAMPS RATE DIFFERENTIAL IN CIGARETTE TAX

Brief Description: TRD sells tax stamps at their face value to distributors of cigarettes. Unless the face value of tax stamps sold in a single sale is less than \$1,000, a discount of 0.55% is applied for the first \$30,000 of stamps purchased in one calendar month; for the next \$30,000 of stamps purchased in that month, a discount of 0.44% is applied; and for any stamps purchased in excess of \$60,000, a discount of 0.27% is applied.

Statutory Basis: 7-12-7D NMSA 1978

Intended Purpose: Presumably, this section was included as way to provide a scaled increase in the price of stamps; rather than providing for a floor with increases at certain thresholds, it provides a ceiling with decreases at certain thresholds. By writing it this way it technically meets the definition of a tax expenditure but it is not certain that it was intended to be one.

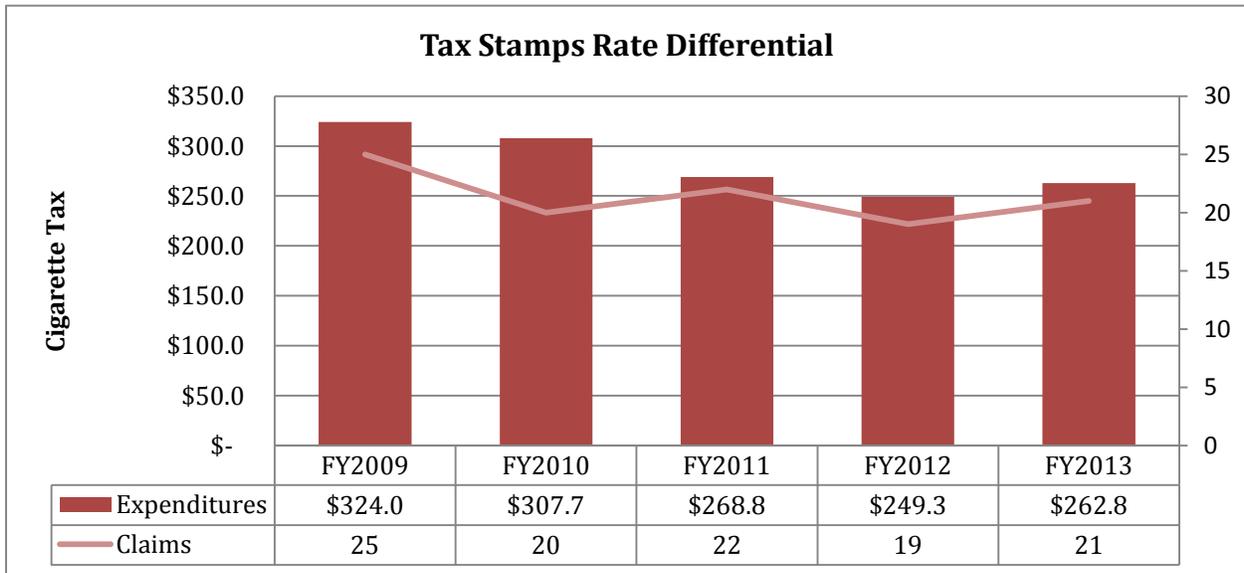
History: Originally enacted in 1943 and amended in 1947, 1949, 1953, 1963, 1968, 1970, 1971, and 1988, 2006, and 2010.

Evaluation: None.

Recommendations: None.

Reliability Factor: 1 - The discounted amount is reported separately. No estimation is required.

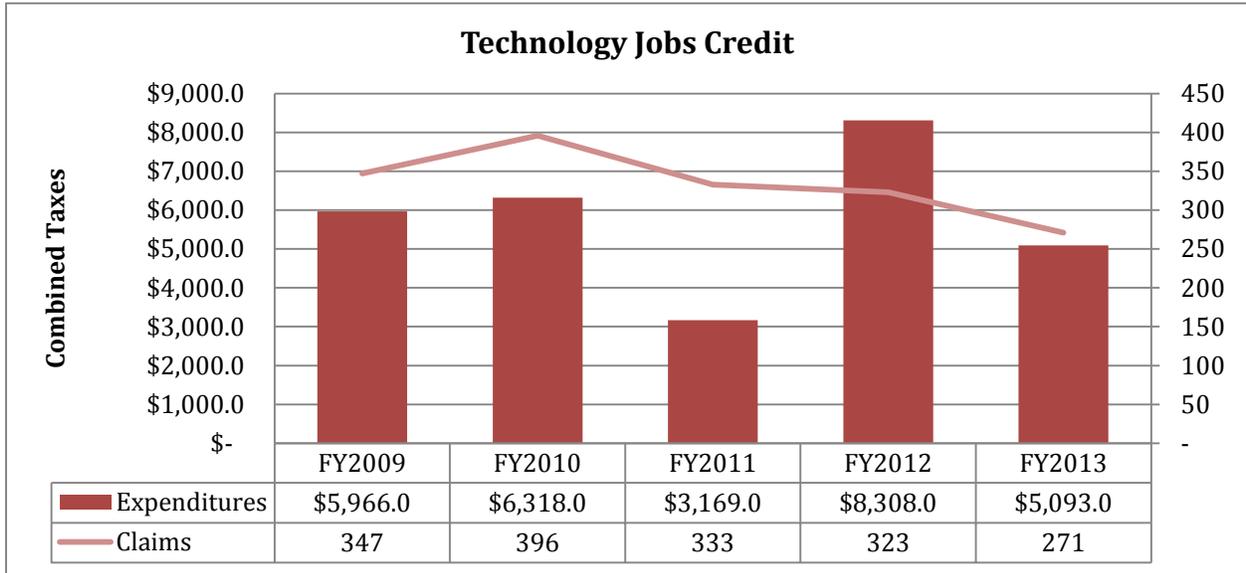
Fiscal Impact:



**TECHNOLOGY JOBS
CREDIT AGAINST GRT, COMPENSATING TAX, WITHHOLDING TAX,
PIT, OR CIT**

- Brief Description:** A taxpayer who conducts qualified research and development at a facility in New Mexico, except at a facility operated for the U.S. government, may claim a basic credit equal to 4% of qualified expenditures (this is doubled to 8% when the qualified facility is in a rural area) against GRT, Compensating, or Withholding Tax.
- The taxpayer may qualify for an additional 4% credit against the PIT and CIT liability by raising its in-state payroll \$75,000 for every \$1 million in qualified expenditures claimed. The minimum is \$75,000. This credit also doubles if the qualified facility is in a rural area.
- The credit is not refundable but may be carried forward as long as needed.
- Statutory Basis:** 7-9F NMSA 1978
- Intended Purpose:** To provide a favorable tax climate for technology-based businesses engaging in research, development and experimentation and to promote increased employment and higher wages in those fields in NM.
- History:** Originally enacted in 2000 (2nd Special Session).
- Evaluation:** Overall, the amount of this credit that has been taken and the number of claims has decreased.
- Recommendations:** Raise the value of the credit and make it refundable for small businesses so that the credit can act as a stimulant to qualifying research and development activities by these small businesses.
- Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



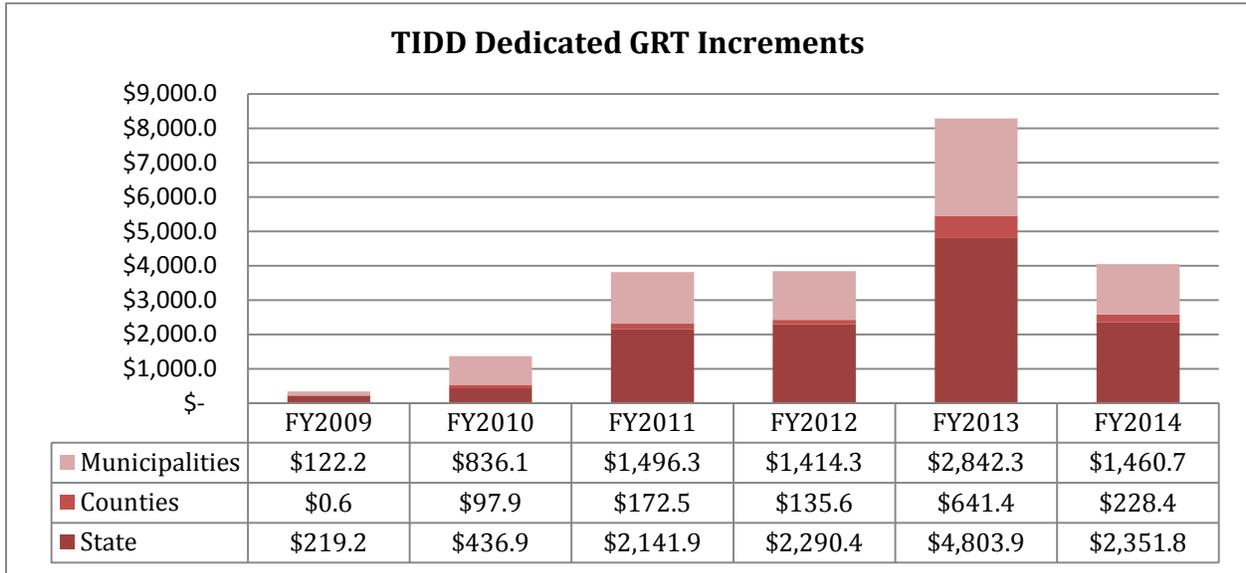
TEST ARTICLE DEDUCTION FROM COMPENSATING TAX

Brief Description:	The value of test articles upon which research or testing is conducted in New Mexico pursuant to a contract with the US Department of Defense is deductible in computing the Compensating Tax due. The deduction provided does not apply to the value of property purchased by a prime contractor operating a facility designated as a national laboratory by an act of Congress.
Statutory Basis:	7-9-54.5 NMSA 1978
Intended Purpose:	Presumably to help in the effort to retain US Air Force bases in New Mexico by allowing for the deduction of test articles upon which research or testing is conducted in New Mexico pursuant to a contract with the US Department of Defense.
History:	Originally enacted in 2004.
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	No data is available to estimate the fiscal impact.
Fiscal Impact:	Unknown.

TIDD DEDICATED INCREMENTS

Brief Description:	The state and local governments may dedicate a portion of their GRT increments and their property tax increments for use by a TIDD to fund eligible activities of the TIDD.
Statutory Basis:	5-15-15 NMSA 1978
Intended Purpose:	To create a mechanism for providing GRT financing and property tax financing for public infrastructure for the purpose of supporting economic development and job creation.
History:	<p>Originally enacted in 2006.</p> <p>Amended in 2009 to clarify that approval of the plan is by the governing body of the municipality or county within which the TIDD projects are proposed, to clarify that the deposit the petitioners put down may be reimbursed from the proceeds from the sale of bonds issued by the TIDD, to direct the governing body of the local government to notify TRD, DFA, and the LFC when a resolution is adopted, to add requirements for the content of the notice of hearing, and to clarify some administrative provisions.</p> <p>Amended in 2014 to create a mechanism for adjusting a base year one time.</p>
Evaluation:	TIDDs allow for state and local governments to contribute tax revenue to developments that are deemed to be mutually beneficial.
Recommendations:	Administratively, TIDDs require great care in the initial setup and baseline setting stage. If the baseline is set correctly from the start, taxpayer location misfiling issues are easily corrected through the net receipts process. Correcting an incorrectly set baseline requires extensive manual cleanup.
Reliability Factor:	1 - Distributions to TIDDs are reported separately. No estimation is required.

Fiscal Impact:



TRADE-IN ALLOWANCE DEDUCTION FROM GRT, MVX, AND LVG

Brief Description: Receipts from a trade-in of tangible personal property of the same type being sold are deductible from gross receipts; allowances granted for vehicle trade-ins is deductible from the price paid or the reasonable value of the vehicle purchased in calculating the MVX and the LVG.

Statutory Basis: 7-9-71, 7-14-4 and 7-14A-8 NMSA 1978

Intended Purpose: Presumably to avoid double taxation in the case of GRT and to reduce pyramiding in the case of the MVX and LVG.

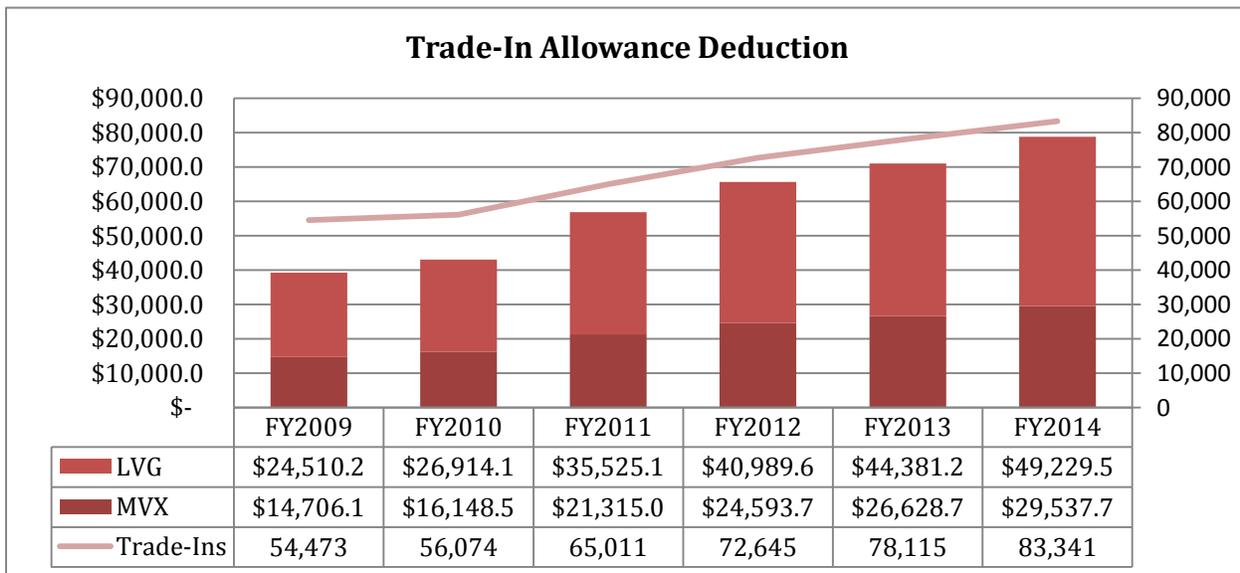
History: Originally enacted in 1969.

Evaluation: The gross receipts tax portion of this deduction may serve simply as clarification but has no fiscal impact. Sales of vehicles subject to registration are exempt from gross receipts tax under 7-9-22 NMSA 1978, because they are subject to MVX. If the vehicle were sold, rather than traded in, the buyer would pay the MVX and the seller would not pay GRT. When considered against the ordinary sale as a baseline case, there is no loss of GRT revenue, but there is a loss of MVX revenue.

Recommendations: None.

Reliability Factor: 1 - This deduction is separately reported. No estimation is required.

