

# Hold Harmless Problems

---

## “Double-Dipping”

- Hold Harmless phase out begins in 2015 (6%-7% drop in payments each year until 2029)
- Municipalities/Counties can raise GRT *right now*
  - Enacting Hold Harmless GRT + Still receiving 100% State Hold Harmless = Double-Dipping

## Stacking

- BOTH municipalities and counties can EACH impose  $3/8^{\text{th}}$  GRT
- This can result in a  $6/8^{\text{th}}$  ( $3/4^{\text{th}}$ ) increase in GRT

## Too Little or Too Much

- For some municipalities a  $3/8^{\text{th}}$  increase in GRT is not enough to cover total losses
- For some municipalities, and all counties,  $3/8^{\text{th}}$  is more than enough (really too much)

## “Stair-Stepper” Revenue

- Every year State Hold Harmless payments drop 6%-7%
- When municipalities/counties enact Hold Harmless GRT, it is a big shot in the arm
- But revenue “stair-steps” down again – difficult to manage a budget

## Voter Say

- The law does not allow for any voter referendum to enact, or remove, Hold Harmless GRT

# Hold Harmless Fix

---

## Schedule for Enacting Increments

- Tax increments can be enacted no earlier than:

Municipalities	Counties
1 <sup>st</sup> Increment: July 1 <sup>st</sup> , 2015	1 <sup>st</sup> Increment: July 1 <sup>st</sup> , 2015
2 <sup>nd</sup> Increment: July 1 <sup>st</sup> , 2018	2 <sup>nd</sup> Increment: July 1 <sup>st</sup> , 2022
3 <sup>rd</sup> Increment: July 1 <sup>st</sup> , 2020	

## County Hold Harmless Gross Receipts Tax

- Change  $3/8^{\text{ths}}$  max GRT to  $2/16^{\text{ths}}$  ( $1/8^{\text{th}}$ )
- Change GRT increments from  $1/8^{\text{th}}$  to  $1/16^{\text{th}}$

## 1 County and 13 Municipalities that are Still Short

- If shortfall exists after enactment all increments, the State pays the difference (~\$9 mil. total)

## Distribution to Municipalities and Counties: “Offset”

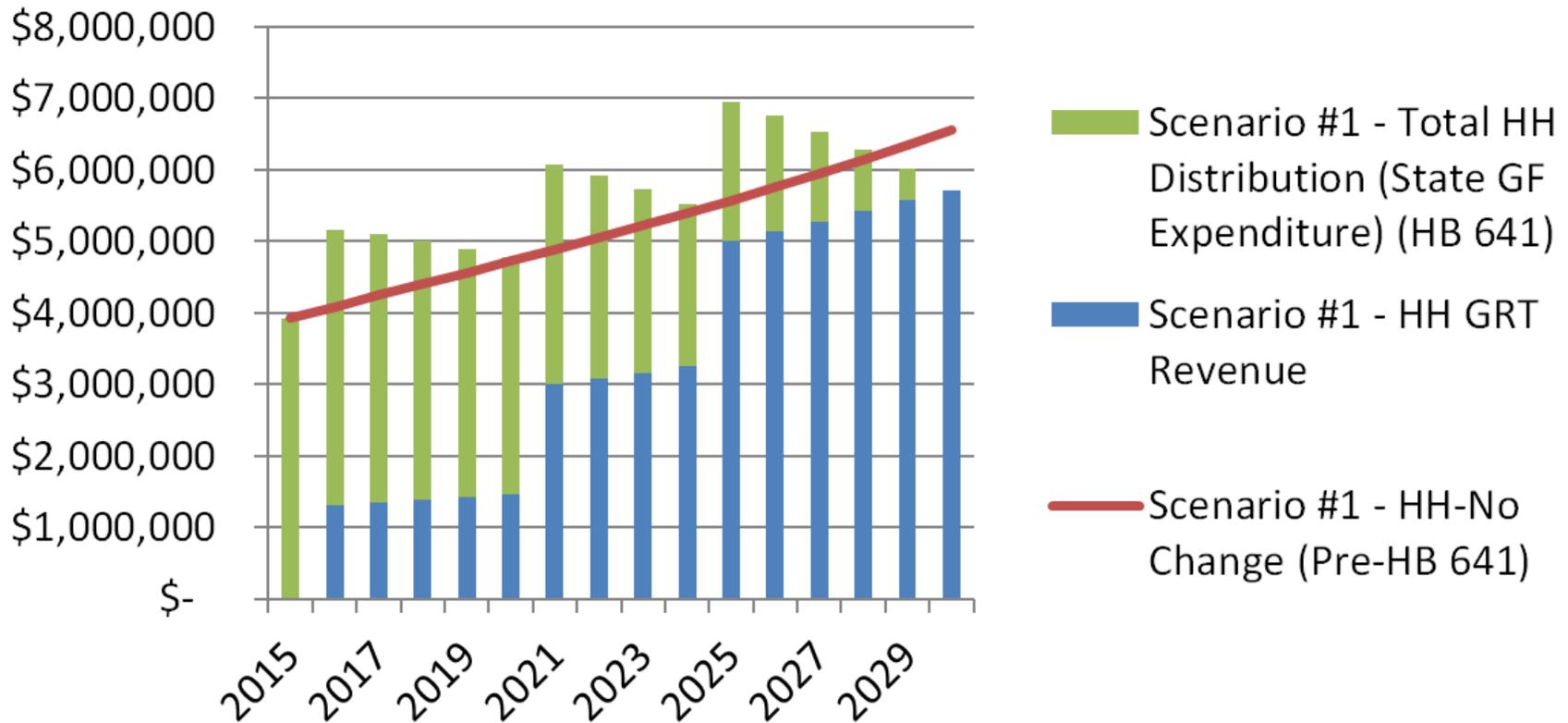
- The State Distribution will be the lesser of:
  - The current law: 6%-7% drop in payments each year from 2015 to 2029
  - or –
  - 100% Hold Harmless (-) minus GRT raised by the municipality/county

