**MINUTES**
**of the**
**SIXTH MEETING IN 2011**
**of the**
**REVENUE STABILIZATION AND TAX POLICY COMMITTEE**
**December 12-13, 2011**
**Room 322, State Capitol**
**Santa Fe**

The sixth meeting of the Revenue Stabilization and Tax Policy Committee (RSTP) for 2011 was called to order by Senator Tim Eichenberg, chair, on Monday, December 12, 2011, at 9:35 a.m. in Room 322 of the State Capitol in Santa Fe.

**Present**
Sen. Tim Eichenberg, Chair
Rep. Edward C. Sandoval, Vice Chair
Sen. Carlos R. Cisneros
Rep. Anna M. Crook
Sen. Clinton D. Harden, Jr.
Sen. Timothy Z. Jennings, Senate President Pro Tempore (12/12)
Sen. Timothy M. Keller (12/12)
Sen. Gay G. Kernan
Rep. Ben Lujan, Speaker of the House (12/12)
Rep. Rodolpho "Rudy" S. Martinez
Rep. Henry Kiki Saavedra
Rep. Thomas C. Taylor
Rep. Jim R. Trujillo
Rep. Bob Wooley

**Absent**
Sen. Mark Boitano
Rep. Donald E. Bratton
Sen. Howie C. Morales
Sen. John Arthur Smith

**Designees**
Sen. Phil A. Griego
Sen. George K. Munoz (attending as a guest 12/12)
Sen. Nancy Rodriguez
Sen. William E. Sharer
Rep. Luciano "Lucky" Varela (attending as a guest 12/12 and designee 12/13)

Sen. Rod Adair
Rep. Ray Begaye
Sen. William F. Burt
Rep. Zachary J. Cook
Rep. Brian F. Egolf, Jr.
Rep. Miguel P. Garcia
Rep. Thomas A. Garcia
Rep. Roberto "Bobby" J. Gonzales
Sen. Eric G. Griego
Rep. Sandra D. Jeff
Rep. Antonio Lujan
Rep. Antonio "Moe" Maestas

Sen. Steven P. Neville
Rep. Debbie A. Rodella
Sen. Bernadette M. Sanchez
Sen. John M. Sapien
Rep. James R.J. Strickler
Rep. Don L. Tripp
Sen. Peter Wirth

(Attendance dates are noted for members not present for the entire meeting.)

**Staff**
Pam Ray, Staff Attorney, Legislative Council Service (LCS)
Ric Gaudet, LCS
Damian Lara, Staff Attorney, LCS
Pam Stokes, Staff Attorney, LCS

**Guests**
The guest list is in the meeting file.

**Handouts**
Handouts and other written testimony are in the meeting file.

**Minutes Approval**
Because the committee will not meet again this year, the minutes for this meeting have not been officially approved by the committee.

**Monday, December 12**

**State Investment Council Follow-Up**
Steven K. Moise, state investment officer, and Charles Wollmann, director of communications, State Investment Council (SIC), gave a presentation to the committee responding to questions posed to SIC staff at the July 2011 meeting of the committee. The first issue Mr. Moise discussed was the progress made since July on the recommendations made by the accounting firm Ennis-Knupp to the SIC. Fifty-five of the 82 recommendations have been implemented. Some changes cannot be implemented without legislative action, such as SIC budget autonomy and ability to set staff size. Other recommendations are not practical or no longer necessary due to recent statutory changes. The SIC has asked Ennis-Knupp to revisit all of the recommendations and make new recommendations based on the implemented changes in the past two years.

Mr. Moise said that when he was appointed state investment officer in 2010, approximately 40 percent of the SIC's funds were managed by SIC staff. That figure has been reduced to just over 14 percent currently. However, SIC staff still manages over $2 billion in its public equity portfolio. The SIC has adopted new investment strategies with the goal of changing its asset allocations. New goals will reduce the amount invested in broad U.S. equities and increase investments in energy, commodity, real estate and hedge funds. The new allocation strategy will take 12 to 24 months to complete.