Fiscal Impact:



URANIUM DEDUCTION FROM OIL AND GAS CONSERVATION TAX

Brief Description: The taxable value of uranium under the oil and gas conservation tax is defined as 25% of the amount equal to the difference between the taxable value under the Resource Excise Tax and any royalties paid to Indian tribes, nations or pueblos. To arrive at a taxable value for uranium under the Resource Excise Tax, producers may deduct the value of sales to federal, state, or local governments or other tax-exempt organizations; service charges on which the Service Tax has been imposed; and state, federal, and Indian royalties.

Statutory Basis: 7-30-5C NMSA 1978

Intended Purpose: Presumably to incentivize uranium production.

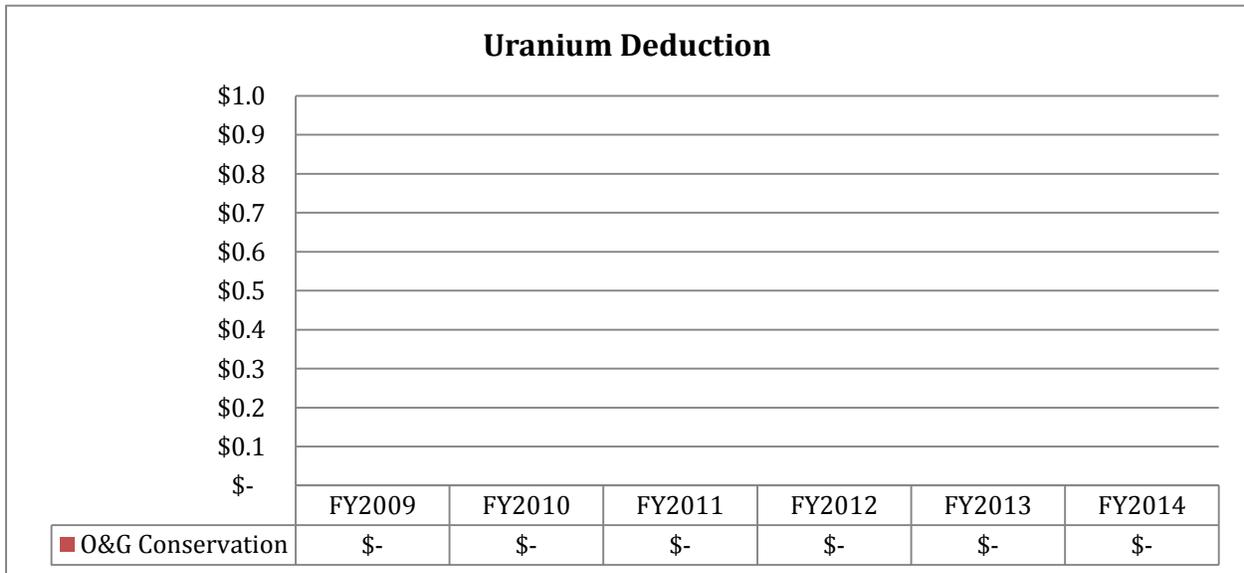
History: Originally enacted in 1959 and amended in 1975, 1977, 1980, 1985, and 2005.

Evaluation: The deduction reduces the taxable value of uranium compared with other minerals. There has been no uranium production reported in GenTax for the relevant years.

Recommendations: None.

Reliability Factor: 1 - There has been no uranium production reported in GenTax for the relevant years.

Fiscal Impact:



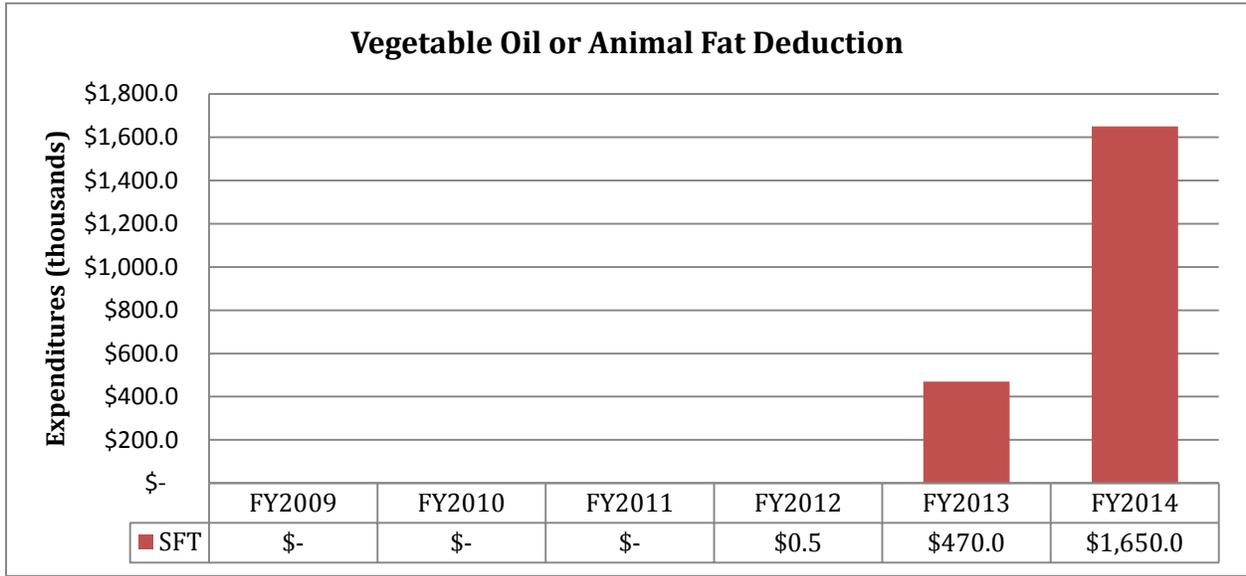
VEGETABLE OIL OR ANIMAL FAT DEDUCTION FROM SPECIAL FUEL EXCISE TAX

- Brief Description:** So long as the use is restricted to an auxiliary fuel system that is subject to a certificate of conformity pursuant to the federal Clean Air Act, special fuel received in New Mexico that, prior to July 1, 2014, consists of at least 99% vegetable oil or animal fat is deductible from the Special Fuel Excise Tax.
- Statutory Basis:** 7-16A-10H(1) NMSA 1978
- Intended Purpose:** Presumably to incentivize the purchase of special fuels consisting of at least 99% vegetable oil or animal fat.
- History:** Originally enacted in 2009.

Amended in 2013 to make it so that only that special fuel consisting of at least 99% vegetable oil or animal fat prior to July 1, 2014 is eligible for the deduction.
- Evaluation:** The 2013 amendment which was presumably attempting to put a sunset on the deduction, really only put a time restriction on the making of the special fuel. That is, as long as the special fuel consists of at least 99% vegetable oil or animal fat prior to July 1, 2014, it does not matter when it is received; it will still be deductible.

Senate Bill 160 (2013) took effect in May 2013 adding biodiesel and blended biodiesel to the Special Fuels tax statute definitions. As a result, taxpayers began to report fuel containing at least 99% vegetable oil or animal fat in greater amounts beginning in June of FY13.
- Recommendations:** Repeal. Assuming that the purpose of the 2013 amendment was to make the deduction unavailable after July 1, 2014, it did not accomplish that. This is yet another illustration of why it's better to repeal deductions, exemptions, and credits than to place sunsets on them.
- Reliability Factor:** 1 - This deduction is separately reported. No estimation is required.

Fiscal Impact:



VEHICLES TITLED BEFORE JULY 1, 1991 EXEMPTION FROM LVG

Brief Description: Receipts from leasing by the owner of vehicles that were acquired by the owner prior to July 1, 1991 are exempt from the LVG as long as the MVX was paid and a certificate of title was issued prior to July 1, 1991.

Statutory Basis: 7-14A-9 NMSA 1978

Intended Purpose: Presumably to avoid retroactivity of taxes on vehicles titled before the enactment date.

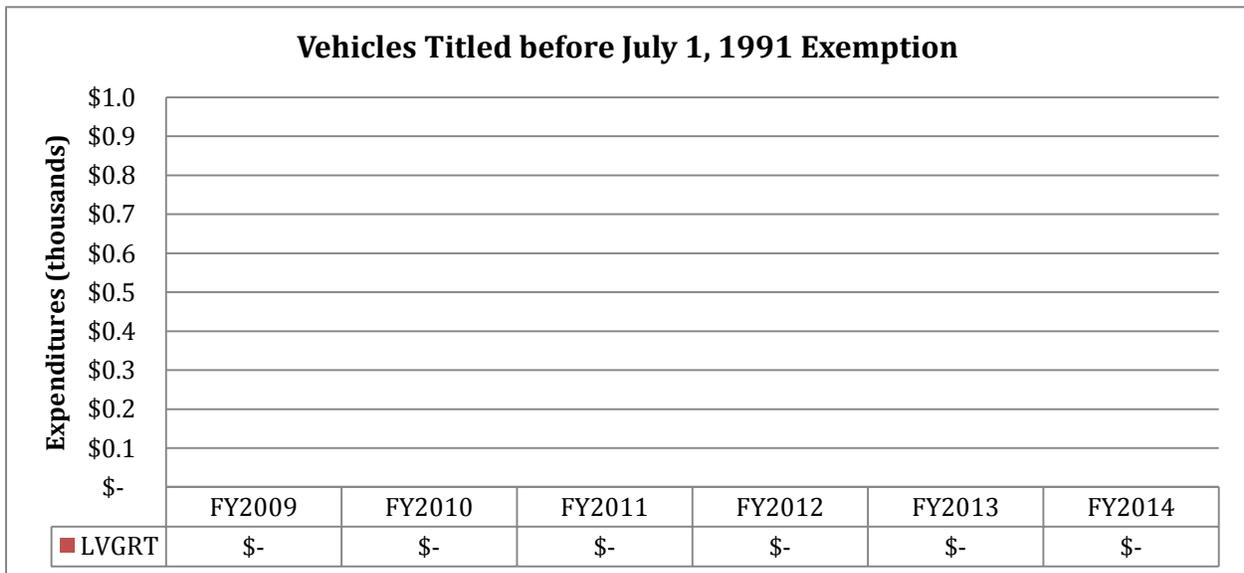
History: Originally enacted in 1991.

Evaluation: The majority of leases last 3 years and consumers usually lease brand new vehicles. The likelihood that someone would lease a 23 year old car is very low due to its age and high mileage unless they are being leased by the movie and television industry as vintage vehicles.

Recommendations: None.

Reliability Factor: 4 - TRD's internal database does not have records of vehicle leases which were titled before July 1, 1991.

Fiscal Impact:



VENTURE CAPITAL INVESTMENT CREDIT AGAINST PIT

Brief Description: A taxpayer may claim a credit against PIT liability equal to a capital gain tax differential (typically 50% of the federal income tax paid by the taxpayer on qualified diversifying business net capitals gains) if the taxpayer allocates the qualified diversifying business net capital gain to NM.

The credit is not refundable but may be carried forward as long as it takes to use it all.

Statutory Basis: 7-2D-8.1 NMSA 1978

Intended Purpose: Presumably to encourage strategic advances of the current business to facilitate explorations of potential new businesses.

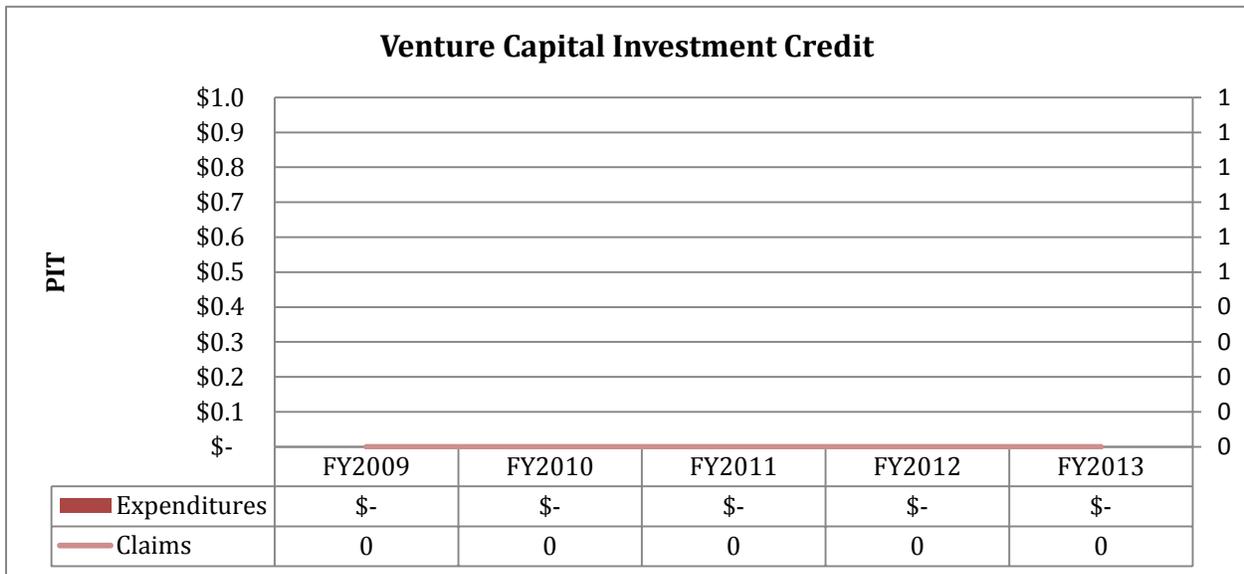
History: Originally enacted in 1995.

Evaluation: No one is taking the credit.

Recommendations: Repeal or fix.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



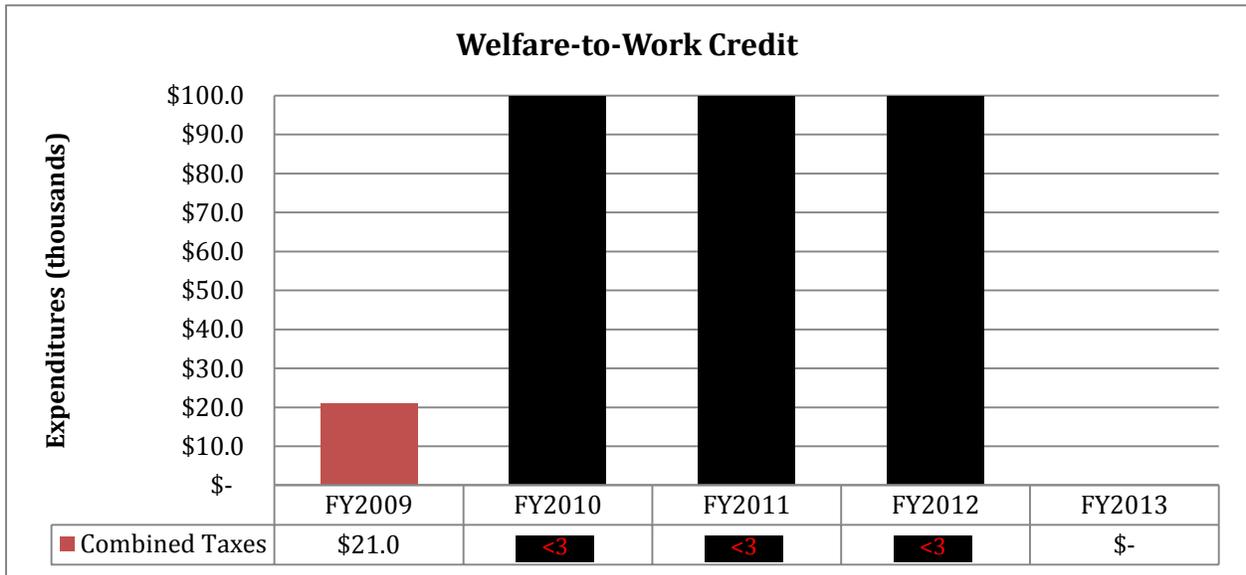
VETERAN EMPLOYMENT CREDIT AGAINST PIT AND CIT

Brief Description:	<p>A taxpayer who employs a qualified military veteran in New Mexico is eligible for a credit against the taxpayer's PIT and CIT liability in an amount up to \$1,000 of the gross wages paid during the taxable year for which the return is filed to each military veteran who is hired within two years of being honorably discharged, who works at least 40 hours per week, and who was not previously employed by the taxpayer prior to the deployment.</p> <p>The credit can only be claimed for one year per individual veteran.</p> <p>The credit is not refundable but may be carried forward for three years.</p>
Statutory Basis:	7-2-18.28 and 7-2A-27 NMSA 1978
Intended Purpose:	To encourage the full-time employment of qualified military veterans within two years of discharge from the armed forces of the United States.
History:	Originally enacted in 2012.
Evaluation:	The credit is virtually unused. Possible explanations are that taxpayers are unaware of the credit or the credit is too small to incentivize the hiring of qualified veterans.
Recommendations:	None.
Reliability Factor:	1 - This credit is separately reported. No estimation is required.
Fiscal Impact:	Because this credit is so new, there is virtually no data to report.

