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## FISCAL IMPACT REPORT

Harper/Chandler/  
 Martinez, J/Dow/      **ORIGINAL DATE** 2/12/19  
**SPONSOR** Ivey-Soto      **LAST UPDATED** 2/19/19      **HB** 479/aHLELC  
  
**SHORT TITLE** De-Earmark Local Option Gross Receipts      **SB** \_\_\_\_\_  
  
**ANALYST** Graeser

### REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21	FY22	FY23		
	No fiscal impact				Recurring	General Fund
	See Fiscal Implications section; allowing greater access to unrestricted local options could have upward bias on local option gross receipts tax impositions, but the bill would cap these increases for most municipalities and counties				Recurring	County and Municipal General Funds and Restricted Local funds

Parenthesis ( ) indicate revenue decreases

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		Significant	0	Significant	Nonrecurring	TRD Operating

Parenthesis ( ) indicate expenditure decreases

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Association of Counties (NMAC) – Original Bill  
 New Mexico Finance Authority (NMFA) – Original Bill  
 Department of Finance/Local Government Division (DFA/LGD)

### SUMMARY

#### Synopsis of HLELC

The House Local Government, Elections, Land Grants & Cultural Affairs Committee amendments retains the cap for local government local option gross receipts taxes, but modifies the requirement for both municipalities and counties to take some local options taxes to the voters for new enact-

ments. Thus, for municipalities, any new local option that exceeds 2.5 percent minus .45 percent, or 2.15 percent would have to go to the voters for approval. For county-wide local options, new authorizations that exceed 1.25 percent minus .25 percent, or 1.00 percent would have to go to the voters for approval. For county area (county remainder) local options, new authorizations that exceed 0.12 percent would require an authorizing election. The bill specifically allows that any voter-approved local option rates in place before the effective date of this 2019 act to be “grandfathered”, and not be subject to voter approval. Local governing bodies are permitted to take any local option GRT to the voters.

### Synopsis of Original Bill

House Bill 479 removes the restricted uses of a number of municipal and county local option gross receipts taxes. In doing so, a number of restricted local option rates are repealed in favor of increasing the unrestricted countywide local option rate from 7/16 percent to 1.25 percent, the unrestricted county remainder additional local option rate would be capped at .5 percent and the unrestricted municipal local option rate increased from 1.5 percent to 2.5 percent. A number of local options for both counties and municipalities are not repealed, but would add to the total rate imposed in each county or municipality. Certain new replacement authorizations will require a positive referendum. The bill also removes restrictions on the use of various increments of the County Gross Receipts tax.

The bill makes provision for the procedures and guarantees in situations where various local option gross receipts taxes have been used as a source of funds for retiring revenue bonds.

Appendix A details a section-by-section accounting of the proposed changes. Appendix B details the current local option GRT rates that would be repealed. Appendix C details the current restricted local option GRT rate that would **not** be repealed.

The effective date of this bill is July 1, 2019. This is not a tax expenditure bill, so the LFC would not recommend a delayed repeal date. Note: the HLELC amendment makes a recommendation on the original bill to move the effective date to January 2020 moot.

### **FISCAL IMPLICATIONS**

The best way to understand this bill is to look at the graphic attached at the end of this review. Essentially, for counties, the current county gross receipts tax will be merged with certain currently restricted local options: county infrastructure GRT, county capital outlay GRT and county hold harmless GRT for countywide options and fire protection GRT and county environmental services GRT additional for county remainder (county area) totals. The county quality of life GRT is unused and is repealed, as well. On top of these consolidated rates are added a number of limited countywide authorizations: special county hospital GRT, county hospital emergency GRT, county health care GRT, county education GRT, county emergency communications and emergency medical and behavioral health services GRT, county regional transit GRT, county regional spaceport GRT and water and sanitation GRT. County correctional facilities GRT is not repealed and adds to the county remainder capped amounts. These limited options add to the capped consolidated county GRT and capped county area GRT limited rate total.

The potential maximum for total county-wide impositions pursuant to current law is 1.8958 percent (excluding the special rates allowed only a few counties). The bill allows two types of local

options: the consolidated options listed above and the additional options that are allowed to exceed the maximum. The bill limits the maximum county-wide consolidated options to 1.25 percent. No counties exceed this maximum. The potential current consolidated maximum for county remainder areas is .375 percent. Again, the bill limits consolidated rates to a maximum of 0.5 percent. No counties currently exceed this maximum.