The SIC now has a complete membership, after the appointment to the council by the New Mexico Legislative Council of Harold W. Lavender and by the governor of Greg Anesi. Doug Brown has been elected vice chair of the SIC by council members. The SIC's Governance Committee will address the issue of the length of term of the vice chair soon.

The committee had asked SIC staff to estimate the percentage of assets invested in fossil fuel energy companies. That question has been difficult to determine with precision, due to the diverse and multi-tiered nature of the SIC's investments. In the public equities sector, however, Mr. Moise estimated that approximately 11 percent of that portfolio, or $840 million, was invested in the energy industry.

Mr. Moise reported that the SIC has filed civil suits against 17 individuals arising from the recent "pay-to-play" scandal. The next step is to file lawsuits against some of the entities involved. He said that the SIC has very little information about the progress of the criminal investigation. If a grand jury issues criminal indictments, the SIC's civil case will be aided.

Mr. Wollmann discussed two pieces of legislation the SIC is seeking to be enacted. A proposed constitutional amendment will be introduced seeking to increase the standard of care with which the SIC is tasked with managing the Land Grant Permanent Fund (LGPF) and removing the cap set for investment in international securities. A companion bill will enact a statute that sets that cap at 25 percent. Putting the investment limitation in statute will allow the legislature to make modifications to the limit if prudent. He said that it is not typical for states to have limitations on the percentage of international equity investments allowed.

Questions and comments from committee members included the following:

- The problems that arose from previous management of the SIC were due to the lack of oversight. Mr. Moise said that the SIC now has staff overseeing investment managers on a daily basis. The fees that investment managers receive are market-rate, and not excessive. All investment contracts are open for public inspection.

- The SIC may invest more money in countries that have long-term gross domestic product growth projections, but some of those countries may be politically unstable. Mr. Moise said that the SIC is very sensitive to geopolitical considerations when making investment decisions.

- Do contract investment managers make independent investment decisions? Mr. Moise said that contract managers consult with SIC staff before investment changes are made. No spontaneous investments are made.

- The most important governance recommendation made by Ennis-Knupp, that the governor should not be the chair of the SIC, still has not been implemented. A bill to remove the governor from membership of the SIC was vetoed.

- How are the SIC's investments in New Mexico private equity performing? Mr. Wollmann said that earlier investments have underperformed compared to the SIC's average rate of return, but that later investments are beginning to perform.

- What is the current value of the LGPF? Mr. Moise said that its value on that day was $10.2 billion.

**Sustainable Energy Higher Education Endowment Fund**

Senator Keller presented proposed legislation to the committee that would establish a trust fund to fund university professorships and research into sustainable energy technology. The fund would receive a monthly distribution from gross receipts tax (GRT) collections for three years. Beginning in 2015, five percent of the fund would be distributed equally to the University of New Mexico, New Mexico State University (NMSU) and New Mexico Institute of Mining and Technology (NMIMT).

Questions and comments from committee members included the following:

- The scope of the bill should include research into developing natural-gas-based electricity generation systems.

**Capital Outlay Overview**

Linda M. Kehoe, principal analyst, Legislative Finance Committee (LFC), and Sonia Snyder, fiscal analyst, LFC, presented an update to the committee on capital outlay projects in the state. Since 2008, approximately $1 billion for 3,563 capital projects has been authorized by the legislature, of which $426 million remains outstanding. Of that amount, only $18 million is associated with 82 projects that have seen no progress this year.

The LFC estimates severance tax bonding (STB) capacity, after setting aside the amounts in statute allocated for water, colonias and tribal infrastructure projects, of $130 million. Supplemental STB capacity for public school construction is projected to be $149 million. General obligation bond (GOB) capacity is estimated to be $298 million if bonds are issued at the full capacity, or $180 million if bonds are issued in an amount to maintain the same property tax mill levy. There is not expected to be any money from the general fund for capital projects in the upcoming legislative session.