WELFARE-TO-WORK CREDIT AGAINST PIT AND CIT

- Brief Description:** Prior to January 1, 2008, certain businesses, located in mostly rural counties, that qualified for the federal Welfare-to-Work credit provided by 26 USC § 51A, may also have been eligible for the New Mexico Welfare-to-Work credit against PIT and CIT. Beginning January 1, 2008, 26 USC § 51A was repealed and a new federal work opportunity credit was established in its place. Employers who qualify for the new federal work opportunity credit will not qualify for the New Mexico credit.
- The credit may be carried forward for up to three years.
- Statutory Basis:** 7-2-18.5 and 7-2A-8.8 NMSA 1978
- Intended Purpose:** Presumably to encourage businesses to hire employees who have been long-term family assistance recipients and who reside in high-unemployment counties.
- History:** Originally enacted in 1998.
- Evaluation:** This credit has been very rarely used. Now that the federal program to which this credit was tied no longer exists, it will not be possible for a taxpayer to claim this credit except to the extent that a taxpayer either carried forward the credit or amended a return for activity that happened while the credit was still in effect. Presumably this accounts for the activity that has taken place since the credit expired.
- Recommendations:** Repeal. Because this credit is tied to a federal program that no longer exists, this credit has no effect.
- Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



WIND AND SOLAR GENERATION EQUIPMENT DEDUCTION FROM GRT

Brief Description:	Receipts from selling wind generation equipment or solar generation equipment to a government for the purpose of installing a wind or solar electric generation facility is deductible from gross receipts.
Statutory Basis:	7-9-54.3 NMSA 1978
Intended Purpose:	Presumably to incentivize the development of wind and solar energy sources.
History:	Originally enacted in 2002. Amended in 2010 to expand the deduction to include solar generation equipment.
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	No data is available to estimate the fiscal impact.
Fiscal Impact:	Unknown.

WORKING FAMILIES CREDIT AGAINST PIT

Brief Description: Individuals may claim a credit against PIT equal to 10% of their federal Earned Income Tax Credit (“EITC”).

The credit is refundable.

Statutory Basis: 7-2-18.15 NMSA 1978

Intended Purpose: Presumably to reduce the tax burden on working families making below \$51,567 (as defined by Internal Revenue Code).

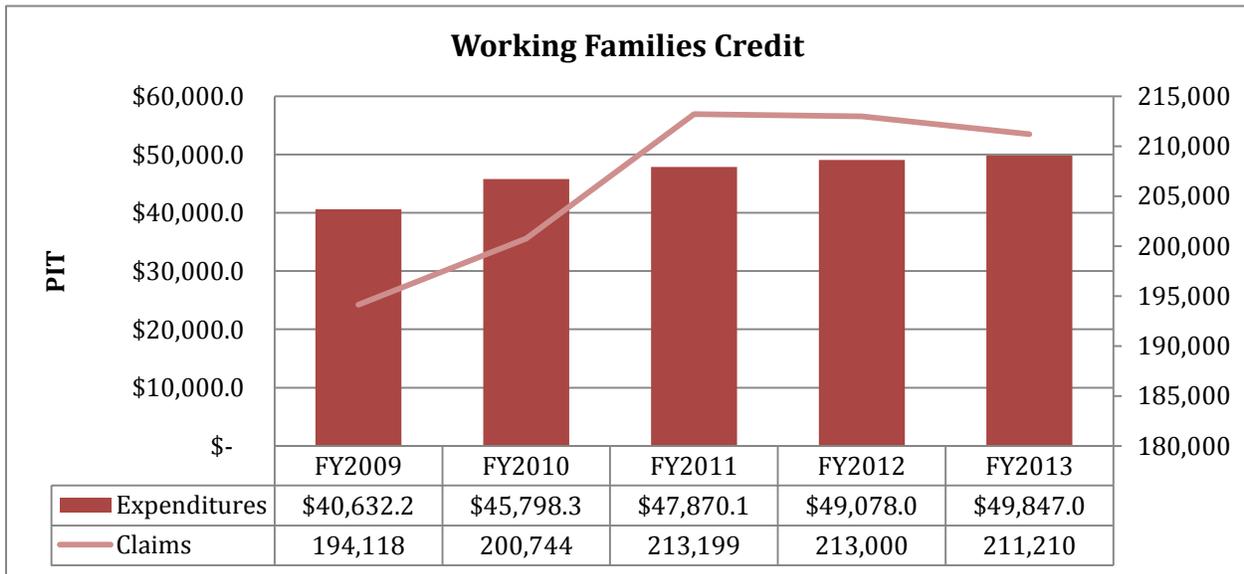
History: Originally enacted in 2007 and amended in 2008 (2nd SS).

Evaluation: None.

Recommendations: None.

Reliability Factor: 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:



NOT TAX EXPENDITURES

While almost anything with respect to tax expenditures can be debated, with respect to the following deviations from the tax code there is so little argument⁵ about them that we are comfortable classifying them as “Not Tax Expenditures”.

Many of these deviations fall into one of two broad categories: 1) reducing the effects of pyramiding or 2) reducing double taxation. One of the detrimental impacts of a GRT system is that, absent a deviation, external costs of production are taxed at the time the producer acquires them and then again when the producer sells the final product. When compared to a sales tax system, this makes the cost of a good or service more expensive even when all factors other than the type of tax system are equal. Many of the deductions in New Mexico’s GRT are designed to eliminate the taxation on the inputs so that the tax is only applied to the final product.

Furthermore, New Mexico policymakers have decided to use different tax structures to tax different activities (e.g., MVX for the sale of motor vehicles). Deviations from one structure when the activity is taxed under a different structure (e.g., GRT deduction for the sale of motor vehicles) prevent double taxation.

Several other deviations are in the code because of the federal preemption doctrine. Because states are prohibited from taxing the federal government, New Mexico would not be able to impose a tax in these cases regardless of whether the deviation was placed in the code or not. Putting it in simply provides some measure of clarity to the taxpayer and the Taxation and Revenue Department.

Information about this category is not specifically required by Executive Order 2011-071. However, we have included some descriptive information about them in order to give the reader a more complete picture of the New Mexico tax landscape.

⁵ Note that this is intentionally different from saying that “there is no argument”; judgment calls are an inherent feature of tax expenditure analysis and the economists at the Taxation and Revenue Department have used their best in determining what is and what is not a tax expenditure.

ACCREDITED DIPLOMATS AND MISSIONS DEDUCTION FROM GRT

- Brief Description:** Receipts from the sale or lease of property to, or from performing services for, accredited foreign missions or diplomats are deductible from gross receipts when required by a treaty to which the US Government is a signatory.
- Statutory Basis:** 7-9-89 NMSA 1978
- Intended Purpose:** Presumably to comply with the preemption doctrine.
- History:** Originally enacted in 1998.

ADMINISTRATIVE AND ACCOUNTING SERVICES DEDUCTION FROM GRT

- Brief Description:** Receipts of a business entity for administrative, managerial, accounting, and customer services performed by it for an affiliate upon a nonprofit or cost basis are deductible from gross receipts.
- Receipts of a business entity from an affiliate for the joint use or sharing of office machines and facilities upon a nonprofit or cost basis is deductible from gross receipts.
- Statutory Basis:** 7-9-69 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1969 and amended in 2002.

ACQUISITION OF VEHICLE FOR SUBSEQUENT LEASE EXEMPTION FROM MVX

- Brief Description:** A person who acquires a vehicle for subsequent lease is exempt from the MVX if:
- (1) the person does not use the vehicle in any manner other than holding it for lease or sale or leasing or selling it in the ordinary course of business;
 - (2) the lease is for a term of more than 6 months;
 - (3) the receipts from the subsequent lease are subject to GRT; and
 - (4) the vehicle does not have a gross vehicle weight of over 26,000 pounds.
- Statutory Basis:** 7-14-6F NMSA 1978
- Intended Purpose:** Presumably to prevent double taxation as a requirement is that the subsequent lease be subject to GRT.
- History:** The section was originally enacted in 1988. This subsection was added as an amendment to the section in 1994.

ACQUISITION OF VEHICLE MORE THAN 30 DAYS BEFORE MOVING TO NM EXEMPTION FROM MVX

- Brief Description:** A person who acquires a vehicle out of state thirty or more days before establishing a domicile in this state is exempt from the tax if the vehicle was acquired for personal use.
- Statutory Basis:** 7-14-6A NMSA 1978
- Intended Purpose:** Presumably to eliminate an unreasonable tax burden on non-residents relocating to New Mexico on personally owned and operated vehicles.
- History:** Originally enacted in 1988.

ATHLETIC FACILITY SURCHARGE EXEMPTION FROM GRT AND GGRT

- Brief Description:** Exempted from the GRT and from the Governmental GRT are the receipts of a university from an athletic facility surcharge imposed pursuant to the University Athletic Facility Funding Act.
- Statutory Basis:** 7-9-41.1 NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation. Because the University Athletic Funding Act allows a university to impose an athletic facility surcharge on products and services sold at or related to the facility, this exempts those things from the GRT and GGRT so that they are not taxed twice.
- History:** Originally enacted in 2007 as part of the University Athletic Facility Funding Act.

BAD DEBTS DEDUCTION FROM ITGRT

- Brief Description:** Refunds and allowances made to buyers of interstate telecommunications services or amounts written off the books as an uncollectible debt by a person reporting ITGRT on an accrual basis is deductible from interstate telecommunications gross receipts.
- If debts reported as uncollectible are subsequently collected, the receipts must be included in interstate telecommunications gross receipts when they are collected.
- Statutory Basis:** 7-9C-9 NMSA 1978
- Intended Purpose:** Presumably to avoid requiring a taxpayer to pay taxes on non-existent receipts.
- History:** Originally enacted in 1992.

BIODIESEL FOR BLENDING OR RESALE DEDUCTION FROM SPECIAL FUEL EXCISE TAX

- Brief Description:** Special fuel received in New Mexico that is biodiesel received or manufactured and delivered to a rack operator that is within the state for blending or resale is deductible from the Special Fuel Excise Tax.
- Statutory Basis:** 7-16A-10H(2) NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding. However, due to the way it is drafted, this is not definitively clear.
- History:** The section was originally enacted in 1992. The paragraph within the subsection that created this deduction was enacted in 2013.
- Recommendations:** Clarify that the only way the biodiesel is deductible (whether it is received or manufactured) is if it is for blending or resale. Suggested language: “(2) is biodiesel received by, or manufactured and delivered to, a rack operator that is within the state for blending or resale.”

BIODIESEL FOR SUBSEQUENT BLENDING OR RESALE BY A RACK OPERATOR DEDUCTION FROM PETROLEUM PRODUCTS LOADING FEE

- Brief Description:** Biodiesel loaded in or imported into New Mexico and delivered to a rack operator for subsequent blending or resale by a rack operator is deductible from gallons used to determine loads for the purposes of calculating the Petroleum Products Loading Fee.
- Statutory Basis:** 7-13A-5B NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** The section was originally enacted in 1990.
This subsection was created by an amendment in 2014.

BOATS
EXEMPTION FROM GRT AND COMPENSATING TAX

- Brief Description:** Both the receipts from selling and the use of boats on which an excise tax is imposed are exempt from the GRT and the Compensating Tax.
- Statutory Basis:** 7-9-22.1 and 7-9-23.1 NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation as the exemption only applies to those boats on which a tax is imposed pursuant to 66-12-6.1 NMSA 1978.
- History:** Originally enacted in 1987.

BUSINESS LOCATED ON LAND OWNED BY THE MUNICIPALITY BUT
OUTSIDE THE MUNICIPAL BOUNDARIES
EXEMPTION FROM SUPPLEMENTAL MUNICIPAL GRT AND
MUNICIPAL LOCAL OPTION GRT

- Brief Description:** A business located outside the boundaries of a municipality on land owned by that municipality is exempt from the Supplemental Municipal GRT and the Municipal Local Option GRT.
- Statutory Basis:** 7-19-14B and 7-19D-5B NMSA 1978
- Intended Purpose:** Presumably to resolve a jurisdictional question and provide certainty about the tax rate that applies in this situation (without this clarification, there could be arguments about which municipality's tax rate applies).
- History:** Originally enacted in 1979 and amended in 1983 and 1994.

CERTAIN RETAIL SALES OF GASOLINE ON AN INDIAN RESERVATION, PUEBLO GRANT OR TRUST LAND DEDUCTION FROM GASOLINE TAX

- Brief Description:** A person may deduct a percentage equal to the rate the Indian nation, tribe, or pueblo charges divided by the rate the state charges from the gallons received gasoline sold at retail on Indian land.
- Statutory Basis:** 7-13-4.4 NMSA 1978
- Intended Purpose:** Presumably to reduce double taxation as the deduction may only be taken if the Indian nation, tribe, or pueblo has certified that it has in effect an excise, privilege, or similar tax on gasoline.
- History:** Originally enacted in 2000.

CERTAIN SALES FOR RESALE TEN PERCENT CREDIT AGAINST GRT AND GGRT

- Brief Description:** A taxpayer may claim a credit against GRT and GGRT for receipts from selling services for resale as long as the resale is in the ordinary course of business, the resale is *not* subject to either GRT or Governmental GRT, and the buyer delivers to the seller appropriate documentation from TRD that the resale meets the criteria for resale in the ordinary course of business.
- Statutory Basis:** 7-9-96 NMSA 1978
- Intended Purpose:** Presumably to remove the tax burden from sellers of goods for resale that will not be taxed at the final sale.
- History:** Originally enacted in 2005.