Current Enactments -- Consolidated					
County	Countywide	County Rmdr Additional	County	Countywide	County Rmdr Additional
Bernalillo County	0.8125%	0.1250%	McKinley County	1.0625%	0.3750%
Catron County	0.3750%	0.1250%	Mora County	1.1458%	0.3750%
Chaves County	0.8333%	0.3750%	Otero County	0.6250%	0.3750%
Cibola County	1.1875%	0.3750%	Quay County	0.6875%	0.1250%
Colfax County	0.5833%	0.3750%	Rio Arriba County	1.0625%	0.3750%
Curry County	0.6875%	0.1250%	Roosevelt County	0.8125%	0.0000%
DeBaca County	1.0625%	0.3750%	Sandoval County	0.6250%	0.3750%
Dona Ana County	0.8125%	0.3750%	San Juan County	0.8750%	0.3750%
Eddy County	0.4583%	0.3750%	San Miguel County	1.1458%	0.3750%
Grant County	0.8750%	0.3750%	Santa Fe County	1.3125%	0.3750%
Guadalupe County	1.0625%	0.1250%	Sierra County	1.0625%	0.1250%
Harding County	0.6875%	0.1250%	Socorro County	0.6875%	0.3750%
Hidalgo County	0.8125%	0.1250%	Taos County	1.0000%	0.3750%
Lea County	0.2500%	0.1250%	Torrance County	1.0625%	0.3750%
Lincoln County	0.2500%	0.1250%	Union County	0.5625%	0.0000%
Los Alamos	0.3750%	0.1250%	Valencia County	1.0625%	0.3750%
Luna County	1.1875%	0.2500%			

The bill requires counties with combined rates in excess of 1 percent countywide or .5 percent in county additional remainder areas to hold a positive referendum only for new enactments. Although several counties currently exceed this 1 percent cap, all of the total rates listed above will be grandfathered. No counties currently exceed the .5 percent capped total additional for county remainder areas.

A similar discussion applies to the changes the bill proposes for municipalities. The current municipal gross receipts tax is consolidated with the municipal infrastructure GRT, the municipal environmental services GRT, the municipal capital outlay GRT and the municipal hold harmless GRT. The bill provides that the total of the consolidated municipal GRT not exceed 2.5 percent, with any new consolidated rates in excess of 2.05 percent to be approved by the voters. The municipal supplemental gross receipts tax, the municipal quality of life gross receipts tax, the municipal regional spaceport GRT, the municipal higher education facilities GRT and the federal water project GRT are allowed in addition to the consolidated municipal GRT.

No municipalities exceed the bill’s limit of 2.5 percent, the corresponding positive referendum limit is 2.05 percent, but this is only applicable to new enactments.

See following page for Table of Current Consolidated Rates for Municipalities.

