

Explanation of
GRT – PIT Swap

Under this bill, the state distribution to each municipality equals the greater of:

a) 1.225% of the 5.125% state gross receipts tax from business locations within the municipality (existing law): or

b) 1% of the 5.125% state gross receipts tax from business locations within the municipality plus a percentage of the personal income tax revenue from returns reported by residents of the municipality for the income tax year.

Bill Section	NMSA Section	Description
1	7-1-6.4	Reduces the municipal distribution percentage from 1.225% to 1%.
2	7-1-6.62	New distribution section offering each municipality the greater of 0.225% of the gross receipts tax revenues from businesses in the municipality versus one-twelfth of a ratio times the reported New Mexico adjusted gross income on returns from residents of the municipality. The ratio is calculated by TRD annually and it equals 0.225% times the taxable gross receipts tax from all municipalities divided by the reported New Mexico adjusted gross income on returns from all municipal residents. Requires TRD to report annually to LFC, the municipalities, NM Municipal League, and DFA.
3	New	Requires TRD, DFA and NM Municipal League to report to the Revenue Stabilization and Tax Policy Review Committee each year for the period 2020 through 2023 the distributions made to municipalities under Sections 7-1-6.4 and 7-1-6.62.
4	---	Effective date: January 1, 2021.