CHEMICALS AND REAGENTS DEDUCTION FROM GRT

- Brief Description:** Receipts from selling chemicals or reagents to any mining, milling, or oil company for use in processing ores or oil in a mill, smelter, or refinery or in acidizing oil wells, and receipts from selling chemicals or reagents in lots in excess of eighteen tons are deductible from gross receipts.
- Statutory Basis:** 7-9-65 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1969.

CONSTRUCTION MATERIAL DEDUCTION FROM GRT

Brief Description: Receipts from selling construction material is deductible from gross receipts if the sale is made to a person engaged in the construction business.

The buyer must present a nontaxable transaction certificate to the seller and incorporate the construction material as:

- (1) an ingredient or component part of a construction project that is subject to the GRT upon its completion or upon the completion of the overall construction project of which it is a part;
- (2) an ingredient or component part of a construction project that is subject to the GRT upon the sale in the ordinary course of business of the real property upon which it was constructed; or
- (3) an ingredient or component part of a construction project that is located on the tribal territory of an Indian nation, tribe or pueblo.

Statutory Basis: 7-9-51 NMSA 1978

Intended Purpose: Presumably to reduce pyramiding.

History: Originally enacted in 1969 and amended in 2000 and 2001.

CONSTRUCTION SERVICES DEDUCTION FROM GRT

Brief Description: Receipts from selling a construction service or a construction-related service is deductible from gross receipts if the sale is made to a person engaged in the construction business.

The buyer must present a nontaxable transaction certificate to the seller and have the construction services or construction-related services directly contracted for or billed to:

- (1) a construction project that is subject to the GRT upon its completion or upon the completion of the overall construction project of which it is a part;
- (2) a construction project that is subject to the GRT upon the sale in the ordinary course of business of the real property upon which it was constructed; or
- (3) a construction project that is located on the tribal territory of an Indian nation, tribe or pueblo.

Statutory Basis: 7-9-52 NMSA 1978

Intended Purpose: Presumably to reduce pyramiding.

History: Originally enacted in 1969.

Amended in 2012 to include a deduction for constructed-related services.

DIVIDENDS AND INTEREST EXEMPTION FROM GRT

Brief Description: Interest on money loaned or deposited; dividends or interest from stocks, bonds, or securities; and receipts from the sale of stocks, bonds, or securities are exempt from GRT.

Statutory Basis: 7-9-25 NMSA 1978

Intended Purpose: Presumably to avoid taxation as dividends and interest are taxed pursuant to the Income Tax Act.

History: Originally enacted in 1969.

DYED GASOLINE USED FOR OFF-ROAD TRANSPORTATION DEDUCTION FROM GASOLINE TAX

Brief Description: Gasoline that is dyed in accordance with TRD regulations and is not used in motor vehicles operating on the highways of New Mexico is deductible from the Gasoline Tax but is subject to GRT.

Statutory Basis: 7-13-4D NMSA 1978

Intended Purpose: Presumably to recognize that off-road vehicles don't contribute to the deterioration of the roads, the maintenance of which is funded through the Gasoline Tax distributions to the Road Fund.

History: The section was originally enacted in 1991 and amended in 1997, 1999, and 2007.

This subsection was created by an amendment in 1998.

DYED SPECIAL FUEL DEDUCTION FROM SPECIAL FUEL EXCISE TAX

Brief Description: Special fuels dyed in accordance with federal regulations are deductible from the Special Fuel Excise Tax.

Statutory Basis: 7-16A-10E NMSA 1978

Intended Purpose: Presumably to recognize that off-road vehicles don't contribute to the deterioration of the roads, the maintenance of which is funded through the Special Fuel Excise Tax distributions to the Road Fund.

History: This section was originally enacted in 1992 and amended in 1997, 2001, 2005, 2006, 2007, 2009, and 2013.

This subsection was created in an amendment in 1993 and amended in 1998 and 2000.

EVENT CENTER SURCHARGE EXEMPTION FROM GRT AND GGRT

Brief Description:	Receipts from selling tickets, parking, souvenirs, concessions, programs, advertising, merchandises, corporate suites or boxes, broadcast revenues, and all other products or services sold at or related to a municipal event center on which an event center surcharge is imposed pursuant to the Municipal Event Center Funding Act are exempt from GRT and GGRT.
Statutory Basis:	7-9-13.5 NMSA 1978
Intended Purpose:	Presumably to avoid double taxation as the receipts have to be subject to an event center surcharge in order to be exempt.
History:	Originally enacted in 2005 as part of the Municipal Event Center Funding Act.
Evaluation:	The Municipal Event Center Funding Act provides an additional method of accessing the capital markets to meet the need for a complete funding package for functional and modern municipal event centers. Because the Municipal Event Center Funding Act allows a municipality to impose an event center surcharge on products and services sold at or related to the stadium, these exemptions from the GRT and GGRT prevent them from being taxed twice.

FEED AND FERTILIZER & AUCTIONEERS SELLING LIVESTOCK AND AGRICULTURAL PRODUCTS AT AUCTION DEDUCTION FROM GRT

Brief Description:	Receipts from selling feed for livestock, fish, poultry, or animals raised for their hides/pelts and from selling seeds, roots, bulbs, plants, soil conditioners, fertilizers, insecticides, germicides, insects used to control populations of other insects, fungicides or weedicides or water for irrigation purposes is deductible from GRT.
Statutory Basis:	7-9-58 NMSA 1978
Intended Purpose:	Presumably to reduce tax pyramiding.
History:	Originally enacted in 1969 and amended in 1977, 1983, 1991, 1992 and 2002.

FILMS AND TAPES DEDUCTION FROM GRT

- Brief Description:** Receipts from leasing theatrical and television films and tapes to movie theaters or similar facilities when the theater's receipts are subject to GRT are deductible from gross receipts.
- Statutory Basis:** 7-9-76.2 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1984.

FUEL EXEMPTION FROM GRT AND COMPENSATING TAX

- Brief Description:** The selling and the use of gasoline, special fuel, or alternative fuel on which the tax imposed by other taxes have been paid are exempt from GRT and Compensating Tax.
- Statutory Basis:** 7-9-26 NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation as the fuels must be taxed pursuant to the Gasoline Tax, the SFX, or the Alternative Fuel Tax Act in order to qualify for the exemption.
- History:** Originally enacted in 1969 and amended in 1971, 1980, 1981, 1983, 1993, and 1995.

GASOLINE OR SPECIAL FUELS RETURNED TO THE REFINER AS UNCOLLECTIBLE DEDUCTION FROM PETROLEUM PRODUCTS LOADING FEE

Brief Description:	Gasoline and special fuels that are returned to the refiner, pipeline terminal operator, or distributor are deductible from the Petroleum Products Loading Fee ("PPLF"). Gasoline and special fuels, the payment for which has not been collected and has been determined to be uncollectible, are deductible from the PPLF.
Statutory Basis:	7-13A-5A NMSA 1978
Intended Purpose:	Presumably to ensure that taxes aren't paid on gasoline and special fuel which the taxpayer is unable to market.
History:	Originally enacted in 1990 and amended in 2014.

HYBRID VEHICLE EXEMPTION FROM MVX

Brief Description:	Gasoline-electric hybrid vehicles with at least a 27.5 miles per gallon EPA-rating are eligible for a one-time exemption from the MVX at the time of issuance of the original title. The exemption was effective from July 1, 2004 to June 30, 2009.
Statutory Basis:	7-14-6G NMSA 1978
Intended Purpose:	Presumably to incentivize the purchase of gasoline-electric hybrid vehicles.
History:	The section as originally enacted in 1988 and amended in 1990, 1994, and 2007. This subsection was enacted by an amendment in 2004.

INCOME ALLOCATION AND APPORTIONMENT CREDIT AGAINST CIT

- Brief Description:** Net income of any individual having income that is taxable both within and without this state shall be apportioned and allocated pursuant to the Uniform Division of Income for Tax Purposes Act.
- Statutory Basis:** 7-2A-8 NMSA 1978
- Intended Purpose:** Presumably to prevent New Mexico from taxing income that is properly attributed to another state.
- History:** Originally enacted in 1981 and amended in 1983, 1986, 1990, 1995, and 1996.

INSURANCE COMPANIES EXEMPTION FROM CIT

- Brief Description:** Insurance companies which pay a premium tax to the state are exempt from CIT.
- Statutory Basis:** 7-2A-4A NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation as qualification for the exemption is dependent upon paying a premium tax.
- History:** Originally enacted in 1981 and amended in 1986 and 1989.

INTERGOVERNMENTAL COAL SEVERANCE CREDIT AGAINST COAL SEVERANCE TAX

Brief Description: A person who severs coal from tribal land may claim a credit against the Coal Severance Tax.

The credit is calculated monthly and is equal to 75% of the lesser of:

- (1) the aggregate amount of taxes in effect on March 1, 2001 imposed by the Indian nation, tribe, or pueblo; or
- (2) the aggregate amount of Coal Severance Tax due to NM.

Statutory Basis: 7-29C-2 NMSA 1978

Intended Purpose: Presumably to avoid some of the effects of double taxation as it is only available to the extent that taxes have been paid to an Indian nation, tribe, or pueblo.

History: Originally enacted in 2001.

INTERGOVERNMENTAL CREDIT AGAINST CIT

Brief Description: A business which opens on Indian land after July 1, 1997 may claim a credit against the CIT.

The credit is calculated for each reporting period and is equal to 50% of the lesser of:

- (1) the aggregate amount of tax paid by the taxpayer; or
- (2) the amount of the taxpayer's CIT due from the business's activity on Indian land.

Statutory Basis: 7-2A-16 MSA 1978

Intended Purpose: Presumably to avoid double taxation as it is only available to the extent that taxes have been paid to an Indian nation, tribe, or pueblo.

History: Originally enacted in 1997.

INTERGOVERNMENTAL PRODUCTION AND INTERGOVERNMENTAL
PRODUCTION EQUIPMENT
CREDIT AGAINST OIL AND GAS SEVERANCE TAX, OIL AND GAS
CONSERVATION TAX, OIL AND GAS EMERGENCY SCHOOL TAX, AND
OIL AND GAS AD VALOREM PRODUCTION TAX

Brief Description: A person who severs products from tribal land may claim a credit against the Oil and Gas Severance Tax, the Oil and Gas Conservation Tax, the Oil and Gas Emergency School Tax, or the Oil and Gas Ad Valorem Production Tax.

The credit is calculated monthly and is equal to 75% of the lesser of:

- (1) the aggregate amount of taxes in effect on March 1, 1995 imposed by the Indian nation, tribe, or pueblo; or
- (2) the aggregate amount of Oil and Gas Severance Tax, the Oil and Gas Conservation Tax, the Oil and Gas Emergency School Tax, or the Oil and Gas Ad Valorem Production Tax due to NM.

A person who is liable for the payment of the Oil and Gas Production Equipment Ad Valorem Tax imposed on equipment located on Indian tribal land may claim a credit.

The credit is calculated monthly and is equal to 75% of the lesser of:

- (1) the aggregate amount of taxes in effect on March 1, 1995 imposed by the Indian nation, tribe, or pueblo; or
- (2) the aggregate amount of Oil and Gas Production Equipment Tax due to NM.

Statutory Basis: 7-29C-1 NMSA 1978

Intended Purpose: Presumably to avoid some of the effects of double taxation as it is only available to the extent that taxes have been paid to an Indian nation, tribe, or pueblo.

History: Originally enacted in 1995 and amended in 1999.

INTERNET SERVICES DEDUCTION FROM GRT

- Brief Description:** Receipts from providing telecommunications, Internet, or Internet access services to Internet Service Providers (ISPs) are deductible.
- Statutory Basis:** 7-9-56.1 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding as the final user must be subject to the Interstate Telecommunications GRT Act (7-9C-1 NMSA 1978).
- History:** Originally enacted in 1998 and amended in 2000.

INTERSTATE SALES OF SPIRITUOUS LIQUORS, BEER, & WINE AND WINEGROWER-TO-WINEGROWER TRANSFERS DEDUCTION FROM LIQUOR EXCISE TAX

- Brief Description:** A wholesaler who sells and ships liquor, beer, or wine out of state may claim a deduction for those liters from the Liquor Excise Tax.
- A winegrower who transfers wine to another winegrower for processing, bottling, or storage and subsequent return to the original winegrower may claim a deduction for those liters from the Liquor Excise Tax.
- Statutory Basis:** 7-17-6 NMSA 1978
- Intended Purpose:** Presumably to increase New Mexico winegrowers' competitiveness in other states with respect to the out-of-state deduction and to ensure that the product is not taxed twice (once in New Mexico and once in the other state); presumably to reduce pyramiding with respect to the winegrower-to-winegrower transfers.
- History:** Originally enacted in 1984 and amended in 1995 and 2008.

INTERSTATE SALES OF TOBACCO CREDIT AGAINST TOBACCO PRODUCTS TAX

- Brief Description:** The value of tobacco products sold and shipped or given and shipped to a person in another state is deductible from the product value subject to tax imposed by the Tobacco Products Tax Act.
- Statutory Basis:** 7-12A-5 NMSA 1978
- Intended Purpose:** Presumably to ensure that the product is not taxed twice (once in New Mexico and once in the other state).
- History:** Originally enacted in 1986.

INTERSTATE TELECOMMUNICATIONS SERVICES EXEMPTION FROM GRT

- Brief Description:** Receipts from selling or providing interstate telecommunications services subject to ITGRT are exempt
- Statutory Basis:** 7-9-38.1 NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation as the exemption only applies to the sale or provision of interstate telecommunications services subject to the tax imposed by the Interstate Telecommunications Gross Receipts Tax Act (7-9C-1 NMSA 1978).
- History:** Originally enacted in 1992 and amended in 1993.

INTERSTATE COMMERCE TRANSACTIONS DEDUCTION FROM LVG

- Brief Description:** Receipts from transactions in interstate commerce is deductible from gross receipts to the extent that the imposition of the leased vehicle gross receipts tax would be unlawful under the United States constitution.
- Statutory Basis:** 7-14A-7 NMSA 1978
- Intended Purpose:** Presumably because taxation of interstate commerce is prohibited by the US Constitution's Commerce Clause.
- History:** Originally enacted in 1991.

JEWELRY MANUFACTURING DEDUCTION FROM GRT

- Brief Description:** Receipts from selling tangible personal property is deductible from gross receipts if it is incorporated as an ingredient or component part of the jewelry.
- The deduction allowed a seller under this section shall not exceed \$5,000 during any twelve-month period attributable to purchases by a single purchaser.
- Statutory Basis:** 7-9-74 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding as the deduction only applies if the sale is made to a person who uses the property as an ingredient or component part of the jewelry he manufactures.
- History:** Originally enacted in 1971 and amended in 1975 and 1994.