State agency and local government requests for capital projects this year totaled more than $2.3 billion, far in excess of the $310 million to $428 million estimated to be available. LFC staff made recommendations to spend $310 million for state agency capital projects. The LFC did not endorse the recommendations, but approved them as a framework for legislative consideration. The staff recommendations reflect the state's most critical projects impacting public health and safety, the preservation of state facilities and ongoing projects requiring additional funds to complete.

Ms. Kehoe said that the executive administration has expressed support for funding ongoing local government projects in order for them to be completed. LFC and LCS staff have assisted the Department of Finance and Administration (DFA) in determining which local projects could be considered for that funding. Approximately $12 million will be needed to fund these incomplete projects.

Questions and comments from committee members included the following:

- Will the administration develop its own capital outlay proposal? Ms. Kehoe said that the DFA held capital project hearings on state agency proposals in November and is currently identifying its priorities. Local governments also submitted their capital project requests to the DFA in July.

- What is the status of the Health and Human Services (HHS) project, to be located at the Las Soleras development in Santa Fe? Ms. Kehoe said that the project approval by the Martinez administration has been delayed until May 2012. That project was approved by the legislature in 2009 and would be financed through a lease-purchase agreement through the New Mexico Finance Authority.

- Will there be any funding available for local capital projects in the upcoming session? Ms. Kehoe said that the LFC staff recommendation appropriated all of the STB and GOB revenue for critical state projects, including $25 million for highway improvements and repairs.

- The Department of Transportation has estimated that it has a backlog of more than $1 billion in needed repairs to state highways. The state needs to come up with a fiscal solution to that problem, including the possible imposition of higher transportation-related taxes.

- There have been no local capital projects funded since 2008. The legislature should allocate at least $30 million for local capital project funding in the upcoming session.

- The legislature should consider using local government "hold harmless" GRT distributions to fund local capital projects.

**Stripper Well Incentive Analysis**

Ray Powell, commissioner of public lands, gave a presentation to the committee about royalty incentives for low-producing oil wells on state land. Stripper wells are oil wells whose production has slowed to three to six barrels per day, depending on the well depth. A well becomes less economically viable once it reaches that level of production. Instead of having the operator plug the well permanently, which ends any revenues to the state from the well, the State Land Office (SLO) has instituted a program in which the royalty rates for the well are reduced from 12 percent to five percent. Any effort that prolongs the life of a stripper well has a potential significant impact on future state revenues, including LGPF royalty receipts, severance taxes and gross receipts taxes.

There are currently 495 approved stripper wells, which produce about 8,800 barrels of oil per month. This has resulted in $510,000 in royalty revenue received by the SLO in fiscal year 2011. Although reducing the royalty rate for stripper wells theoretically reduces state income from the wells, no income would be received if the wells are plugged and abandoned. The administrative costs for the program average $21,000 per year, which is only four percent of the total revenue received.

Questions and comments from committee members included the following:

- SLO staff were asked to describe enhanced oil recovery programs. Scott Dawson, petroleum engineer specialist, SLO, said that enhanced recovery operations are typically performed by flooding an underground basin in order to free the remaining oil from the rock. Laird Graeser, economist, Taxation and Revenue Department (TRD), said that the stripper well incentives provided by the SLO are different than the statutory tax incentives for stripper wells and well-workover projects. Those incentives are triggered only when the price of oil falls below $28.00 per barrel, which level has not been seen in more than a decade.

- Is the SLO still receiving large revenues from oil and gas lease sales? Kurt McFall, assistant commissioner for the Mineral Resources Division, SLO, said that lease revenues from the past six months have reached record levels. There is much renewed interest in state land, due to new technologies, including horizontal drilling capabilities.

- Can the SLO offer incentives for companies to rework older oil fields? Mr. Dawson said that would be possible. Commissioner Powell said that NMIMT studies predict that oil wells have only extracted 15 percent of the actual oil in the ground. The remaining oil can be extracted, but cost considerations have thus far prevented the extraction.