<b>Current Enactments</b>					
<b>Municipality</b>	<b>Consolidated Rate</b>	<b>Municipality</b>	<b>Consolidated Rate</b>	<b>Municipality</b>	<b>Consolidated Rate</b>
Alamogordo	2.0000%	Farmington	2.0000%	Peralta	1.3750%
Albuquerque	1.5625%	Floyd	0.5000%	Portales	1.5000%
Angel Fire	2.0000%	Folsom	1.3750%	Questa	1.5000%
Anthony	2.0000%	Fort Sumner	1.6250%	Raton	1.7500%
Artesia	2.2500%	Gallup	1.7500%	Red River	1.7500%
Aztec	2.0000%	Grady	0.8750%	Reserve	1.7500%
Bayard	1.6250%	Grants	1.7500%	Rio Communities	0.8750%
Belen	1.7500%	Grenville	1.3750%	Rio Rancho	1.7500%
Bernalillo	1.5000%	Hagerman	1.3750%	Roswell	1.6250%
Bloomfield	2.0000%	Hatch	1.3750%	Roy	1.3750%
Bosque Farms	1.6250%	Hobbs	1.3750%	Ruidoso	1.5000%
Capitan	1.3750%	Hope	1.2500%	Ruidoso Downs	1.5000%
Carlsbad	2.0000%	House	1.3750%	San Jon	1.7500%
Carrizozo	1.5625%	Hurley	1.3750%	San Ysidro	1.2500%
Causey	0.5000%	Jal	2.0000%	Santa Clara	1.3750%
Chama	2.0000%	Jemez Springs	1.7500%	Santa Fe	1.7500%
Cimarron	2.3750%	Kirtland	0.3750%	Santa Rosa	1.7500%
Clayton	1.7500%	Lake Arthur	0.7500%	Silver City	1.7500%
Cloudcroft	1.7500%	Las Cruces	1.8750%	Socorro	1.3750%
Clovis	2.1250%	Las Vegas	2.0000%	Springer	2.0000%
Columbus	1.3750%	Logan	1.7500%	Sunland Park	2.0000%
Corona	1.5000%	Lordsburg	1.7500%	T or C	1.6250%
Corrales	2.1250%	Los Alamos	1.3750%	Taos	1.6250%
Cuba	2.3750%	Los Lunas	1.7500%	Taos Ski Valley	2.3750%
Deming	1.7500%	Los Ranchos de Albuquerque	1.1250%	Tatum	1.3750%
Des Moines	1.6250%	Loving	1.3750%	Texico	1.5000%
Dexter	1.2500%	Lovington	1.8750%	Tijeras	1.5000%
Dora	0.7500%	Magdalena	1.2500%	Tucumcari	1.7500%
Eagle Nest	1.7500%	Maxwell	0.7500%	Tularosa	1.7500%
Edgewood	1.5000%	Melrose	1.6875%	Vaughn	2.0000%
Elephant Butte	1.3125%	Mesilla	1.7500%	Virden	0.7500%
Elida	1.3125%	Milan	1.3750%	Wagon Mound	1.3125%
Encino	1.0000%	Moriarty	1.3750%	Willard	1.2500%
Espanola	2.3750%	Mosquero	1.0000%	Williamsburg	1.3125%
Estancia	1.8750%	Mountainair	1.6250%		
Eunice	1.8750%	Pecos	1.3750%		

**SIGNIFICANT ISSUES**

Attached to this FIR is an explanatory graphic prepared by the sponsor.

The intent of the provisions of the bill is to allow counties and municipalities increased flexibility to manage finances. This flexibility is accomplished by removing restrictions on the use of gross receipts taxes. Certain limited options are allowed in addition to the consolidated rates now incorporated in the county municipal or local option gross receipts taxes. No county or municipality would be required to reduce total rates. Pursuant to HLELC amendment, all current enactments would be grandfathered, so no county or municipality would be required to take current enactments to the voters.

New Mexico Association of Counties apparently approves of the concepts proposed in the bill:

“HB 479 is a much needed streamlining of the county gross receipts tax paradigm. Currently, many of the available tax increments are in earmarked funds that limit counties’ ability to use their resources wisely. The GRT increments are often so narrowly tailored that they are unused and often unusable.”

“Legislative appropriators always caution against earmarked funds, because the funds inevitably have too much or too little money, never the right amount.”

“HB 479 allows counties to allocate the right amount of money to the issue, since they will be able to choose the exact amount needed. County budgets will still have to be approved by DFA, and audits will still be required, so there is no risk or cost to the state with this proposal. Importantly, the same percentage of GRT increments that currently requires going to a voter referendum remains in place in this bill, and the total amount of GRT authority is consolidated and reduced.”

**NMFA points out the following:**

“The bill does not decrease GRT revenues for municipalities or counties, thus there should not be any negative fiscal implications to the ability of municipalities or counties to service existing outstanding NMFA bonds.”

“Changes in tax law have the potential to legally impair NMFA bonds by (i) reducing revenues dedicated to service bond debt, (ii) by redirecting revenues for other purposes, or (iii) by combining separate increments dedicated to more than one bond into a single increment dedicated to multiple bonds. The bill is cognizant of this potential and specifies that revenues dedicated to outstanding bonds must be maintained at committed levels until the bonds are fully retired. The bill appears to contain adequate non impairment language given the purposes of the bill, although further analysis and due diligence will need to be performed. “

“The bill also allows municipalities/counties to issue revenue bonds for any municipal/county purpose rather than limiting revenue bonds to a series of specified purposes that exclude some valid projects. The provisions contained in HB 479 will possibly broaden the ability of municipalities/counties to finance beneficial infrastructure projects.”