LEASE FOR SUBSEQUENT LEASE DEDUCTION FROM GRT

- Brief Description:** Receipts from leasing tangible personal property or licenses used for subsequent lease in the ordinary course of business are deductible from gross receipts.
- The lessee must provide a nontaxable transaction certificate to the lessor.
- Statutory Basis:** 7-9-50 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1969 and amended in 1972, 1975, 1979, 1983, 1991, and 1992.

LEASE OF CONSTRUCTION EQUIPMENT DEDUCTION FROM GRT

Brief Description:	Receipts from leasing construction equipment is deductible from gross receipts if the lease is made to a person engaged in the construction business. The lessee must present a nontaxable transaction certificate to the lessor and use the construction equipment at the location of: <ul style="list-style-type: none">(1) a construction project that is subject to the GRT upon its completion or upon the completion of the overall construction project of which it is a part;(2) a construction project that is subject to the GRT upon the sale in the ordinary course of business of the real property upon which it was constructed; or(3) a construction project that is located on the tribal territory of an Indian nation, tribe, or pueblo.
Statutory Basis:	7-9-52.1 NMSA 1978
Intended Purpose:	Presumably to reduce pyramiding.
History:	Originally enacted in 2012.

MVX RATE DIFFERENTIAL FROM GRT

Brief Description:	The sale of motor vehicles and manufactured homes that are required by the Motor Vehicle Code to be registered are subject to the MVX. The MVX rate is 3% (as compared to the state's GRT rate of 5.125%).
Statutory Basis:	7-14-4 NMSA 1978
Intended Purpose:	Presumably to define the GRT base by excluding automobiles, which are taxed under the MVX.
History:	Originally enacted in 1988.

NATURAL RESOURCES (EXCEPT COAL AND URANIUM) RENTAL OR
ROYALTY PAYMENTS BELONGING TO US OR THE STATE
DEDUCTION FROM SEVERANCE TAX

- Brief Description:** The taxable value of all severed natural resources (except coal and uranium) is the gross value of the severed resource determined under 7-26-4 NMSA 1978, less rental or royalty payments belonging to the United States or the state.
- Statutory Basis:** 7-26-4H NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation
- History:** Originally enacted in 1971 and amended in 1972, 1977, 1981, 1983, 1984, and 1986.

NATURAL RESOURCES HOISTING, LOADING, CRUSHING,
PROCESSING, AND BENEFICIATION
DEDUCTION FROM SEVERANCE TAX

- Brief Description:** Many hard minerals and natural resources are taxed in the State upon their severance from the earth or, in some cases, their sale or shipment. In many cases, flat percentage deductions are allowed to account for certain production costs like for hoisting, loading, and crushing. The result is that the gross value is a percentage of the "full value." The "full value," in turn, is sometimes based upon published prices rather than actual revenues. In determining taxable value, rent and royalty payments to the federal government or the State government are deductible from gross value.
- Statutory Basis:** 7-26-4 NMSA 1978
- Intended Purpose:** Presumably to minimize or prevent tax-pyramiding.
- History:** Originally enacted in 1972 and amended in 1977, 1981, 1983, 1984, and 1986.

NATURAL RESOURCES SUBJECT TO RESOURCES EXCISE TAX EXEMPTION FROM GRT

- Brief Description:** Receipts from the sale or processing of natural resources the severance or processing of which are subject to the Resources Excise Tax are exempt from GRT.
- Statutory Basis:** 7-9-35 NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation as the exemption only applies to natural resources the severance of which are subject to the taxes imposed by the Resources Excise Tax Act.
- History:** Originally enacted in 1969 and amended in 1984 and 1989.

“NET INCOME” EXEMPTIONS FROM PIT

- Brief Description:** Income and interest derived from US government obligations is exempt from PIT.
- Statutory Basis:** 7-2-2N NMSA 1978
- Intended Purpose:** Presumably to comply with the preemption doctrine.
- History:** Originally enacted in 1986 and amended in 1987, 1988, 1990, 1991, 1993, 2003, 2007, 2010, and 2014.

OIL AND GAS OR MINERAL INTERESTS EXEMPTION FROM GRT

- Brief Description:** Receipts from the sale or lease of oil, natural gas, or mineral interests are exempt from GRT.
- Statutory Basis:** 7-9-32 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1969.

PERSONAL EFFECTS EXEMPTION FROM COMPENSATING TAX

- Brief Description:** The use by an individual of personal or household effects brought into the state in connection with the establishment by him of an initial residence in this state and the use of property brought into the state by a nonresident for his own nonbusiness use while temporarily within this state are exempt from Compensating Tax.
- Statutory Basis:** 7-9-27 NMSA 1978
- Intended Purpose:** Presumably to avoid an unreasonable tax burden on anyone relocating to New Mexico by taxing personal effects that would have been previously taxed according to the rules of the originating location.
- History:** Originally enacted in 1969.

PETROLEUM PRODUCTS EXPORTED FOR RESALE EXEMPTION FROM PETROLEUM PRODUCTS LOADING FEE

- Brief Description:** Petroleum products that are either loaded into cargo tanks in New Mexico and exported for resale and consumption outside of New Mexico or are imported into New Mexico and subsequently exported for resale and consumption outside of New Mexico are exempt from the Petroleum Products Loading Fee.
- Statutory Basis:** 7-13A-4A NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1991.

PETROLEUM PRODUCTS SOLD TO THE FEDERAL GOVERNMENT EXEMPTION FROM PETROLEUM PRODUCTS LOADING FEE

- Brief Description:** Petroleum products sold to the US or any agency or instrumentality thereof for the exclusive use of the US or any agency or instrumentality thereof are exempt from the Petroleum Products Loading Fee.
- Statutory Basis:** 7-13A-4B NMSA 1978
- Intended Purpose:** Presumably because taxation of interstate commerce is prohibited by the US Constitution's Commerce Clause.
- History:** Originally enacted in 1991.

PIPELINE TRANSPORTATION OF OIL AND GAS PRODUCTS EXEMPTION FROM GRT AND COMPENSATING TAX

- Brief Description:** Receipts from the sale of and the use of oil, natural gas, liquid hydrocarbon, or any combination thereof consumed as fuel in the pipeline transportation of such products are exempt from GRT and Compensating Tax.
- Statutory Basis:** 7-9-36 and 7-9-37 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1969.

POTASH RATE DIFFERENTIAL FROM RESOURCES TAX AND PROCESSORS TAX

- Brief Description:** A severer and processor of potash in New Mexico is required to pay a Resource Tax of 0.5% and a Processors Tax of 0.125% on the taxable value of the potash.
- This is in contrast to the base Resource Tax and Processors Tax rates of 0.75%.
- Statutory Basis:** 7-25-4A(2) and 7-25-5A(3) NMSA 1978
- Intended Purpose:** Presumably to incentivize the mining and processing of potash.
- History:** Originally enacted in 1996 and amended in 1970, 1973, and 1999.

PROCESSING AGRICULTURAL PRODUCTS DEDUCTION FROM GRT

- Brief Description:** Receipts from warehousing, threshing, harvesting, growing, cultivating, and processing agricultural products are deductible from GRT.
- Statutory Basis:** 7-9-59 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1969, 1970, and 2000.

PROCESSORS TAX PAID ON NATURAL RESOURCES EXEMPTION FROM RESOURCES TAX

- Brief Description:** The taxable value of any natural resource that is processed in New Mexico and on whose taxable value the Processors Tax is paid is exempt from the Resources Tax.
- Statutory Basis:** 7-25-7 NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation as the Processors Tax on the processed natural resource must be paid to qualify for the exemption.
- History:** Originally enacted in 1966.

PRODUCTS SUBJECT TO OIL AND GAS EMERGENCY SCHOOL TAX EXEMPTION FROM GRT

- Brief Description:** Unless they are for (1) subsequent resale in the ordinary course of business, (2) consumption outside the state, or (3) use as an ingredient or component part of a manufactured product, receipts from the sale of products are exempt from GRT when they are subject to the Oil and Gas Emergency School Tax.
- Statutory Basis:** 7-9-33 NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation as the exemption only applies to those products the severance of which is subject to the tax imposed by the Oil and Gas Emergency School Tax Act.
- History:** Originally enacted in 1969 and amended in 1975, 1984, and 1989.

PURCHASE FOR RESALE EXEMPTION FROM LOCAL LIQUOR EXCISE TAX

- Brief Description:** Purchases for sale to retailers for resale are exempt from the Local Liquor Excise Tax.
- Statutory Basis:** 7-24-13 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1989.

PURCHASE OF UNDYED GASOLINE FOR CERTAIN OFF-ROAD USE REFUND OF GASOLINE TAX

- Brief Description:** A person using gasoline in the operation of a clothes cleaning establishment, in stoves or other appliances burning gasoline, or operators of aircraft using aviation gasoline exclusively in the operation of aircraft may purchase gasoline to which dye has not been added and may claim a refund of gasoline tax paid.
- Statutory Basis:** 7-13-17 NMSA 1978
- Intended Purpose:** Presumably to recognize that these activities don't contribute to the deterioration of the roads, the maintenance of which is funded through the gasoline tax distributions to the Road Fund.
- History:** Originally enacted in 1998.

PURCHASES BY OR ON BEHALF OF THE STATE DEDUCTION FROM GRT

- Brief Description:** Receipts from the sale of property or services purchased by or on behalf of the State of New Mexico from funds obtained from the forfeiture of financial assurance pursuant to the New Mexico Mining Act or the forfeiture of financial responsibility pursuant to the Water Quality Act is deductible from gross receipts.
- Statutory Basis:** 7-9-97 NMSA 1978
- Intended Purpose:** Presumably to relieve mining companies from the obligation to estimate (and potentially overpay) the GRT cost incurred by a third party contractor that would complete the reclamation work on behalf of the State in the event the company failed to conduct the reclamation work.
- History:** Originally enacted in 2005.

PURSES AND JOCKEY REMUNERATION AT NEW MEXICO
RACETRACKS
EXEMPTION FROM GRT

Brief Description:	The receipts of horsemen, jockeys, and trainers from race purses at New Mexico horse racetracks subject to the jurisdiction of the state racing commission are exempt from GRT.
Statutory Basis:	7-9-40A NMSA 1978
Intended Purpose:	Presumably to avoid double taxation as these would be taxed as income under PIT.
History:	Originally enacted in 1970 and amended in 1971, 1985, and 1989.

REASONABLE EXPENSE OF TRUCKING PRODUCT TO MARKET
DEDUCTION FROM OIL AND GAS SEVERANCE TAX, OIL AND GAS
CONSERVATION TAX, OIL AND GAS AD VALOREM PRODUCTION
TAX, AND OIL AND GAS EMERGENCY SCHOOL TAX

Brief Description:	The reasonable expense of trucking any product from the production unit to the first place of market is deductible from the Oil and Gas Severance and the Oil and Gas Conservation taxes.
Statutory Basis:	7-29-4.1C , 7-30-5A(3), 7-31-5C, and 7-32-A(3) NMSA 1978
Intended Purpose:	Presumably to reduce pyramiding.
History:	7-29-4.1C was originally enacted in 1980 and was amended in 1989 and 2005. 7-30-5A(3) was originally enacted in 1959 and amended in 1975, 1977, 1980, and 1985. 7-31-5C was originally enacted in 1959 and amended in 1963. 7-32-5A(3) was originally enacted in 1959 and amended in 1972.

RECEIPTS OF HOMEOWNERS ASSOCIATIONS EXEMPTION FROM GRT

- Brief Description:** Receipts of homeowners' associations from membership fees, dues, and assessments from owner-members to be used for tax, insurance, utility expenses, management and improvement, maintenance or rehabilitation of those common areas, elements, or facilities appurtenant thereto for commonly-owned areas and facilities are exempt from GRT.
- Statutory Basis:** 7-9-20 NMSA 1978
- Intended Purpose:** Presumably for clarification. A Homeowners Association can be recognized as 501(c)(4) organizations and qualify for exemption if its activities benefit a community.
- History:** Originally enacted in 1988.

REFINERS AND PERSONS SUBJECT TO NATURAL GAS PROCESSORS TAX EXEMPTION FROM GRT

- Brief Description:** Unless they are for (1) subsequent resale in the ordinary course of business, (2) consumption outside the state, or (3) use as an ingredient or component part of a manufactured product, receipts from the sale or processing of products that are subject to the Natural Gas Processors Tax are exempt from the GRT.
- Receipts from storing or using crude oil, natural gas, or liquid hydrocarbons when stored or used in New Mexico by a "processor" or by a person engaged in the business of refining oil, natural gas, or liquid hydrocarbons who stores or uses the crude oil, natural gas, or liquid hydrocarbons in the regular course of his refining business are exempt from GRT.
- Statutory Basis:** 7-9-34 NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation with respect to the first part of the exemption which only applies to the sale or processing of products the processing of which is subject to the Natural Gas Processors Tax. Presumably to reduce pyramiding with respect to the second part of the exemption.
- History:** Originally enacted in 1969 and amended in 1970, 1975, 1984, and 1989.

RELIGIOUS ACTIVITIES EXEMPTION FROM GRT

- Brief Description:** Receipts of a minister of a 501(c)(3) religious organization from performing religious services to an individual recipient of the service are exempt from GRT.
- Statutory Basis:** 7-9-41 NMSA 1978
- Intended Purpose:** Presumably to prevent taxation of expenses that are effectively business inputs.
- History:** Originally enacted in 1972.

RESALE OF CERTAIN MANUFACTURED HOMES DEDUCTION FROM GRT

- Brief Description:** Receipts from the resale of a manufactured home which was subject to GRT, Compensating Tax, or MVX on its original sale or use in New Mexico are deductible from gross receipts when calculating tax due.
- Statutory Basis:** 7-9-76.1 NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation as the deduction only applies if the initial sale was subject to the GRT, the Compensating Tax, or the MVX.
- History:** Originally enacted in 1979.

RETURNED OR DESTROYED TOBACCO PRODUCTS REFUND OR CREDIT AGAINST TOBACCO PRODUCTS TAX

- Brief Description:** Taxpayers who have paid the Tobacco Products Tax on tobacco products that are destroyed or returned to the seller by the first purchaser as spoiled or otherwise unfit for sale or consumption are entitled to a refund or credit against the Tobacco Products Tax.
- Statutory Basis:** 7-12A-6 NMSA 1978
- Intended Purpose:** Presumably to avoid requiring a taxpayer to pay taxes on non-existent receipts.
- History:** Originally enacted in 1986 and amended in 1988.