**Revenue Forecast**

Tom Clifford, secretary of finance and administration, and Elisa Walker-Moran, chief economist, LFC, presented the latest consensus revenue estimate to the committee. The consensus revenue estimating group is made up of career economists from the executive and legislative branches. The December estimate is based on a review of the October 2011 revenue estimate. Total recurring revenue growth in fiscal year 2011 was 12.6 percent, one-third of which was due to legislated tax increases. Fiscal year 2012 growth is projected to be only 2.4 percent, and 2.8 percent the following year. Fiscal year 2012 ending balances are projected to be $599 million, or 11 percent of recurring appropriations. For fiscal year 2013, new revenue, calculated as the difference between fiscal year 2013 revenue and fiscal year 2012 expenditures, is projected to be $254 million.

Key economic indicators expected to affect the state's revenues include the following:

- U.S. economic growth will slow due to decreasing federal government spending;

- the state's total payroll employment only recently began to grow, and the state has 40,000 fewer jobs than a few years ago;

- new claims for unemployment insurance have fallen, but the total number of unemployed persons remains high;

- crude oil production continues to increase in New Mexico, reaching 68.8 million barrels in fiscal year 2011; and

- natural gas production fell four percent in fiscal year 2011.

GRT revenue rebounded by 10.8 percent in fiscal year 2011, but much of that increase was due to a one-eighth increase in the GRT rate. Personal income tax revenue grew by 11.5 percent, of which 50 percent was due to the elimination of the deduction from net income of state and local taxes paid. Corporate income tax (CIT) revenue also grew strongly, a reflection of profits in the oil and gas production and manufacturing sectors.

Predicted growth in revenues could change if the U.S. economy entered another recession, which some economists have predicted at a 35 percent probability. In addition, if the federal payroll tax reductions and unemployment insurance benefits are not extended, the consensus group estimates a one percent total revenue decline from current predictions.

Questions and comments from committee members included the following:

- There is a $30 million discrepancy between the DFA and LFC GOB capacity estimates. Secretary Clifford said that the consensus economists will resolve that discrepancy soon.

- The TRD wasted money by sending out duplicate notices to oil and gas revenue recipients, requiring them to affirm their residency status. Secretary Clifford said that the TRD has been working with the oil and gas industry to make the reporting requirements recently enacted less burdensome. Deborah Seligman, lobbyist for the energy sector, said that the TRD will start using the federal tax Form 1099 and tax identification numbers to verify that oil and gas proceeds are correctly withheld in New Mexico.

- Natural gas prices have been low for a few years, and it does not appear likely that prices will increase soon. Secretary Clifford agreed, but said that if more natural-gas electricity plants are built, demand for natural gas will increase substantially.

- How much revenue for the state is generated by the coal industry annually? Secretary Clifford estimated that $20 million is raised from the GRT, $5 million from the resources excise tax and $25 million from severance taxes.

- Replacing coal-fired electric generating plants with natural-gas-based plants would result in many lost jobs in New Mexico because it would be much cheaper for the industry to pipe the gas to Phoenix and build electric plants in that city.

- DFA staff was asked to provide estimates of available recurring revenue for fiscal year 2013 for reserve levels between five percent and nine percent.

**Executive Branch Tax and Revenue Proposals**

Secretary Clifford presented a philosophical framework for reforming New Mexico's taxation structure. He did not present any specific legislative recommendations that the administration is proposing but discussed potential avenues for reform. He began by stating that the United States has one of the highest CIT rates in the world when state and federal rates are combined. Most countries do not impose state-level CIT. When comparing New Mexico's CIT rates and structure to other western states, New Mexico ranks low. The combination of relatively high rates and a limited ability to modify tax apportionment factors makes New Mexico less competitive regionally. However, the ability of multistate corporations to file separately in New Mexico partially offsets this disadvantage.