**NMFA points out the following:**

“If a tax is repealed and the replacement is not approved, bonds could be impaired. However, the language in the bill would seem to foreclose that possibility as the voters could reject a replacement but then the current tax by law would have to remain in effect. The county language mirrors the municipal language:”

“A law that imposes or authorizes the imposition of a tax authorized by the Municipal Local Option Gross Receipts Taxes Act or that affects the tax, or a law supplemental thereto or otherwise appertaining thereto, shall not be repealed or amended or otherwise directly or indirectly modified in such a manner as to impair adversely any outstanding revenue bond that may be secured by a pledge of such tax unless the outstanding revenue bonds have been discharged in full or provision has been fully made therefore.”

DFA/LGD notes a recommendation in the following comments:

“HB479 opens up the use of various Gross Receipts Tax (GRT) revenues for diverse determinations as per the local governing body's needs and priorities. Counties and municipalities have local autonomy as to the determination of the best use of their revenue and GRT's are public funds and should only be utilized for government purposes such as acquiring, operating and maintaining property, facilities and/or equipment.”

“As per Section 6-6-2 NMSA 1978, counties and municipalities are required to submit their operating budgets, budget adjustment requests and quarterly reports to the Department of Finance and Administration's Local Government Division (DFA/LGD). However, DFA/LGD does not delineate local GRT collections or debt service obligations. DFA/LGD does ensure local governments are operating with a balanced budget, ensure finances are available for operational needs, and rules, regulations and deadlines are meeting the requirements of New Mexico law. Most importantly, the budget on file with DFA/LGD is the official budget on record for all tax officials of the state.”

“This bill will eliminate the transparency process of the use of the unpledged portion of GRT revenue. With DFA/LGD's authority over local government budgets, it is recommended that a reporting requirement be included in this bill whereby counties and municipalities must account for proper tracking and transparency of GRT revenues and uses. The reporting requirement will streamline HB479 to provide the specified data to assist DFA/LGD with the tracking of debt service and GRT revenues within local budgets and quarterly reports.”

“In addition, this reporting requirement will also be constructive to the local governments, as there are high turn-over rates within fiscal departments around the state and having a well-defined budget and financial reports, to include outstanding debt service obligations, will aid in the transition of new staff and allow for continued, consistent tracking of GRT revenues and uses.”

“On 2/14/2019 the Local Government, Land Grant & Cultural Affairs Committee (HLLC) made amendments to this bill clarifying the incremental percentage imposition of the GRT's that require an election and those increments that a county or municipal governing body has an option to require an election for. HB479 opens up the use of various Gross Receipts Tax (GRT) revenues for diverse determinations as per the local governing body's needs and priorities. Counties and municipalities have local autonomy as to the determination of the best use of their revenue and GRT's are public funds and should only be utilized for government purposes such as acquiring, operating and maintaining property, facilities and/or equipment.”

“As per Section 6-6-2 NMSA 1978, counties and municipalities are required to submit their operating budgets, budget adjustment requests and quarterly reports to the Department of Finance and Administration’s Local Government Division (DFA/LGD). However, DFA/LGD does not delineate local GRT collections or debt service obligations. DFA/LGD does ensure local governments are operating with a balanced budget, ensure finances are available for operational needs, and rules, regulations and deadlines are meeting the requirements of New Mexico law. Most importantly, the budget on file with DFA/LGD is the official budget on record for all tax officials of the state.”

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“In addition, this reporting requirement will also be constructive to the local governments, as there are high turn-over rates within fiscal departments around the state and having a well-defined budget and financial reports, to include outstanding debt service obligations, will aid in the transition of new staff and allow for continued, consistent tracking of GRT revenues and uses.”

“On 2/14/2019 the Local Government, Land Grant & Cultural Affairs Committee (HLLC) made amendments to this bill clarifying the incremental percentage imposition of the GRT's that require an election and those increments for which a county or municipal governing body has an option to require an election.”

