

**MINUTES  
of the  
THIRD MEETING  
of the  
REVENUE STABILIZATION AND TAX POLICY COMMITTEE**

**August 11-12, 2022  
State Capitol, Room 322  
Santa Fe**

The third meeting of the Revenue Stabilization and Tax Policy Committee for the 2022 interim was called to order by Representative Christine Chandler, chair, on Thursday, August 11, 2022, at 9:28 a.m. in Room 322 of the State Capitol in Santa Fe.

**Present**

Rep. Christine Chandler, Chair  
Sen. Benny Shendo, Jr., Vice Chair (8/11)  
Sen. Craig W. Brandt  
Sen. William F. Burt  
Sen. Pete Campos (8/12)  
Rep. Doreen Y. Gallegos  
Sen. Ron Griggs  
Rep. Susan K. Herrera  
Rep. Antonio Maestas (8/12)  
Rep. Javier Martínez  
Sen. Harold Pope  
Rep. Larry R. Scott  
Sen. Elizabeth "Liz" Stefanics  
Rep. James R.J. Strickler  
Sen. Peter Wirth

**Designees**

Rep. Rod Montoya  
Sen. Bill Tallman

**Absent**

Rep. Micaela Lara Cadena  
Rep. Jason C. Harper  
Sen. George K. Munoz

Rep. Kay Bounkeua  
Rep. Rebecca Dow  
Sen. Katy M. Duhigg  
Rep. Joshua N. Hernandez  
Rep. Tara L. Lujan  
Rep. Kristina Ortez  
Sen. Gerald Ortiz y Pino  
Sen. Shannon D. Pinto  
Rep. Linda Serrato  
Sen. William E. Sharer  
Sen. Mimi Stewart  
Rep. Luis M. Terrazas

## **Special Advisory Members**

Rep. Pameleya Herndon

## **Staff**

Pam Stokes, Staff Attorney, Legislative Council Service (LCS)

Anthony Montoya, Staff Attorney, LCS

Rebecca Griego, Records Officer, LCS

Clinton Turner, Research and Fiscal Policy Analyst, LCS

Martin Fischer, Bill Drafter, LCS

## **Guests**

The guest list is in the meeting file.

## **Handouts**

Copies of all handouts and written testimony are in the meeting file and posted on the legislature's website.

## **References to Webcast**

The time reference noted next to each agenda item in this document is cross-referenced to the webcast of the committee meeting, which can be found at [www.nmlegis.gov](http://www.nmlegis.gov), under the "Webcast" tab. The presentations made and committee discussions for agenda items can be found on the recorded webcast for this meeting.

## **Thursday, August 11**

### **Introduction to The Tax Summit (9:28 a.m.)**

Representative Chandler welcomed members, staff and presenters and explained that unforeseen traffic conditions had impacted the ability of some presenters to attend the morning session of the meeting and therefore presentations will be reordered to accommodate delays. Representative Chandler then introduced Richard Anklam, president and executive director, New Mexico Tax Research Institute, who gave an overview of the presentations to be provided at the meeting. Mr. Anklam also briefly discussed a fact sheet provided by the Pew Charitable Trusts on the makeup of tax revenue by state, nationwide. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=8/11/2022&ItemNumber=1>.

### **The COST Scorecard (9:32 a.m.)**

Patrick J. Reynolds, senior tax counsel, Council on State Taxation, gave a brief introduction on the Council on State Taxation and its mission statement. Mr. Reynolds gave an

overview of state and local business tax burdens nationwide and discussed a national scorecard, including New Mexico's scores and how it compares to the scores of other states. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20081122%20Item%202%20COST%20Presentation.pdf>.

### **Experiences with Tax Reform in New Mexico (10:38 a.m.)**

Mr. Anklam provided a brief introduction for the next presenters: Robert J. Desiderio, Esq., professor emeritus, University of New Mexico School of Law, and Benjamin C. Roybal, partner, Betzer, Roybal and Eisenberg, LLC. Mr. Desiderio described various reform efforts throughout the years, including the 1984 citizens' tax study committee, the 1991 and 1992 tax equity task force, the 1994 through 1998 professional tax study committee and the 2003 blue ribbon tax reform committee, stating that each effort commenced its work accepting the basic principles of tax policy: adequacy, equity, efficiency and simplicity. The groups primarily focused on: 1) the gross receipts tax and how it should be as broad-based as possible; introducing various deductions and exemptions makes the system inefficient and unfair; 2) pyramiding, which causes additional taxation that is also inefficient and unfair; 3) health care providers, whose prices are influenced by Medicare and Medicaid and in turn can affect the supply of providers; 4) the role of tax in economic development and that using the tax system to entice businesses to come or expand should be as limited as possible because there is limited evidence that tax incentives have that result and that businesses more heavily consider other factors, such as crime and education; 5) whether the personal income tax should be more progressive and also the impact of the low income comprehensive tax rebate and its purpose of addressing the regressivity of the gross receipts tax and the property tax; 6) the combined reporting and apportionment of multi-jurisdictional corporations in regard to the corporate income tax; and 7) that industrial revenue bonds should be used as incentives rather than income tax credits. Mr. Roybal elaborated further on the work completed by the professional tax study committee, explaining that equity drove them and therefore most recommendations were to broaden the base of the gross receipts tax. Tables in their report provide the recommended changes, what the changes were designed to do and the rationale for each change. He continued to discuss several recommendations that were implemented at the time and several recommendations and issues that are still relevant now. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=8/11/2022&ItemNumber=3>.