A recent study comparing the effective tax rates on a hypothetical new investment venture ranked New Mexico last among the states. The New Mexico Tax Research Institute commissioned a more detailed study to include tax incentives in the effective tax rate, but only compared eight other surrounding states' tax structures. In that study, New Mexico ranked much better, with only two states having lower effective tax rates. However, the competitive advantage only applies to the few businesses that qualify for the incentives. Most New Mexico businesses do not enjoy the benefits of tax incentives, and remain at a competitive disadvantage.

The pyramiding nature of the GRT is also a big concern for businesses. The imposition of the GRT many times before a service or product is delivered to the consumer can mean that the effective GRT rate can be as high as 14 percent, compared to the nominal state and local average rate of seven percent.

State government spending has grown at an average compounded rate of 4.4 percent annually. Even with recent reductions, spending is up by more than 50 percent since 2000. This growth rate exceeds the combined growth rate of the state's population and inflation. Secretary Clifford said that controlling spending is the key to building a sustainable and competitive tax system.

Tax expenditures account for a large portion of the state's budget, totaling $940 million in fiscal year 2012. Of that amount, only $105 million is spent on economic development incentives. Secretary Clifford suggested that many tax expenditures do not have proper accountability or targeting.

Secretary Clifford proposed several tax reform goals, which may take many years to achieve. The overall goal of the administration is to shift the state's tax base from investment and income to consumption, in order to increase economic growth. Tax expenditures need to be reformed to improve accountability and predictability. Policy should be crafted to establish a fair tax structure for small and large businesses. Finally, the state should simplify reporting and filing requirements for businesses.

Potential reforms in the GRT structure include providing a broad GRT deduction for manufacturing equipment. Typically, only large companies qualify for the investment credit and industrial revenue bonds. Another proposal would eliminate the GRT for small businesses below a certain gross revenue level. This would eliminate a huge reporting burden for small businesses and reduce administrative costs at the TRD. Secretary Clifford said that currently 50 percent of businesses pay one percent of the total GRT collections. Another possible change would be to allow more construction services to be deducted from gross receipts.

CIT reform possibilities include reducing the CIT rate from its current maximum level of 7.9 percent, allowing companies to elect to use a single-weighted or double-weighted sales apportionment factor and allowing greater flexibility in filing options. Changing the apportionment factor from the current equal weighting of sales, payroll and property would encourage more manufacturing businesses and encourage companies to set up headquarters in the state.

Secretary Clifford suggested converting economic tax incentives into grant programs similar to the structure of the very successful job-training incentive program. This would provide better fiscal controls of the incentives and improve accountability. The incentives would be specifically targeted to encourage certain types of economic activity and would be competitively awarded. This would allow a more certain business environment.

Many administrative reforms should be implemented, including establishing independent hearing officers and an independent ombudsman for the TRD, establishing uniform rulemaking, audit and protest procedures, extending filing and protest periods and reforming non-taxable transaction certificate rules.

Finally, the administration may propose several property tax reforms, including rolling back residential values to reflect the three percent growth limitation for all properties, eliminating property tax lightning when properties are sold, valuing new construction like existing properties, enacting a "truth in taxation" statute, fixing the discrepancies in tax levies on commercial and residential properties resulting from the yield control provisions of the Property Tax Code and requiring disclosure when commercial properties are sold.

Questions and comments from committee members included the following:

- Which tax reforms should be implemented first? Secretary Clifford said that many tax reforms are impossible today, given the economic and revenue situation the state is in. He suggested reforming the yield control problem and reforming tax incentives into a grant program. In addition, the suggested administrative reforms should be easy to implement and not very costly. Major reforms to the CIT or GRT would be too costly to implement now. However, exempting businesses with revenues less than $50,000 from the GRT would only cost the state $20 million annually, and local governments $15 million.

- Small businesses don't necessarily need tax relief; they need administrative compliance relief. Many small businesses are forced to retain an attorney and accountant just to figure out their tax burden.