ROYALTIES PAID OR DUE TO THE US, STATE OF NM, OR ANY
INDIAN TRIBE, PUEBLO, OR WARD OF THE US
DEDDUCTION FROM OIL AND GAS SEVERANCE TAX, OIL AND GAS
CONSERVATION TAX, OIL AND GAS EMERGENCY SCHOOL TAX, AND
OIL AND GAS AD VALOREM PRODUCTION TAX

Brief Description:	Royalties paid or due the United States, any Indian tribe, Indian pueblo or Indian that is a ward of the United States of America, or the state of New Mexico may be deducted from the value of the product.
Statutory Basis:	7-29-4.1A, 7-29-4.1B, 7-30-5A(1), 7-30-5A(2), 7-31-5A, 7-31-5B, 7-32-5A(1) and 7-32-5A(2) NMSA 1978
Intended Purpose:	Presumably to incentivize production of oil and natural gas on public lands.
History:	<p>7-29-4.1A and 7-29-4.1B were originally enacted in 1980 and amended in 1989 and 2005.</p> <p>7-30-5A(1) and 7-30-5A(2) were originally enacted in 1959 and amended in 1975, 1977, 1980, 1985, and 2005.</p> <p>7-31-5A and 7-31-5B were originally enacted in 1959 and amended in 1963.</p> <p>7-32-5A(1) and 7-32-5A(2) were originally enacted in 1959 and amended in 1972.</p>

SALE BY OR TO US ARMED FORCES
EXEMPTION FROM LIQUOR EXCISE TAX AND LOCAL LIQUOR
EXCISE TAX

Brief Description:	Alcoholic beverages sold to or by any instrumentality of the US armed forces that are engaged in resale activities are exempt from the Liquor Excise Tax and the Local Liquor Excise Tax.
Statutory Basis:	7-17-9 and 7-24-12 NMSA 1978
Intended Purpose:	Presumably to comply with the preemption doctrine.
History:	<p>The Liquor Excise Tax exemption was originally enacted in 1966 and amended in 1973, 1984, and 1985.</p> <p>The Local Liquor Excise Tax exemption was originally enacted in 1989.</p>

SALE OF A SERVICE FOR RESALE DEDUCTION FROM GRT AND GGRT

- Brief Description:** Receipts from selling a service for resale is deductible from gross receipts or governmental gross receipts.
- Statutory Basis:** 7-9-48 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1969 and amended in 1992.
Amended in 2000 to clarify that the resale must be subject to the GRT or GGRT in order to qualify for the deduction.

SALE OF A SERVICE FOR RESALE DEDUCTION FROM ITGRT

- Brief Description:** Receipts from providing an interstate telecommunications service will be used by other persons in providing telephone or telegraph services to the final user is deductible from interstate telecommunications gross receipts.
- Statutory Basis:** 7-9C-7 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1992 and amended in 1998.

SALE OF CERTAIN SERVICES TO AN OUT-OF-STATE BUYER DEDUCTION FROM GRT

- Brief Description:** Receipts from performing a service is deductible from gross receipts if the sale of the service is made to an out-of-state buyer.
The buyer must present an appropriate nontaxable transaction certificate or other evidence acceptable to the TRD Secretary.
- Statutory Basis:** 7-9-57 NMSA 1978
- Intended Purpose:** Presumably to ensure that the product is not taxed twice (once in New Mexico and once in the other state).
- History:** Originally enacted in 1969 and amended in 1973, 1977, 1983, 1988, 1989, 1998, and 2000.

SALE OF GASOLINE TO THE FEDERAL GOVERNMENT DEDUCTION FROM GASOLINE TAX

- Brief Description:** Gasoline received in New Mexico sold to the US for its exclusive use is deductible from the Gasoline Tax.
- Statutory Basis:** 7-13-4B NMSA 1978
- Intended Purpose:** Presumably to comply with the preemption doctrine.
- History:** Originally enacted in 1991 and amended in 1997, 1998, 1999, and 2007.

SALE OF ALTERNATIVE FUEL TO THE FEDERAL GOVERNMENT, STATE OF NM, OR NEW MEXICO TRIBES DEDUCTION FROM ALTERNATIVE FUEL EXCISE TAX

- Brief Description:** Alternative fuel distributed to or used by the US, the State of NM, or an Indian nation, tribe, or pueblo is deductible from the Alternative Fuel Excise Tax.
- Statutory Basis:** 7-16B-5 NMSA 1978
- Intended Purpose:** Presumably to comply with the preemption doctrine with respect to the deduction for fuel distributed to or used by the US, to reduce the costs of government with respect to state and local governments and to respect the sovereignty of New Mexico tribes.
- History:** Originally enacted in 1995.

SALE OF PROSTHETIC DEVICES DEDUCTION FROM GRT AND GGRT

- Brief Description:** Receipts from selling prosthetic devices to persons licensed to practice in a number of medical disciplines are deductible from gross receipts and governmental gross receipts.
- The buyer delivering the nontaxable transaction certificate must deliver the prosthetic device incidental to the performance of a service and must include the value of the prosthetic device in his charge for the service.
- Statutory Basis:** 7-9-73 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding as the value of the prosthetic must be fully included in the final price of the service, and the nature of the final sale will determine whether it is taxable or not.
- History:** Originally enacted in 1970 and amended in 1992.

SALE OF SPECIAL FUEL TO THE FEDERAL GOVERNMENT, STATE OF NM, OR NEW MEXICO TRIBES DEDUCTION FROM SPECIAL FUEL EXCISE TAX

- Brief Description:** Special fuel sold to the US, the State of NM, or an Indian nation, tribe, or pueblo is deductible from the Special Fuel Excise Tax.
- Statutory Basis:** 7-16A-10B, 7-16A-10C, and 7-16A-10D NMSA 1978
- Intended Purpose:** Presumably to comply with the preemption doctrine with respect to the deduction for special fuel sold to the US, to reduce the costs of government with respect to state and local governments and to respect the sovereignty of New Mexico tribes.
- History:** Originally enacted in 1992.

SALE OF TANGIBLE PERSONAL PROPERTY FOR LEASING DEDUCTION FROM GRT

- Brief Description:** Receipts from selling tangible personal property and licenses to a buyer who leases or sells it is deductible from gross receipts.
The buyer must present a nontaxable transaction certificate to the seller.
- Statutory Basis:** 7-9-49 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1969 and amended in 1972, 1975, 1979, 1983, 1989, 1991, and 1992.

SALE OF TANGIBLE PERSONAL PROPERTY FOR RESALE DEDUCTION FROM GRT AND GGRT

- Brief Description:** Receipts from selling tangible personal property or licenses to a buyer who resells it is deductible from gross receipts or from governmental gross receipts.
The buyer must present a nontaxable transaction certificate to the seller.
- Statutory Basis:** 7-9-47 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1969 and amended in 1992 and 1994.

SALES THROUGH WORLD WIDE WEB SITES DEDUCTION FROM GRT

- Brief Description:** Receipts derived from the sale of a service or property made through a website to a person with a billing address outside New Mexico is deductible from gross receipts.
- Statutory Basis:** 7-9-57.1 NMSA 1978
- Intended Purpose:** Presumably to ensure that the product is not taxed twice (once in New Mexico and once in the other state).
- History:** Originally enacted in 1998.

SALES TO FEDERAL GOVERNMENT, STATE OF NM, OR NEW MEXICO TRIBES

EXEMPTION FROM CIGARETTE TAX AND TOBACCO PRODUCTS TAX

- Brief Description:** Sales of cigarettes and tobacco products to the US, the State of NM, or an Indian nation, tribe, or pueblo are exempt from the Cigarette Tax and the Tobacco Products Tax.
- Statutory Basis:** 7-12-4 and 7-12A-4 NMSA 1978
- Intended Purpose:** Presumably because New Mexico is prohibited from taxing the federal government and to avoid double taxation in the case of New Mexico tribes.
- History:** The Cigarette Tax exemption was originally enacted in 1943. It was amended in 2010 to increase the cigarette tax by \$0.75 per pack.
- The Tobacco Products Tax was originally enacted in 1986. It was amended in 2009 to expand the exemption to include the sale of tobacco to tribes or tribal members.

SALES TO GOVERNMENTAL AGENCIES

DEDUCTION FROM GRT AND GGRT

- Brief Description:** Receipts from selling tangible personal property to the US, the State of NM, or an Indian nation, tribe, or pueblo for use on an Indian reservation or pueblo grant are deductible from gross receipts and governmental gross receipts.
- Statutory Basis:** 7-9-54 NMSA 1978
- Intended Purpose:** Presumably to comply with the preemption doctrine with respect to the federal government and to reduce the cost of government with respect to state and local governments.
- History:** Originally enacted in 1969 and amended in 1976, 1985, 1989, 1992, 1993, 1995, 2000, 2001, and 2003.

SALES TO MANUFACTURERS DEDUCTION FROM GRT AND GGRT

Brief Description: Receipts from selling tangible personal property that will be incorporated as an ingredient or component part to a person in the manufacturing business is deductible from gross receipts and governmental gross receipts.

Receipts from selling tangible personal property that is consumed in the manufacturing process to a person in the manufacturing business are deductible from gross receipts and governmental gross receipts according to the following schedule:

- 20% of receipts received before January 1, 2014;
- 40% of receipts received in calendar year 2014;
- 60% of receipts received in calendar year 2015;
- 80% of receipts received in calendar year 2016;
- 100% of receipts received on or after January 1, 2017.

Statutory Basis: 7-9-46 NMSA 1978

Intended Purpose: Presumably to reduce pyramiding.

History: Originally enacted in 1969 and amended in 1992.

Amended in 2012 to phase-in a deduction for the sale of tangible personal property that is consumed in the manufacturing process.

Amended in 2013 to define consumable.

SALES TO QUALIFIED FILM PRODUCTION COMPANY DEDUCTION FROM GRT AND GGRT

Brief Description: Receipts from selling or leasing property to, and from performing services for, a qualified production company is deductible from gross receipts or from governmental gross receipts.

The buyer must present a nontaxable transaction certificate to the seller.

Statutory Basis: 7-9-86 NMSA 1978

Intended Purposes: Presumably to reduce pyramiding.

History: Originally enacted in 1995 and amended in 2003.

SCHOOL BUS DEDUCTION FROM SPECIAL FUEL EXCISE TAX

- Brief Description:** Special fuel used in school buses is deductible from computing the Special Fuel Excise Tax due.
- Statutory Basis:** 7-16A-10F NMSA 1978
- Intended Purpose:** Presumably to reduce the costs of government since the State of New Mexico purchases this fuel.
- History:** Originally enacted in 1992, 1993, 1997, 1998, 2001, 2005, 2006, 2007, 2009, and 2013.

SCHOOL BUS EXEMPTION FROM WDT

- Brief Description:** Use of the highways of New Mexico by school buses is exempt from the WDT.
- Statutory Basis:** 7-15A-5A NMSA 1978
- Intended Purpose:** Presumably to reduce the costs of government.
- History:** Originally enacted in 1988 and amended in 2006.

SERVICES ON MANUFACTURED PRODUCTS DEDUCTION FROM GRT

- Brief Description:** Receipts from selling the service of combining or processing components or materials to a manufacturer is deductible from gross receipts.
- The buyer must present a nontaxable transaction certificate to the seller.
- Statutory Basis:** 7-9-75 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding as the service must be performed directly upon tangible person property which his in the business of manufacturing.
- History:** Originally enacted in 1972.

SERVICES PERFORMED OUTSIDE THE STATE CREDIT AGAINST ITGRT

- Brief Description:** A taxpayer who has paid a sales, use, gross receipts, or similar tax is entitled to a credit against the ITGRT.
- Statutory Basis:** 7-9C-10 NMSA 1978
- Intended Purpose:** To prevent actual multi-jurisdictional taxation of the privilege of engaging in business of providing interstate telecommunications services.
- History:** Originally enacted in 1992.

STADIUM SURCHARGE EXEMPTION FROM GRT AND GGRT

- Brief Description:** Receipts from sales at a minor league baseball stadium on which a stadium surcharge is imposed under the Minor League Baseball Stadium Funding Act are exempt from gross receipts and governmental gross receipts.
- Statutory Basis:** 7-9-13.3 NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation.
- History:** Originally enacted in 2001 as part of the Minor League Baseball Stadium Funding Act.
- Evaluation:** The Minor League Baseball Stadium Funding Act provides an additional method of accessing the capital markets with the assistance of the New Mexico Finance Authority to meet the need for a complete funding package for functional and modern minor league baseball stadiums. Because the Minor League Baseball Stadium Funding Act allows a municipality to impose a stadium surcharge on products and services sold at or related to the stadium, this exemption from the GRT prevents these from being taxed twice.
- Isotopes Park, home of the Albuquerque Isotopes, was constructed from 2001 to 2003 at a reported cost of \$25 million. The Lab, as it has been nicknamed, opened in April of 2003.

TAX PAID BY OUT-OF-STATE TERMINAL DEDUCTION FROM GASOLINE TAX AND SPECIAL FUEL EXCISE TAX

- Brief Description:** Gasoline and special fuel received in New Mexico on which the New Mexico Gasoline Tax or Special Fuel Excise Tax was paid by the out-of-state terminal at which the gasoline or special fuel was loaded is deductible from computing the Gasoline Tax or Special Fuel Excise Tax due.
- Statutory Basis:** 7-13-4G and 7-16A-10G NMSA 1978
- Intended Purpose:** Presumably to prevent double taxation as it is only deductible if the Gasoline Tax or Special Fuel Excise Tax was paid by the out-of-state terminal at which the gasoline was loaded..
- History:** The Gasoline Tax section was originally enacted in 1991 and amended in 1997, 1998, and 1999.
- The Special Fuel Excise Tax section was originally enacted in 1992 and amended in 1993, 1997, 1998, 2001, 2005, 2006, 2007, 2009, and 2013.
- The subsections containing the Gasoline Tax and the Special Fuel Excise Tax deductions were created by an amendment in 2007.

TAX PAID IN ANOTHER STATE FOR PROPERTY AND SERVICES CREDIT AGAINST COMPENSATING TAX AND GRT

- Brief Description:** The amount of Gross Receipts, Sales, Compensating, or similar tax paid to another state on property acquired in that state or another state for use in New Mexico or on services performed outside this state may be credited against the amount of Compensating Tax due to New Mexico on the property or the GRT due on the sale.
- Statutory Basis:** 7-9-79 and 7-9-79.1 NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation as a gross receipts, sales, compensating, or similar tax must have been levied on the property or services in order to qualify for the credit.
- History:** The Credit for property against Compensating Tax was originally enacted in 1966 and amended in 1973 and 1991.
- The Credit for services against GRT was originally enacted in 1989.

TAX PAID ON ALCOHOLIC BEVERAGES DESTROYED IN SHIPMENT,
SPOILED, OR OTHERWISE DAMAGED
REFUND OF OR CREDIT AGAINST LIQUOR EXCISE TAX AND LOCAL
LIQUOR EXCISE TAX

Brief Description: Taxpayers are entitled to a refund for taxes paid pursuant to the Liquor Excise Tax and the Local Liquor Excise Tax on alcoholic beverages that are unsaleable because they are destroyed, spoiled, or damaged.

Statutory Basis: 7-17-11 and 7-24-14 NMSA 1978

Intended Purpose: Presumably to avoid taxing a product that is not available to be sold.

History: The Liquor Excise Tax provisions were originally enacted in 1968 and amended in 1969, 1971, 1973, 1977, 1984, and 1995.

The Local Liquor Excise Tax provisions were originally enacted in 1989.