### **Approval of Minutes (11:41 a.m.)**

On a motion made and seconded, and without opposition, the minutes of the July 5-6, 2022 meeting were approved as submitted.

### **Federal, Tribal and State Constitutional Limitations on State Tax Authority (11:42 a.m.)**

Mr. Anklam explained that this presentation is tailored for local New Mexico concerns about tax limitations and the state's power to tax. He introduced Helen Hecht, Esq., C.P.A., uniformity counsel, Multistate Tax Commission; Joe Lennihan, Esq.; and Jeremy Farris, Esq.,

D.Phil., executive director, State Ethics Commission. Dr. Farris provided an overview of the state constitution's limitation on the power to tax, including a discussion on equal protection, the prohibition on special laws, the prohibition on the remission of debts and the Anti-Donation Clause. Mr. Lennihan discussed the intersection of federal tribal law and how that may interact with tax legislation, explaining that federal law provides strict limits to the state's ability to tax tribal governments, individuals, land and other entities. Ms. Hecht provided an overview of federal constitutional limitations on state taxation, focusing on due process concerns and the Dormant Commerce Clause. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=8/11/2022&ItemNumber=4>.

### **Overview of Who Pays: A Distributional Analysis of New Mexico's Tax System (1:54 p.m.)**

Carl Davis, research director, Institute on Taxation and Economic Policy (via webcast), briefly discussed the use of tax incidence analysis and models to explain the methodology for the findings provided in his presentation. Mr. Davis then explained the New Mexico-specific findings, including state and local taxes as a share of New Mexico families' incomes and recent changes to the state's tax laws that shifted tax burdens to higher-income families. Mr. Davis also provided options for further addressing regressivity, such as income tax bracket reform and reducing the capital gains deduction. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20081122%20Item%205%20Overview%20of%20Who%20Pays.pdf>.

### **Tax Competitiveness and New Mexico's Place in the Region (2:42 p.m.)**

Timothy Vermeer, senior policy analyst, Center for State Tax Policy, Tax Foundation, provided a tax structure-focused comparison of New Mexico and neighboring states and then discussed proposed tax policies that he argued could promote economic growth and stable revenue collection. He explained the methodology and findings of the state-to-state comparison, covering property taxes, unemployment insurance taxes, corporate taxes, individual taxes and sales taxes. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20081122%20Item%206%20New%20Mexico%20Growth%20and%20Stability.pdf>.

### **Tax Administrators' Perspectives on Tax Policy (3:46 p.m.)**

Ms. Hecht provided insight from a tax administrator's perspective. Ms. Hecht emphasized the need for clarity and simplicity, illustrating the point that implementing a single page of legislation can require significant regulations, rulings, case law and staff and, further, can add uncertainty or confusion for taxpayers and other tax professionals. Ms. Hecht provided several examples on how tax policy and tax administration interacts. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20081122%20Item%207%20Tax%20Administrators%20Perspectives.pdf>.

## **Recess**

The meeting recessed at 4:29 p.m.

## **Friday, August 12**

### **Taxing the Digital Economy (9:03 a.m.)**

Marc H. Pfeiffer, senior policy fellow and assistant director, Bloustein Local Government Research Center, Rutgers University (via webcast), provided an overview of what is meant by the term "digital economy" and the impact of this concept on tax concerns and issues in implementing targeted tax policy. Mr. Pfeiffer explained that many services or goods that are traditionally taxable can raise issues when those services or goods are offered or facilitated digitally; however, states have begun to recognize these issues and are seeking to ensure clear and uniform tax policies. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=8/11/2022&ItemNumber=8>.

### **Overview: The Year of State Tax Cuts (10:01 a.m.)**

Richard C. Auxier, senior policy associate, Urban-Brookings Tax Policy Center (via webcast), discussed nationwide trends over the last two years, specifically a national focus on state tax cuts. Mr. Auxier explained that a majority of states have created or expanded what he defined as a "significant" tax cut since calendar year 2021, including rebates and credits, such as child tax credits and versions of what New Mexico calls the Working Families Tax Credit, which piggybacks on the federal Earned Income Tax Credit. Mr. Auxier discussed how this trend has occurred again in calendar year 2022 and described major drivers in this national trend, including a response to the coronavirus disease 2019 pandemic, addressing unequal economic impacts of the pandemic and a consumer shift to purchasing goods from purchasing services. Mr. Auxier also provided a comparison of who benefited from the tax cuts, showing that some states' tax cuts primarily benefited higher-income households and others, like New Mexico, primarily benefited lower-income households. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20081122%20Item%209%20Post%20Pandemic%20State%20Tax%20Cuts.pdf>.

### **Taxes, Incentives and State Economic Performance (11:07 a.m.)**

Michael Mazerov, senior fellow, State Fiscal Project, Center on Budget and Policy Priorities (via webcast), discussed the implementation of tax cuts in New Mexico since 2003 and suggested that there is little evidence that they spurred job creation. Mr. Mazerov then provided a history and analysis of the Kansas tax cut policy that spanned from 2017 through 2021 and how that state restored some of the taxes to address the budget crisis and bond rating downgrades that had resulted from the cuts. Mr. Mazerov provided his recommendations on tax policy and the investment of state revenue, arguing that New Mexico already has a competitive business tax structure and that investing in human capital will help address New Mexico's competitiveness

problems. Greg LeRoy, executive director, Good Jobs First (via webcast), elaborated on advantages that states have in attracting business by focusing on education and public amenities and argued that taxes are a less important factor. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=8/11/2022&ItemNumber=10>.

**Adjournment**

There being no further business before the committee, the meeting adjourned at 12:13 p.m.