- The pyramiding of the GRT is especially significant on the energy sector. Could the state target relief in that arena? Secretary Clifford said that providing GRT deductions for drilling contractors would have a huge fiscal impact.

- Will the governor support legislation requiring combined reporting for multistate companies in exchange for a lower CIT rate? Secretary Clifford said that mandatory combined reporting poses many complexities for multistate companies.

- The high-wage jobs tax credit should be repealed and replaced with a better incentive program, including a local support requirement.

- What is happening in the realm of internet sales taxation? Secretary Clifford said that there is still no agreement on a federal law to establish a streamlined sales tax structure. New Mexico could fairly easily join the interstate streamlined sales tax agreement, however.

- New Mexico already has more than $300 million in deductions and exemptions to reduce the pyramiding of the GRT. The legislature should consider lowering the GRT rate and eliminating many exemptions and deductions.

- A huge number of businesses do not bother to collect or pay the GRT. The TRD should focus more on compliance efforts.

The minutes of the October 24-25 and November 21-22 meetings of the committee were approved without changes.

The committee recessed at 4:15 p.m.

**Tuesday, December 13**

The committee was reconvened on Tuesday, December 13, 2011, at 9:32 a.m. by Senator Eichenberg.

**Extension of Deduction Allowed for NMSU Nonathletic Special Events**

Vicente Vargas, office of government relations, NMSU, presented a proposed bill to extend for five years the deduction from gross receipts for admissions to nonathletic special events held at the Pan American Center at NMSU. The deduction in place is set to expire in 2012. Extending the deduction will allow NMSU to compete with other venues in El Paso for entertainment events.

The committee endorsed the legislation unanimously.

**Transportation Reinvestment Zones**

Jim O'Neill, David Buchholtz and Paul Silverman, representing the Greater Albuquerque Chamber of Commerce, returned to the committee to answer several questions posed to them at the November meeting of the committee about the proposed Transportation Reinvestment Zone Act. One question posed was whether the legislation would conflict in any way with existing extraterritorial planning zones in the border areas of municipalities and counties. Mr. O'Neill said that if a county created a transportation reinvestment zone (TRZ) within a municipality's extraterritorial planning zone, the county would still be required to work with the municipality on all planning and zoning issues. A TRZ is merely a financing mechanism, and all existing planning procedures would still have to be complied with.

Another question was whether a municipality or county could create a zone without the approval of the other governing body. Mr. O'Neill said that a TRZ can be created by either a municipality or county. However, each affected government has the option of whether to commit its GRT increment toward the financing of the zone.

A question was posed whether there is any conflict by having the governing body of the local government be the same as the governing body of a TRZ. Mr. O'Neill said that he could not identify any potential conflict of that structure of governance.

Mr. Silverman said that the Greater Albuquerque Chamber of Commerce supports the proposed legislation because it provides another tool for local governments to cooperate in the financing of transportation infrastructure. There are several potential projects in the state that could benefit from the new tool.

The committee endorsed the proposed legislation unanimously.

**Committee Endorsements**

Ms. Ray and Mr. Lara presented 15 proposed bills for the committee's possible endorsement.

1. Delinquent Property Tax Collection by Counties. The proposed bill would allow counties to collect delinquent property taxes, currently the sole responsibility of the Property Tax Division of the TRD. The county would be allowed to contract with a qualified private attorney to handle the collections, who would be able to collect an additional 30 percent fee from the owner of the property or from the sale proceeds of the property.

The committee tabled the proposed legislation unanimously.

2. Liquor Excise Tax Distribution for Drug Courts. The proposed bill would provide a 3.5 percent distribution from the proceeds of the liquor excise tax to the Administrative Office of the Courts to fund drug courts statewide. The distribution would be in addition to the distributions currently made to fund local DWI programs.

The committee endorsed the proposed legislation, with Representative Trujillo opposed to the motion.