## **ADMINISTRATIVE IMPLICATIONS**

After the HLELC amendment, TRD would only be required to redraft model ordinances (many fewer than at present). Ordinances restricting certain consolidated rates for particular purposes would remain in effect until and unless counties would wish to change the dedicated uses of restricted ordinances. However, many special rates would remain in effect as dedicated.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

HB- 396 would change the name of various Gross Receipts and Compensating Tax Acts to “sales taxes”. This includes:

- the Gross Receipts Tax would become the State Sales Tax
- the Compensating Tax would become the State Use Tax
- the Governmental Gross Receipts Tax would become the Governmental Sales Tax
- the Interstate Telecommunications Gross Receipts Tax would become the Interstate Telecommunications Sales Tax
- the Leased Vehicle Gross Receipts Tax would become the Leased Vehicle Sales Tax
- the Municipal Local Option Gross Receipts Taxes would become the Municipal Local Option Sales Taxes

- the County Local Option Gross Receipts Taxes would become the County Local Option Sales Taxes;

The latter two tax acts are also amended in this bill.

**TECHNICAL ISSUES**

7-20E-13 and 7-20E -14 NMSA 1978 (Special county hospital gross receipts tax) was amended in 2000, but the authorization was restricted to two counties and the ordinance was allowed only for five years. Apparently, no counties currently qualify, or if they did qualify and enact, have no current enactors. These sections could be proposed for repeal to see if any counties are contemplating enacting pursuant to these sections.

**OTHER SUBSTANTIVE ISSUES**

The following tables exhibit the complexity of the current county and municipality local option gross receipts taxes.

County Local Option GRT	Rate	# Counties Adopting	County Local Option GRT	Rate	# Counties Adopting
County Gross Receipts Tax	0.1250%	33	County Hospital Emergency GRT	0.2500%	1
County Gross Receipts Tax	0.1250%	31	Jail GRT	0.0625%	28
County Gross Receipts Tax	0.1250%	26	Jail GRT	0.0625%	28
County Gross Receipts Tax	0.0625%	23	County Environmental GRT	0.1250%	29
County Gross Receipts Tax	0.0833%	5	Fire GRT	0.1250%	21
County Infrastructure GRT	0.0625%	11	Fire GRT	0.1250%	20
County Infrastructure GRT	0.0625%	11	County Regional Transportation GRT	0.1250%	7
County Capital Outlay GRT	0.0625%	7	County Quality of Life GRT	0.0625%	0
County Capital Outlay GRT	0.0625%	7	County Quality of Life GRT	0.0625%	0
County Capital Outlay GRT	0.0625%	7	County Quality of Life GRT	0.0625%	0
County Capital Outlay GRT	0.0625%	7	County Quality of Life GRT	0.0625%	0
County Emergency Comms.	0.0625%	17	County Regional Spaceport GRT	0.1250%	2
Cnty Emerg Comm & MST	0.0625%	17	County Regional Spaceport GRT	0.1250%	2
Cnty Emerg Comm & MST	0.0625%	15	County Regional Spaceport GRT	0.1250%	0
Cnty Emerg Comm & MST	0.0625%	13	County Regional Spaceport GRT	0.1250%	0
County Education GRT	0.5000%	1	County Water & Sanitation GRT	0.2500%	0
County Health Care	0.0625%	19	County Business Retention GRT	0.1875%	0
County Health Care	0.0625%	1	County Hold Harmless GRT	0.1250%	4
County Hospital GRT	0.1250%	2	County Hold Harmless GRT	0.1250%	1
Local Hospital GRT	0.1250%	3	County Hold Harmless GRT	0.2500%	6
Local Hospital GRT	0.1250%	3	County Hold Harmless GRT	0.3750%	13
Local Hospital GRT	0.1250%	2			
Local Hospital GRT	0.1250%	2			