TAX PAID ON GASOLINE OR SPECIAL FUEL DESTROYED BY FIRE,
ACCIDENT OR ACTS OF GOD BEFORE RETAIL SALE
REFUND OF OR CREDIT AGAINST GASOLINE TAX AND SPECIAL
FUEL EXCISE TAX

Brief Description: A taxpayer is entitled to a refund of, or credit against, the Gasoline Tax and Special Fuel Excise Tax paid on gasoline and special fuel that is destroyed by fire, accident, or acts of God while in the possession of the distributor, wholesaler, or retailer.

Statutory Basis: 7-13-11 and 7-16A-13 NMSA 1978

Intended Purpose: Presumably to ensure that taxes aren't paid on gasoline and special fuel which the taxpayer is unable to market.

History: The Gasoline Tax Credit and Refund section was originally enacted in 1971 and amended in 1983 and 1993.

The Special Fuel Excise Tax Credit and Refund section was originally enacted in 1992.

TAX PAID ON SPECIAL FUEL IN CERTAIN CIRCUMSTANCES REFUND OF SPECIAL FUEL EXCISE TAX

- Brief Description:** A taxpayer is entitled to a refund of the Special Fuel Excise Tax paid on special fuel used:
- (1) in a school bus,
 - (2) to propel a vehicle off-road,
 - (3) to operate auxiliary equipment by a power take-off from the main engine or transmission of a vehicle, or
 - (4) to operate a non-automotive apparatus vehicle.
- Statutory Basis:** 7-16A-13.1 NMSA 1978
- Intended Purpose:** Presumably, in the case of the school bus refund, to reduce the costs of government and to recognize that the other activities don't contribute to the deterioration of the roads, the maintenance of which is funded through the Special Fuel Excise Tax distributions to the Road Fund.
- History:** Originally enacted in 2001 and amended in 2005 and 2006.

TAX PAID TO ANOTHER STATE CREDIT AGAINST MVX

- Brief Description:** A vehicle that has been acquired through an out-of-state transaction upon which a gross receipts or similar tax has been paid may be credited against the MVX due to New Mexico.
- Statutory Basis:** 7-14-7 NMSA 1978
- Intended Purpose:** Presumably to ensure that the vehicle is not taxed twice (once in New Mexico and once in the other state).
- History:** Originally enacted in 1988.

TAX PAID TO ANOTHER STATE DEDUCTION FROM GASOLINE TAX AND SPECIAL FUEL EXCISE TAX

Brief Description: A taxpayer may deduct gasoline and special fuel from the Gasoline Tax and Special Fuel Excise Tax if it is exported from New Mexico by a rack operator, distributor, or wholesaler as long as:

- (1) the person exporting the gasoline and special fuel is registered in or licensed by the destination state to pay that state's gasoline or equivalent fuel tax,
- (2) proof is submitted that the destination state's gasoline, special fuel, or equivalent fuel tax has been paid or is not due, or
- (3) the destination state's gasoline, special fuel, or equivalent fuel tax is paid to New Mexico in accordance with the terms of an agreement entered into with the destination state.

Statutory Basis: 7-13-4A and 7-16A-10A NMSA 1978

Intended Purpose: Presumably to avoid double taxation as the deduction is only available if proof is submitted that the destination state's gasoline tax has been paid or is not due.

History: The Gasoline Tax deduction was originally enacted in 1991 and amended in 1997, 1998, 1999, and 2007.

The Special Fuel Excise Tax deduction was originally enacted in 1992 and amended in 1993, 1997, 1998, 2001, 2005, 2006, 2007, 2009, and 2013.

TAX PAID TO ANOTHER STATE CREDIT AGAINST ESTATE TAX

Brief Description: A taxpayer is entitled to a credit against the Estate Tax for the lesser of:

- (1) the amount of the death tax paid the other state and credited against the federal estate tax, or
- (2) an amount computed by multiplying the federal credit the percentage of the estate that the property represents.

Statutory Basis: 7-7-3 NMSA 1978

Intended Purpose: Presumably to avoid double taxation as it is only available to the extent that taxes have been paid to another state.

History: Originally enacted in 1973.

TAX PAID TO NAVAJO NATION FOR SELLING COAL SEVENTY-FIVE PERCENT CREDIT AGAINST GRT

- Brief Description:** A taxpayer is entitled to a credit against the GRT for 75% of the amount of tax paid to the Navajo Nation on the receipts from the selling of coal severed from Navajo Nation land.
- Statutory Basis:** 7-9-88.2 NMSA 1978
- Intended Purpose:** Presumably to reduce double taxation.
- History:** Originally enacted in 2001.

TAX PAID TO NEW MEXICO TRIBES EXEMPTION FROM ITGRT

- Brief Description:** Excluded from the definition of “interstate telecommunications gross receipts” are gross receipts or sales taxes imposed by Indian nations, tribes, or pueblos as long as the Indian nation, tribe, or pueblo provides a reciprocal exclusion for GRT imposed by NM.
- Statutory Basis:** 7-9C-2E(2) NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation.
- History:** Originally enacted in 1992 and amended in 1993 and 2002.

TAX PAID TO NEW MEXICO TRIBES SEVENTY-FIVE PERCENT CREDIT AGAINST GRT

- Brief Description:** A taxpayer is entitled to a credit against the GRT for 75% of the amount of tax paid to any of the 19 New Mexico tribes on taxable transactions taking place on tribal lands.
- Statutory Basis:** 7-9-88.1 NMSA 1978
- Intended Purpose:** Presumably to reduce double taxation.
- History:** Originally enacted in 1999 amended in 2001 and 2003.

TAXES PAID TO OTHER STATES CREDIT AGAINST PIT

- Brief Description:** When a resident individual is liable to another state for tax upon income derived from sources outside New Mexico but also included in net income allocated or apportioned to NM, the individual is entitled to a credit against the tax due to New Mexico in the amount of the tax paid to the other state.
- Statutory Basis:** 7-2-13 NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation.
- History:** Originally enacted in 1965.

Amended in 2013 to limit the tax credit paid to another state to the amount of tax liability in NM.

TELECOMMUNICATION PROVIDERS DEDUCTION FROM ITGRT

- Brief Description:** Receipts from interstate telecommunications services that are provided by a corporation to itself or to an affiliated corporation may be deducted from interstate telecommunications gross receipts.
- Statutory Basis:** 7-9C-8 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1992 and amended in 1993.

TRANSACTIONS IN INTERSTATE COMMERCE DEDUCTION FROM GRT AND GGRT

- Brief Description:** Receipts from transactions in interstate commerce and from sales of radio or television broadcast time if the ultimate buyer is a national or regional advertiser are deductible from gross receipts and governmental gross receipts.
- Statutory Basis:** 7-9-55 NMSA 1978
- Intended Purpose:** Presumably because taxation of interstate commerce is prohibited by the US Constitution's Commerce Clause.
- History:** Originally enacted in 1969 and amended in 1986 and 1993.

TRANSACTIONS IN INTRASTATE TRANSPORTATION AND SERVICES IN INTERSTATE COMMERCE DEDUCTION FROM GRT

- Brief Description:** Receipts incurred when transporting persons or property on an intrastate basis and under a single contract for transportation in interstate or foreign commerce (including handling, storage, drayage, or packing) are deductible from gross receipts.
- Receipts from telephone access charges paid by other telephone carriers are deductible.
- Statutory Basis:** 7-9-56 NMSA 1978
- Intended Purpose:** Presumably to comply with the preemption doctrine with respect to the transportation deduction as the transportation must be part of an interstate commerce transaction to be eligible for the deduction.
- Presumably to prevent double taxation with respect to the telephone access deduction.
- History:** Originally enacted in 1994.

TRANSPORTATION FROM WITHIN THE MUNICIPALITY TO OUTSIDE THE MUNICIPALITY EXEMPTION FROM LOCAL OPTION GRT

- Brief Description:** The transporting persons or property for hire by any means from one point within the municipality (or county) to another point outside the municipality (or county) are exempt from the Supplemental Municipal GRT, the Municipal Local Option GRT, the Local Hospital GRT, the County Local Option GRT, and the County Correctional Facility GRT.
- Statutory Basis:** 7-19-14A, 7-19D-5A, 7-20C-5, 7-20E-5, and 7-20F-6 NMSA 1978
- Intended Purpose:** Presumably to resolve a jurisdictional question and provide certainty about the tax rate that applies in this situation.
- History:** The Supplemental Municipal GRT exemption was originally enacted in 1979 and amended in 1983 and 1994.
- The Municipal and County Local Option GRTs and County Correctional Facility GRT exemptions were originally enacted in 1993 and amended in 1994.
- The Local Hospital GRT exemption was originally enacted in 1991 and amended in 1994.

UNCOLLECTIBLE DEBTS DEDUCTION FROM GRT AND GGRT

- Brief Description:** Refunds and allowances made to buyers or amounts written off the books as an uncollectible debt by a person reporting gross receipts tax and governmental gross receipts on an accrual basis may be deducted from gross receipts and governmental gross receipts.
- Statutory Basis:** 7-9-67 NMSA 1978
- Intended Purpose:** Presumably to avoid requiring a taxpayer to pay taxes on non-existent receipts.
- History:** Originally enacted in 1969 and amended in 1994.

UNPAID CHARGES FOR HOSPITAL SERVICES CREDIT AGAINST GRT

- Brief Description:** A licensed medical doctor or licensed osteopathic physician may claim a credit against gross receipts taxes due for the value of unpaid qualified health care services.
- Statutory Basis:** 7-9-96.2 NMSA 1978
- Intended Purpose:** Presumably to avoid requiring a taxpayer to pay taxes on non-existent receipts.
- History:** Originally enacted in 2007.

URANIUM ENRICHMENT PLANT EQUIPMENT DEDUCTION FROM COMPENSATING TAX

- Brief Description:** The value of equipment and replacement parts for that equipment may be deducted in computing the compensating tax due if the person uses the equipment and replacement parts to enrich uranium in a uranium enrichment plant.
- Statutory Basis:** 7-9-78.1 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1999.

URANIUM FIFTY PERCENT DEDUCTION FROM SEVERANCE TAX

- Brief Description:** Taxable value for uranium under the severance tax is defined as the sales price per pound of the content of U₃O₈ contained in the severed and saved or processed uranium, less 50%. The severance tax rate for uranium is 3.5%.
- Statutory Basis:** 7-26-4I NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1971 and amended in 1972, 1977, 1981, 1983, 1984, and 1986.

URANIUM HEXAFLUORIDE AND URANIUM ENRICHMENT DEDUCTION FROM GRT

- Brief Description:** Receipts from selling uranium hexafluoride and from providing the service of enriching uranium may be deducted from gross receipts.
- Statutory Basis:** 7-9-90 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1999.

Amended in 2012 to allow the deduction of the sales of uranium hexafluoride.

USE OF ELECTRICITY EXEMPTION FROM COMPENSATING TAX

- Brief Description:** Electricity used in the production and transmission of electricity, including transmission using voltage source conversion technology is exempt from the Compensating Tax.
- Statutory Basis:** 7-9-38 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding
- History:** Originally enacted in 1969.

Amended in 2012 to expand the exemption to include electricity used in the transmission of electricity using voltage source conversion technology.

USE OF TANGIBLE PERSONAL PROPERTY FOR LEASING DEDUCTION FROM COMPENSATING TAX

- Brief Description:** The value of tangible personal property held for leasing by a person engaged in the business of selling or leasing the same type property may be deducted before computing compensating tax due; however, it does not apply to the value of furniture or appliances furnished as part of a rent house or apartment, coin-operated machines, or manufactured homes.
- Statutory Basis:** 7-9-78 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1969 and amended in 1973, 1975, 1979, 1981, 1984, and 1991.

USED IN INTERSTATE COMMERCE DEDUCTION FROM GRT

- Brief Description:** Receipts from the rental or leasing of vehicles used in the transportation of passengers or property for hire in interstate commerce under the regulations or authorization of any agency of the US is deductible.
- Statutory Basis:** 7-9-70 NMSA 1978
- Intended Purpose:** Presumably because taxation of interstate commerce is prohibited by the US Constitution's Commerce Clause.
- History:** Originally enacted in 1969.

VEHICLE THAT IS OWNED BY THE STATE OF NM EXEMPTION FROM MVX

- Brief Description:** A vehicle with a certificate of title owned by New Mexico or any political subdivision is exempt from the tax.
- Statutory Basis:** 7-14-6C NMSA 1978
- Intended Purpose:** Presumably to reduce the cost of government.
- History:** Originally enacted in 1988, and amended in 1990, 1994, 2004, and 2007.

VEHICLE THAT WAS PREVIOUSLY REGISTERED IN NM EXEMPTION FROM MVX

- Brief Description:** A person applying for a certificate of title for a vehicle registered in another state is exempt from the tax if the person has previously registered and titled the vehicle in New Mexico and has owned the vehicle continuously since that time.
- Statutory Basis:** 7-14-6B NMSA 1978
- Intended Purpose:** Presumably to prevent double taxation (once in New Mexico and once in the other state).
- History:** Originally enacted in 1988, and amended in 1990, 1994, 2004, and 2007.

VEHICLES EXEMPTION FROM GRT AND COMPENSATING TAX

- Brief Description:** The receipts from selling vehicles on which a tax is imposed by the MVX Act, vehicles registered by persons with significant mobility limitations, and vehicles exempt from the MVX are exempt from GRT and Compensating Tax.
- Statutory Basis:** 7-9-22 and 7-9-23 NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation as the exemption only applies to vehicles on which a tax is imposed pursuant to the Motor Vehicle Excise Tax Act.
- History:** Originally enacted in 1969 and amended in 2004.

VEHICLES USED FOR SHORT-TERM LEASING CREDIT AGAINST MVX

- Brief Description:** The MVX is suspended for vehicles used primarily as short-term rental vehicles that are subject to Leased Vehicle Gross Receipts Tax.
- Statutory Basis:** 7-14-7.1 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1991 and amended in 1993 and 1994.

VETERINARY MEDICAL FOR TREATMENT OF CATTLE DEDUCTION FROM GRT

Brief Description: Receipts from sales of veterinary medical services, medicine or medical supplies used in the medical treatment of cattle may be deducted from gross receipts if the sale is made to:

- (1) a person who states in writing that the person is regularly engaged in the business of ranching or farming, including dairy farming, in NM, or
- (2) a veterinarian who is providing veterinary medical services, medicine, or medical supplies in the treatment of cattle owned by that person.

Statutory Basis: 7-9-109 NMSA 1978

Intended Purpose: Presumably to reduce pyramiding.

History: Originally enacted in 2007.

WAGES EXEMPTION FROM GRT

Brief Description: Receipts of employees from wages, salaries, commissions or from any other form of remuneration for personal services are exempt from GRT.

Statutory Basis: 7-9-17 NMSA 1978

Intended Purpose: Presumably to avoid double taxation as wages are taxed pursuant to the Income Tax Act.

History: Originally enacted in 1969.

WARRANTY OBLIGATIONS DEDUCTION FROM GRT

- Brief Description:** Receipts of a dealer from furnishing goods or services to the purchaser of tangible personal property to fulfill a warranty obligation of the manufacturer of the property may be deducted from gross receipts.
- Statutory Basis:** 7-9-68 NMSA 1978
- Intended Purpose:** Presumably to prevent double taxation since cost the warranty is part of cost of the good or service and taxes were paid on it at the time of the original purchase.
- History:** Originally enacted in 1969.