## Voter Say

- This compromise bill does not change the current law regarding voter say

# Rio Rancho

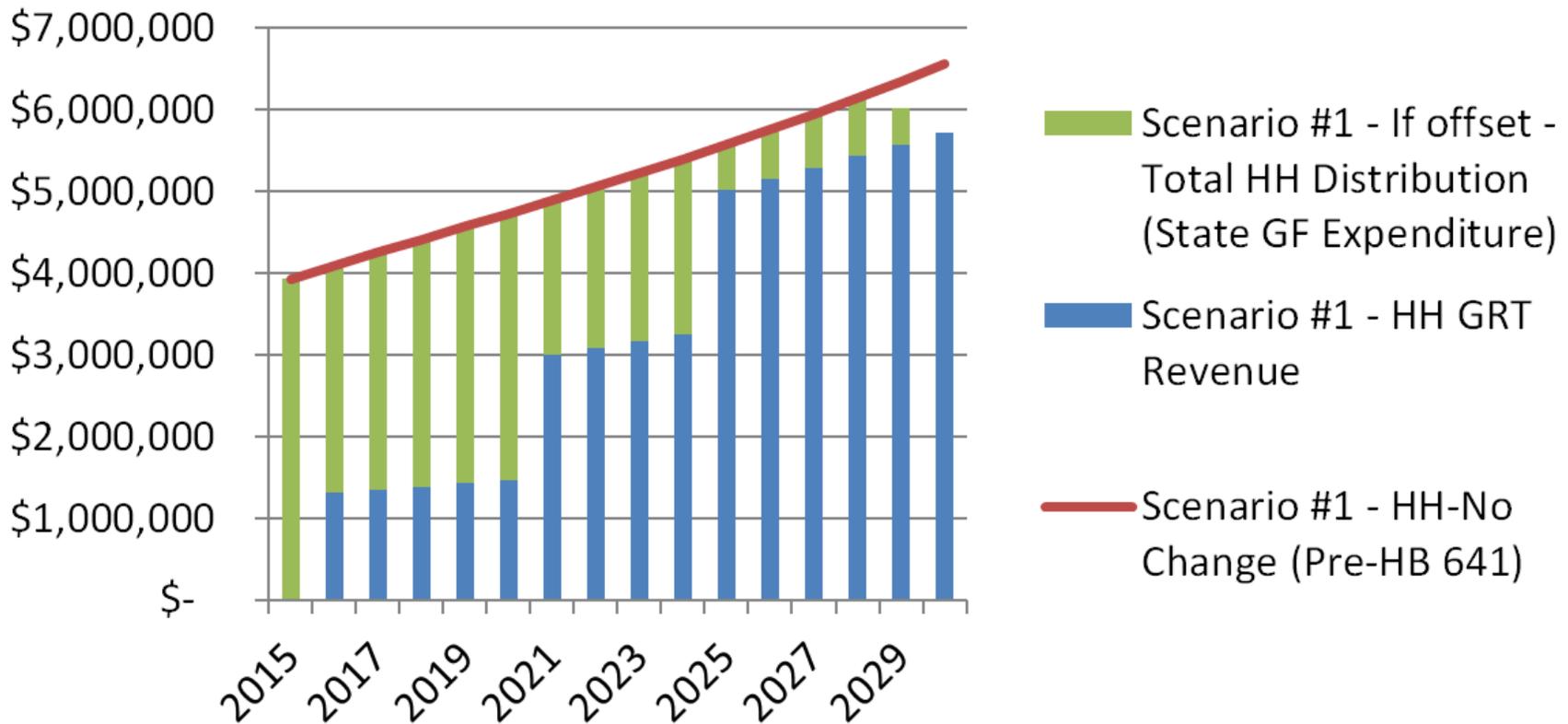
## Annual HH Receipts to Local Government (Current Law) - Scenario #1



Total State HH Distributions: **\$38,758,257**

# Rio Rancho

## Annual HH Receipts to Local Government (if offset) - Scenario #1



Total State HH Distributions: **\$30,110,121 (Delta = \$8,648,136)**