Municipal Local Option Rates and Number of Municipalities Adopting Each Rate					
Municipal Local Option GRT	Rate	# Munis Adopting	Municipal Local Option GRT	Rate	# Munis Adopting
Municipal Gross Receipts Tax	0.2500%	105	Municipal Env. Svcs. GRT	0.0625%	90
Municipal Gross Receipts Tax	0.2500%	104	Municipal Env. Svcs. GRT	0.5000%	2
Municipal Gross Receipts Tax	0.1250%	102	Federal Water GRT	0.2500%	1
Municipal Gross Receipts Tax	0.1250%	102	Municipal Quality of Life GRT	0.0625%	1
Municipal Gross Receipts Tax	0.2500%	95	Municipal Quality of Life GRT	0.0625%	1
Municipal Gross Receipts Tax	0.2500%	93	Municipal Quality of Life GRT	0.0625%	1
Municipal Gross Receipts Tax	0.1250%	44	Municipal Quality of Life GRT	0.0625%	1
Municipal Gross Receipts Tax	0.1250%	43	Municipal Regional Spaceport GRT	0.5000%	0
Municipal Supplemental GRT	1.0000%	2	Municipal Higher Educ. Fac. GRT	0.2500%	1
Municipal Infrastructure GRT	0.0625%	90	Municipal Hold Harmless GRT	0.1250%	3
Municipal Infrastructure GRT	0.0625%	85	Municipal Hold Harmless GRT	0.2500%	2
Municipal Infrastructure GRT	0.0625%	47	Municipal Hold Harmless GRT	0.3750%	15
Municipal Infrastructure GRT	0.0625%	46			
Municipal Capital Outlay GRT	0.0625%	25			
Municipal Capital Outlay GRT	0.0625%	25	Note: counts include the municipal authorizations for Los Alamos County		
Municipal Capital Outlay GRT	0.0625%	23			
Municipal Capital Outlay GRT	0.0625%	23			

Appendix A – Section-by-Section Description

Bill Section #	Statutory Section	Description of Changes
1	3-31-1 NMSA 1978 Municipal Revenue Bonds	Reorganizing the provisions applicable to municipal revenue bonds into a general section (this section) and a definitions section (3-31.1 NMSA 1978). Particularly, this section uses the new authority “municipal purpose” and “county purpose” relative to gross receipts tax revenue bonds. Since virtually all local gross receipts tax revenue bonds are vetted and supervised by NMFA, this is really no net change to oversight, but provides both counties and municipalities substantially more flexibility in managing local government finance.
2	3-31-1.1 NMSA 1978 New Definitions for Chapter 3, Article 31	Moves definitions of gasoline tax revenue bonds, gross receipts tax revenue bonds, joint utility revenue bonds, [economic development] project revenue bonds and utility revenue bonds from parenthetical references in 3-31-1 NMSA (as amended).
3	4-61-3 NMSA 1978 Small Counties Assistance Fund Distribution	Slightly revises the \$50,000 add-on distributions if the county has imposed and dedicated at least 1/8 percent for judicial-correctional facility or paying county revenue bonds.
4	4-62-1 NMSA 1978 County Revenue Bonds	This section and the following parallel for the counties the changes proposed for municipal revenue bonds in sections 1 and 2 of this bill. Since a number of restricted county local option tax rates are repealed in this bill, a number of parenthetical references to these repealed taxes have been removed. These include fire protection revenue bonds, environmental revenue