ARGUABLE

While many of the deviations from New Mexico's many tax programs are easily categorized as either "Tax Expenditures" or "Not Tax Expenditures", there are a number about which good arguments could be made for both. With a few others, the purpose of the deviation is not entirely clear; without knowing why the deviation was put in the code, it is not possible to determine in which category it belongs.

As with the "Not Tax Expenditure" section, we believe that including information about these deviations, even without any analysis of the fiscal impact, makes the reader better informed about the New Mexico tax structure.

AGRICULTURAL PRODUCTS EXEMPTION FROM GRT AND GGRT

Brief Description:	Receipts from selling livestock, including horses, and the receipts of growers, producers and trappers from selling live poultry, unprocessed agricultural products (for example, a bale of hay, a head of lettuce or an unroasted sack of green chili), hides or pelts are exempt from the GRT. Receipts from selling dairy products at retail are not exempt from the GRT.
Statutory Basis:	7-9-18 NMSA 1978
Intended Purpose:	Presumably to reduce pyramiding.
History:	Originally enacted in 1969 and amended in 1991, 1992, and 1993. Amended in 2011 to expand the deduction by defining “livestock” as all domestic or domesticated animals that are used or raised on a farm or ranch, including the carcasses thereof, and also includes horses, asses, mules, cattle, sheep, goats, swine, bison, poultry, ostriches, emus, rheas, camelids and farmed cervidae upon any land in NM.
Evaluation:	This deduction cannot be completely considered an anti-pyramiding device, as there is no limitation that the receipts come from the sale of goods that are intermediate goods, or that are for resale. However, it is not possible to determine which portion is attributable to resale activities and which is not.

CERTAIN COMMISSIONS DEDUCTION FROM GRT

Brief Description:	Receipts derived from commissions on sales of tangible personal property when the property sold is not subject to gross receipts tax, and derived from commissions of the owner of a dealer store for selling a principal’s goods are deductible from gross receipts.
Statutory Basis:	7-9-66 NMSA 1978
Intended Purpose:	Presumably to reduce double taxation since commissions are taxable as personal income.
History:	Originally enacted in 1969 and amended in 1999.

CHARITABLE ORGANIZATIONS EXEMPTION FROM PIT

- Brief Description:** Religious, educational, benevolent, or other organizations not organized for profit which are exempt from income taxation under the Internal Revenue Code are exempt from PIT and CIT; however, PIT and CIT applies to the unrelated business income of the organization.
- Statutory Basis:** 7-2-4B and 7-2A-4C NMSA 1978
- Intended Purpose:** Presumably to subsidize the activities of organizations that are providing socially-desirable benefits.
- History:** The PIT Exemption was originally enacted in 1965 and amended in 1969, 1971, and 1981.

The CIT Exemption was originally enacted in 1981 and amended in 1986 and 1989.

GROSS AMOUNTS WAGERED EXEMPTION FROM GRT

- Brief Description:** Exempted from GRT are receipts of a racetrack which are authorized by the Horse Racing Act to be retained by a racetrack that is licensed to conduct horse races.
- Statutory Basis:** 7-9-40B NMSA 1978
- Intended Purpose:** Presumably to avoid taxing receipts over which the race track has no authority to spend.
- History:** Originally enacted in 1970 and amended in 1971, 1985, and 1989.
- Recommendation:** Update the statute to reflect the correct citation. It currently references 60-1-10 NMSA 1978 which was repealed in 2007. Presumably the intention is for it to reference the successor statute which appears to be 60-1A-19 NMSA 1978.

INDIANS EXEMPTION FROM PIT

- Brief Description:** Income earned by a member of a New Mexico federally-recognized Indian nation, tribe, band or pueblo, his spouse or dependent, who is a member of a New Mexico federally-recognized Indian nation, tribe, band or pueblo, is exempt from PIT if the income is earned from work performed within and the member, spouse or dependent lives within the boundaries of the Indian member's or the spouse's reservation or pueblo grant or within the boundaries of lands held in trust by the US for the benefit of the member or spouse or his nation, tribe, band or pueblo, subject to restriction against alienation imposed by the US.
- Statutory Basis:** 7-2-5.5 NMSA 1978
- Intended Purpose:** Presumably in deference to the sovereignty of Indian nation, tribes, and pueblos.
- History:** Originally enacted in 1995.

INSURANCE COMPANIES EXEMPTION FROM GRT

- Brief Description:** The receipts of insurance companies or any agent thereof from premiums and any consideration received by a property bondsman as security or surety for a bail bond in connection with a judicial proceeding are exempt from GRT.
- Statutory Basis:** 7-9-24 NMSA 1978
- Intended Purpose:** Presumably to prevent double taxation as the receipts of insurance companies are subject to the Insurance Premium Tax and presumably to ensure that considerations received as security of surety for a bail bond are not taxed as they are not rightly considered receipts.
- History:** Originally enacted in 1969 and amended in 1988.

LIVESTOCK FEEDING EXEMPTION FROM GRT

- Brief Description:** Receipts from feeding or pasturing livestock, penning or handling livestock prior to sale, and from training livestock are exempt from GRT.
- Statutory Basis:** 7-9-19 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1969 and amended in 1974, 1991, and 1992.

NONRESIDENT EXEMPTION FROM ESTATE TAX

- Brief Description:** The transfer of the personal property of a nonresident is exempt from the Estate Tax to the extent that the personal property of residents is exempt from taxation under the laws of the state in which the nonresident is domiciled.
- Statutory Basis:** 7-7-4 NMSA 1978
- Intended Purpose:** Presumably to reduce the administrative burden on nonresidents.
- History:** Originally enacted in 1973 and amended in 1999.

OCCASIONAL SALE OF PROPERTY OR SERVICES EXEMPTION FROM GRT

- Brief Description:** Receipts from the isolated or occasional sale or leasing of property or a service by a person who is not in the business of selling or leasing the same or similar property or service are exempt from GRT.
- Statutory Basis:** 7-9-28 NMSA 1978
- Intended Purpose:** Presumably because the administrative burden on both the taxpayer and the Taxation and Revenue Department is too high relative to the revenue which would be realized for collecting this tax.
- History:** Originally enacted in 1969.

REAL ESTATE TRANSACTIONS DEDUCTION FROM GRT

- Brief Description:** Receipts from real estate commissions on the sale of real property which is subject to the GRT (*i.e.*, new construction under § 7-9-53) are deductible from gross receipts.
- Statutory Basis:** 7-9-66.1 NMSA 1978
- Intended Purpose:** To prevent double taxation as the commissions must be on the sale of real property which is subject to the GRT in order to be deductible and the commission is included in the cost of the real property
- History:** Originally enacted in 1984 and amended in 1990.

RESALE ACTIVITIES OF AN ARMED FORCES INSTRUMENTALITY EXEMPTION FROM GRT AND COMPENSATING TAX

- Brief Description:** Receipts from selling tangible personal property and the use of property by any instrumentality of the armed forces of the United States engaged in resale activities are exempt from GRT and Compensating Tax.
- Statutory Basis:** 7-9-31 NMSA 1978
- Intended Purpose:** Presumably to comply with the preemption doctrine and to reduce pyramiding.
- History:** Originally enacted in 1969.

SALE OF GASOLINE BY A REGISTERED INDIAN TRIBAL DISTRIBUTOR FROM A NONMOBILE STORAGE CONTAINER DEDUCTION FROM GASOLINE TAX

Brief Description: Gasoline that is received in New Mexico and sold by a registered Indian tribal distributor from within that distributor's Indian reservation, pueblo grant, or trust land for resale outside the Indian reservation, pueblo grant, or trust land is deductible from the Gasoline Tax as long as the distributor sold at least 1 million gallons of gasoline between May and August 1998 and that the amount of gasoline deducted by a registered Indian tribal distributor doesn't exceed 2.5 million gallons per month.

Statutory Basis: 7-13-4F NMSA 1978

Intended Purpose: Promoting economic development on tribal lands.

History: The section was originally enacted in 1991 and amended in 1997, 1998, and 2007.

This subsection was created by an amendment in 1999.

SALE OF GASOLINE AT RETAIL BY A REGISTERED INDIAN TRIBAL DISTRIBUTOR DEDUCTION FROM GASOLINE TAX

Brief Description: Gasoline received in New Mexico and sold at retail by a registered Indian tribal distributor is deductible from the Gasoline Tax, to the extent it's taxed by the Indian nation, tribe, or pueblo, if:

- (1) the sale occurs on the distributor's Indian reservation, pueblo grant, or trust land,
- (2) the gasoline is placed into the fuel supply tank of a motor vehicle on that reservation, pueblo grant, or trust land, and
- (3) the Indian nation, tribe, or pueblo has certified that it has in effect an excise, privilege, or similar tax on the gasoline

Statutory Basis: 7-13-4E NMSA 1978

Intended Purpose: Presumably to reduce double taxation.

History: The section was originally enacted in 1991 and amended in 1997, 1998, and 2007.

This subsection was created by an amendment in 1999.

SALE OF GASOLINE TO NEW MEXICO INDIAN TRIBES DEDUCTION FROM GASOLINE TAX

- Brief Description:** Gasoline received in New Mexico sold to an Indian nation, tribe or pueblo their exclusive use is deductible from the Gasoline Tax.
- Statutory Basis:** 7-13-4C NMSA 1978
- Intended Purpose:** Presumably to respect the sovereignty of New Mexico tribes.
- History:** The section was originally enacted in 1991 and amended in 1998, 1999, and 2007.

This subsection was created by an amendment in 1997.

SALE OR LEASE OF REAL PROPERTY & LEASE OF MANUFACTURED HOMES DEDUCTION FROM GRT

- Brief Description:** Receipts from the sale or lease of real property, which includes the land and any permanent fixtures, from the lease of a manufactured home for at least one month, and from the rental of space for a manufactured home or recreational vehicle for at least one month are deductible from gross receipts.
- Statutory Basis:** 7-9-53 NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation as these are taxed pursuant to the Property Tax Code.
- History:** Originally enacted in 1969 and amended in 1972, 1973, 1975, 1979, 1983, 1991, and 1998.

STOCK BONUS, PENSION, AND PROFIT-SHARING TRUSTS EXEMPTION FROM PIT AND CIT

- Brief Description:** A trust organized or created in the US and forming part of a stock bonus, pension, or profit-sharing plan of an employer for the exclusive benefit of his employees or their beneficiaries which is exempt from taxation under the provisions of the Internal Revenue Code is exempt from PIT and CIT.
- Statutory Basis:** 7-2-4A and 7-2A-4B NMSA 1978
- Intended Purpose:** Presumably to provide employers with an incentive to provide retirement benefits to their employees.
- History:** The PIT Exemption was originally enacted in 1965 and amended in 1969, 1971, and 1981.
The CIT Exemption was originally enacted in 1981 and amended in 1986 and 1989.

TAX PAID ON SPECIAL FUEL USED CREDIT AGAINST SPECIAL FUEL EXCISE TAX

- Brief Description:** A taxpayer is entitled to a credit against the Special Fuel Excise Tax for all Special Fuel Excise Tax paid on special fuel used during the reporting period.
- Statutory Basis:** 7-16A-12 NMSA 1978
- Intended Purpose:** Presumably to avoid requiring a taxpayer to pay taxes on fuel that is not available to be sold.
- History:** Originally enacted in 1992 and amended in 1997.

TRAVEL AGENTS' COMMISSIONS DEDUCTION FROM GRT

- Brief Description:** Travel agents' commissions paid by maritime transportation companies, and interstate airlines, railroads and passenger buses for booking, referral, reservation, or ticket services are deductible from gross receipts.
- Statutory Basis:** 7-9-76 NMSA 1978
- Intended Purpose:** Presumably to reduce pyramiding.
- History:** Originally enacted in 1977.

WIDE-AREA TELEPHONE AND PRIVATE COMMUNICATIONS
SERVICE
DEDUCTION FROM ITGRT

Brief Description: Receipts from the provision of wide-area telephone service and private communications service in this state may be deducted from ITGRT.

Statutory Basis: 7-9C-6 NMSA 1978

Intended Purpose: Unclear.

History: Originally enacted in 1992 and amended in 1993.



State of New Mexico

Susana Martinez
Governor

EXECUTIVE ORDER 2011-071

REQUIRING PREPARATION OF AN ANNUAL TAX EXPENDITURE BUDGET

WHEREAS, New Mexico's tax code contains provisions that reduce tax liability for qualifying taxpayers.

WHEREAS, these provisions have the effect of reducing state revenues and are thus equivalent to spending programs. For this reason they are referred to as "tax expenditures."

WHEREAS, aggregate foregone revenue through tax expenditures comprises a substantial component of total state spending.

WHEREAS, the state does not currently have a systematic means of reporting on these expenditures and of analyzing whether they meet their intended objectives.

WHEREAS, many exemptions, deductions and exclusions in the tax code are not tax expenditures but rather are needed to properly define the tax base and to prevent double taxation. These provisions should not be considered tax expenditures.

NOW THEREFORE, I, Susana Martinez, Governor of the State of New Mexico, by authority vested in me by the Constitution of the State of New Mexico and by its statutes, do hereby **ORDER** and **DIRECT**:

An annual tax expenditure budget will be prepared as a joint product of the executive branch agencies. The Taxation and Revenue Department will be the lead agency in preparation of the budget, with assistance from the Department of Finance and Administration, the Economic Development Department, the Energy, Minerals and Natural Resources Department, the Environment Department, the Department of Health and other executive branch agencies.

The tax expenditure budget will explain the difference between tax expenditures and other exemptions, deductions and exclusions that are needed to properly define the tax base. The latter will not be included in the tax expenditure report.

The tax expenditure budget will include information on the statutory basis for each tax expenditure including an analysis of the intended purpose of the statute.

The tax expenditure budget will include an evaluation of whether each provision is achieving its intended purpose. If such information is not available, the tax expenditure budget will recommend means by which such information might be collected without violating taxpayer confidentiality.

The tax expenditure budget will include estimates of the cost effectiveness of each provision in achieving its intended purpose. If such information is not available, the tax expenditure budget will recommend means by which such information might be collected without violating taxpayer confidentiality.

The tax expenditure budget will include estimates of the revenue foregone due to each provision, including state general fund, other state funds and local government revenues.

The tax expenditure budget will make recommendations for how to improve statutory provisions when they are found to not be achieving their purpose in a cost effective manner.

THIS ORDER supersedes any other previous orders, proclamations or directives in conflict. This Executive Order shall take effect immediately and shall remain in effect until such time as the Governor rescinds it.

SIGNED AT THE EXECUTIVE OFFICE
THIS 9TH DAY OF AUGUST 2011.

WITNESS MY HAND AND THE GREAT
SEAL OF THE STATE OF NEW
MEXICO.



SUSANA MARTINEZ
GOVERNOR

ATTEST



DIANNA J. DURAN
SECRETARY OF STATE



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