

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

**July 5-6, 2022
State Capitol, Room 322
Santa Fe**

The second meeting of the Revenue Stabilization and Tax Policy Committee for the 2022 interim was called to order by Representative Christine Chandler, chair, on Tuesday, July 5, 2022, at 11:01 a.m. in Room 322 of the State Capitol in Santa Fe.

Present

Rep. Christine Chandler, Chair
Sen. Benny Shendo, Jr., Vice Chair
Sen. Craig W. Brandt
Rep. Micaela Lara Cadena
Sen. Pete Campos
Sen. Ron Griggs
Rep. Antonio Maestas
Rep. Javier Martínez
Sen. George K. Munoz (7/5)
Sen. Harold Pope
Rep. Larry R. Scott
Sen. Elizabeth "Liz" Stefanics
Rep. James R.J. Strickler

Designees

Rep. Tara L. Lujan
Rep. Kristina Ortez
Sen. Mimi Stewart (7/5)
Sen. Bill Tallman

Absent

Sen. William F. Burt
Rep. Doreen Y. Gallegos
Rep. Jason C. Harper
Rep. Susan K. Herrera
Sen. Peter Wirth

Rep. Kay Bounkeua
Rep. Rebecca Dow
Sen. Katy M. Duhigg
Rep. Joshua N. Hernandez
Rep. Rod Montoya
Sen. Gerald Ortiz y Pino
Sen. Shannon D. Pinto
Rep. Linda Serrato
Sen. William E. Sharer
Rep. Luis M. Terrazas

Special Advisory Members

Rep. Pamelya Herndon
Sen. Gay G. Kernan

Guest Legislator

Sen. Linda M. Lopez

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

Staff

Anthony Montoya, Staff Attorney, Legislative Council Service (LCS)

Rebecca Griego, Records Officer, LCS

Nancy Martinez, Research Assistant, LCS

Pam Stokes, Staff Attorney, LCS

Clinton Turner, Research and Fiscal Policy Analyst, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file and on the legislature's website at www.nmlegis.gov.

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, under the "Webcast" tab. The presentations made and committee discussions for agenda items can be found on the recorded webcast for this meeting.

Tuesday, July 5

Welcome and Introductions

Representative Chandler welcomed the members to the second interim committee meeting, and members of the committee introduced themselves.

New Mexico Tax Policy Overview (11:07 a.m.)

Richard Anklam, president and executive director, New Mexico Tax Research Institute, Stephanie Schardin Clarke, secretary, Taxation and Revenue Department (TRD), and Ismael Torres, chief economist, Legislative Finance Committee (LFC), provided an overview of New Mexico's tax policy and revenue structure. Mr. Anklam outlined the General Fund's revenue sources and the state's primary taxes. Secretary Schardin Clarke described the TRD's Tax Expenditure Report, including the types and categories of tax expenditures and the top ten tax expenditures by cost. Mr. Torres reviewed recent steps that the legislature has taken toward tax reform and opportunities for tax reform in the future, including the need to address the volatility of New Mexico's General Fund revenues, as evidenced by the whipsawing changes that have occurred over the past two decades. The joint presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20070522%20Item%201%20Tax%20Policy%20Overview.pdf>.

Approval of Minutes (12:52 p.m.)

The minutes of the May 13, 2022 meeting were approved without changes.

Overview and Issues: The Gross Receipts Tax (1:38 p.m.)

Benjamin C. Roybal, partner, Betzer, Roybal and Eisenberg, LLC, and Mr. Anklam provided an in-depth overview of the gross receipts tax and compensating tax; discussed significant changes made to the gross receipts tax in recent years, including changes prompted by the *South Dakota v. Wayfair, Inc.* decision on sales by internet sellers and the recent changes made to the sourcing rules, including the implications those rules changes may have on certain local governments; and explained the purpose of many gross receipts tax and compensating tax exemptions, deductions and credits. The joint presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20070522%20Item%202%20GRT%20Overview%20and%20Issues.pdf>.

Wednesday, July 6

The Complexities of Comparing New Mexico's Tax Structure to Other States (9:06 a.m.)

Mr. Anklam compared certain aspects of New Mexico's tax structure to other states, cautioning that comparisons are difficult and that maps and charts provided by tax policy organizations may be unintentionally biased and often do not include all of the information that would provide a complete portfolio of the structures of the states being compared. Mr. Anklam also discussed recent tax cuts and rebates that many states, including New Mexico, have enacted in the past few years. The presentations can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=7/5/2022&ItemNumber=3>.

New Mexico Property Tax Overview and Comparison With Other States (10:33 a.m.)

Santiago Chavez, director, Property Tax Division (PTD), TRD, explained the services that the PTD and its bureaus provide to the state and local governments and New Mexico's score of C+ on a scorecard of property tax administrative systems in the state. Jennifer Faubion, economist, LFC, provided context on maps created by the Tax Foundation comparing New Mexico with other states. Ms. Faubion explained that New Mexico relies less on property taxes than other states and that the amount of property taxes paid by New Mexicans is moderately low. In addition, Ms. Faubion described national trends in property tax and certain legislation introduced during the 2022 regular legislative session. The presentations can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=7/5/2022&ItemNumber=4>.

New Mexico Income Tax Overview and Comparison With Other States (12:42 p.m.)

Mark Chaiken, director, Tax Policy, TRD, gave an overview of the structure of New Mexico's personal income tax (PIT); explained the history of the changes made to PIT rate brackets; noted that the current rate brackets are progressive, especially at lower income levels, and marginal; and discussed the purpose of certain PIT expenditures and tax rebates. Ms.

Faubion provided informational data on both the PIT and the corporate income tax, including how much those taxes contribute to the General Fund and noting the recent significant but unexplained growth in PIT revenues; the revenue cost of recently enacted tax deductions, exemptions, credits and rebates; and additional context on the PIT brackets, including how many taxpayers fall into each bracket and how much revenue each bracket provides. Ms. Faubion also reviewed maps created by the Tax Foundation comparing New Mexico's PIT and business competitiveness with other states. The presentations can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=7/5/2022&ItemNumber=5>.

How New Mexico Funds Transportation Infrastructure; Comparing Other States' Transportation-Related Funding Sources (2:01 p.m.)

Mallika Pung, Ph.D., economist, Department of Transportation (DOT), provided a joint presentation on revenue sources that fund transportation infrastructure, including the gasoline tax, the special fuel excise tax, the weight distance tax, registration fees and the motor vehicle excise tax; how the revenue from the revenue sources is distributed; and trends and forecasts for the State Road Fund and other transportation-related funds. Mallery Manzanares, director, Administrative Services, DOT, explained the difference between the Local Governments Road Fund and the recently created Transportation Project Fund, both of which are intended to provide local governments with funding for transportation infrastructure. Mr. Torres provided information on and context to comparisons of New Mexico's transportation-related revenue sources with those of other states, including differences in fuel taxes, registration fees and motor vehicle excise taxes; and national trends in road funding, including challenges relating to the transition to higher fuel efficiency and electric vehicles and changes to people's transportation habits. Mr. Torres also provided maps comparing additional registration fees on electric and plug-in electric vehicles and a brief overview of road usage charges as an alternative to fuel taxes as a funding source. The presentations can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=7/5/2022&ItemNumber=6>.

Adjournment

There being no further business before the committee, the meeting adjourned at 3:13 p.m.