Bill Section #	Statutory Section	Description of Changes
		bonds, hospital emergency gross receipts tax revenue bonds, economic development gross receipts tax revenue bonds, county education gross receipts tax revenue bonds, county area emergency communications and emergency medical and behavioral health services tax revenue bonds
5	4-62-1.1 NMSA 1978 New Definitions for Chapter 4, Article 62	Moves definitions of gasoline tax revenue bonds, gross receipts tax revenue bonds, joint utility revenue bonds, [economic development] project revenue bonds and utility revenue bonds from parenthetical references in 3-31-1 NMSA (as amended). This section also defines payment in lieu of taxes (PILT).
6	5-10-3 NMSA 1978 Definitions for Local Economic Development Act	Replaces reference to the municipal infrastructure gross receipts tax with an authorization to pledge up to ¼ percent of municipal gross receipts for similar purposes. Replaces reference to the county infrastructure gross receipts tax with an authorization to pledge up to 1/8 percent of municipal gross receipts for similar purposes.
7	5-10-4 NMSA 1978 Economic Development Projects	This section uses the amended definitions of Section 6 of this bill with similar authorizations to use ¼ percent of municipal gross receipts tax or 1/8 percent of county gross receipts as pledges for economic development project bonds.
8	5-15-15 NMSA 1978 Tax Increment Financing (GRT increment)	Removes slight restrictions on which municipal local option tax rates can be pledge as TIDD increments. Makes similar changes relative to county TIDD revenues. (See Fiscal Implications section for further details.)
9	6-25-7 NMSA 1978 Statewide Economic Development Project Revenue Bonds	Removes the restriction on optional municipal or county participation in statewide economic development project revenue bonds from only the current infrastructure options to any municipal or county local option rate.
10	7-1-3 NMSA 1978 TAA Definitions	Modifies TAA definitions to remove specific reference to local option taxes repealed in this bill. These include the supplemental municipal GRT, local hospital GRT, County correctional facility GRT (and other similar local option tax rates.)
11	7-9-3 NMSA 1978 GRT Definitions	Similarly removes restrictions in statute in the Gross Receipts and Compensating tax act definitions.
12	Section 7-9F-3 NMSA 1978 Technology Jobs and R & D Tax Credit Definitions	Similarly removes restrictions in the Technology Jobs and R & D Tax Credit definitions.
13	7-19D-9 NMSA 1978 Municipal GRT imposition	Replaces the 1 ½ percent maximum authority for the municipal gross receipts tax local option with a maximum authority of 2 ½ percent, and requires any authorization over 2.05 percent to be approved by the local voters. Local authorities are authorized to allow local voters to approve any enactments of less than an aggregate 2.05 percent. See Fiscal Implications Section for further details.
14	Section 7-20E-9 NMSA 1978 County GRT Imposition	Replaces the current 7/16 percent maximum authority for the county-wide gross receipts tax local option with a maximum authority of 1.25 percent, and requires any authorization over one percent to be approved by the local voters. Local authori-

Bill Section #	Statutory Section	Description of Changes
		ties are authorized to allow local voters to approve any enactments of less than an aggregate one percent. Replaces the current .375 percent maximum authority for the county remainder gross receipts tax local option with a maximum authority of 0.5 percent, and requires any authorization over .38 percent to be approved by the local voters. Local authorities are authorized to allow local voters to approve any enactments of less than an aggregate .38 percent. See Fiscal Implications Section for further details. All counties except for Bernalillo County are required to dedicate at least 1/8 percent for the care of indigent patients. There is somewhat confusing language to require most counties to use half of a second 1/8 percent of county gross receipts tax revenues also for support of indigent patients resident in the county. This section also deletes reference to a special county hospital tax of 1/16 or 1/12 percent that expired June 30, 2017.
15	Temporary Provision for outstanding revenue bonds	Provides for full payment of outstanding gross receipts tax revenue bond debt service from available revenues.
16	Repealers (Separately Listed)	See below.
17	Effective Date	July 1, 2019

Appendix B – Repealed Local Option Tax Rates

<b>Repealed</b>	
7-19D-10	Municipal environmental services gross receipts tax; authority to impose; ordinance requirements.
7-19D-11	Municipal infrastructure gross receipts tax; authority by municipality to impose; ordinance requirements; election.
7-19D-12	Municipal capital outlay gross receipts tax; purposes; referendum.
7-19D-18	Municipal hold harmless gross receipts tax.
7-20C-1 through 7-20C-17.	Local Hospital Gross Receipts Tax
7-20E-10	County gross receipts tax; referendum requirements.
7-20E-11	County gross receipts tax; use of proceeds from first one-eighth increment.
7-20E-12	County emergency gross receipts tax; authority to impose in lieu of property tax.
7-20E-15	County fire protection excise tax; authority to impose; ordinance requirements.
7-20E-16	County fire protection excise tax; use of proceeds; budget limitation.
7-20E-17	County environmental services gross receipts tax; authority to impose rate; use of funds.
7-20E-19	County infrastructure gross receipts tax; authority to impose rate; use of funds; election.
7-20E-21	County capital outlay gross receipts tax; purposes; referendum.
7-20E-24	Quality of life gross receipts tax; authority to impose; ordinance requirements; use of revenue; election.
7-20E-27	County business retention gross receipts tax; imposition; rate.
7-20E-28	County hold harmless gross receipts tax.
7-20F-1 through 7-20F-12	County Correctional Facility Gross Receipts Tax
7-24B-1 through 7-24B-10	Special County Hospital Gasoline Tax
60-2E-47.1	County gaming tax credit.