3. Tobacco Escrow Clarification. The proposed bill would clarify that tobacco manufacturers that did not enter into the MSA between tobacco manufacturers and state attorneys general are required to pay into escrow for cigarettes that have been marked with tax-credit stamps and sold on tribal lands. The proposed bill is nearly identical to Senate Bill 97 from the 2011 regular legislative session that was vetoed by the governor.

The committee endorsed the proposed legislation unanimously.

4. Transportation Reinvestment Zone Act. The proposed bill would allow local governments to establish TRZs to finance transportation infrastructure and related improvements. The financing would come from the zone receiving a portion of the future GRT increment from increased economic activity in the region, which increment could be bonded against to pay for the infrastructure.

The committee had previously endorsed the proposed legislation.

5. County Education GRT. The proposed bill would extend another 10 years the ability of Taos County to impose the county education GRT. Revenue from the tax would be used to pay off bonds issued for educational facility capital projects.

The committee endorsed the proposed legislation unanimously.

6. Dialysis Facility GRT Deduction. The proposed bill would allow certain dialysis facilities to deduct from gross receipts payments for services provided to Medicare beneficiaries. The deduction would be phased in over a two-year period.

The committee endorsed the proposed legislation unanimously.

7. Expansion of the Investment Credit. The proposed bill would allow a credit to be taken against GRT and other tax liabilities for investment in capital assets by a business. The credit would have to be paid back to the state within five years of the total credit being refunded to the taxpayer or the debt on the capital asset being paid.

The committee tabled the proposed legislation, with Senator Harden opposing the motion.

8. Community Development Incentive Act Applicability for Solar-Electric Facilities. The proposed bill would allow commercial personal property tax exemptions pursuant to the Community Development Incentive Act for the special type of financing arrangement common in the solar-electric industry. It would allow for exemptions to be granted by local governments for sale-leaseback arrangements for the equipment comprising solar-electric generation facilities.

The committee endorsed the proposed legislation unanimously.

9. Sustainable Energy Higher Education Endowment Fund. (See bill description earlier in these minutes.)

The committee tabled the proposed legislation.

10. High-Wage Jobs Tax Credit Amendments. The proposed bill would clarify that the definition of "wages" includes wages and benefits for the purposes of determining eligibility for the credit, provide a time limit for businesses to apply for the credit and set limitations on granting the credit after certain types of business mergers or acquisitions. In addition, the proposed bill would increase the wage eligibility to qualify for the credit.

The committee endorsed the proposed legislation unanimously.

11. Sunset Dates for Health Care Tax Expenditures. The proposed bill would provide expiration dates for several health-care-related tax expenditures, enabling the legislature to consider their effectiveness on a regular basis.

The committee tabled the proposed legislation, with Representative Sandoval and Representative Trujillo opposed to the motion.

12. State Graduate Employment Tax Credit. The proposed bill would allow a personal income tax or CIT credit to be claimed by a business that hires on a full-time basis a recent graduate of a state four-year post-secondary educational institution.

The committee took no action on the proposed legislation.

13. Gradual Elimination of the Food and Medical Hold Harmless Distributions. The proposed bill would eliminate over 15 years the food and medical distributions to municipalities and counties. Those distributions were provided in 2004 to ensure local governments were not harmed fiscally when the GRT was removed from the purchase of food and medical services.

The committee tabled the proposed legislation unanimously.

14. Plug-in Electric Drive Vehicle Tax Credit. The proposed bill would exempt from the motor vehicle excise tax for three years the purchase of a new plug-in electric drive vehicle, in an attempt to give a boost to this emerging technology.

The committee endorsed the proposed legislation, with Senator Kernan and Representative Crook opposed to the motion.

15. NMSU Deduction from Gross Receipts for Nonathletic Special Events. (See bill description earlier in these minutes.)

The committee had previously endorsed the proposed legislation.

There being no further business, the committee adjourned at 11:33 a.m.