**Appendix C – Local Option Rates Not Repealed**

<b>Not Repealed</b>	
7-19-10 through 7-19-18	Municipal supplemental gross receipts tax (1% for Ruidoso and Raton)
7-19D-14	Quality of life gross receipts tax; authority to impose; ordinance requirements; use of revenue; election. (1/4% for any municipality – currently only imposed by Cuba )
7-19D-15	Municipal regional spaceport gross receipts tax; authority to impose; rate; election required. (1/2% for any municipality)
7-19D-16	Municipal higher education facilities gross receipts tax (1/4% for Rio Rancho for 20 years).
7-19D-17	Federal water project gross receipts tax; authorization; use of revenue; referendum. (1/4% for Gallup)
7-20C-1 through 7-20C-17	7-20C-3. Local hospital gross receipts tax (1/8% or .5% for Quay, Roosevelt and Union Counties)
7-20E-12.1	County hospital emergency gross receipts tax; authority to impose; use of proceeds (1/4% for Sierra County and one other that has not imposed this rate)
7-20E-13	Special county hospital gross receipts tax; authority to impose; ordinance requirements (1/8% for xxxxx County for five years).
7-20E-14	Special county hospital gross receipts tax; use of proceeds.
7-20E-18	County health care gross receipts tax; authority to impose rate (1/16% or 1/8% for 19 counties).
7-20E-20	County education gross receipts tax; authority to impose; rate; election; use of revenue (1/2% currently for Sandoval County, although two other counties may qualify.).
7-20E-22	County emergency communications and emergency medical and behavioral health services tax; authority to impose countywide or only in the county area; ordinance requirements; use of revenue; election (1/4% in 1/16% increments for any county.)
7-20E-23	County regional transit gross receipts tax; authority to impose; rate; election required (1/2% for any county within a regional transit district.).
7-20E-25	County regional spaceport gross receipts tax; authority to impose; rate; election required (1/2% for any county within a regional spaceport district).
7-20E-26	Water and sanitation gross receipts tax; authority to impose; rate; election; use of revenue (1/4% for any county – no current enactors).
7-20F-3	County correctional facility gross receipts tax; authority to impose; rate; ordinance requirements; referendum (1/8% in county remainder areas – 21 counties have enacted.)

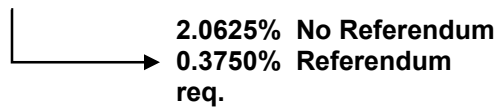
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**HB 479 – GRT De-Earmarking  
Certain Municipal & County GRT Increments**

**Current Law - Municipalities**

Municipal GRT	1.5%	General Purpose	
Hold Harmless GRT	0.375%	General Purpose	
Municipal Infrastructure GRT	0.25%	Earmarked	} Earmarked
Capital Outlay GRT 23% of capacity	0.25%		
Environmental GRT	0.0625%		

**Total: 2.4375%**



***What about Economic development? Mental Health? Education Facilities? Etc?***

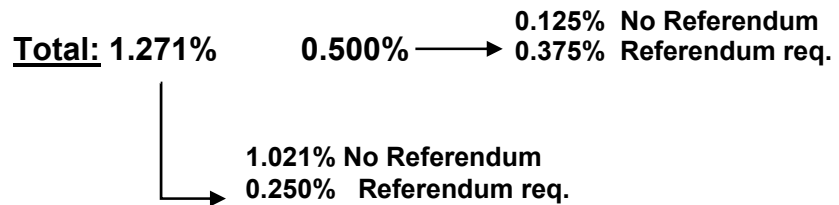
**Proposed De-Earmarking - Municipalities**

Municipal GRT	2.50%	General Purpose
		└───┬───> 2.05% No Referendum └───> 0.45% Referendum req.

*Some special increments that are only available to a specific municipality (e.g. Quality of Life GRT → Cuba, Supplemental GRT → Raton, Ruidoso). These special increments are not impacted by this bill. These special increments simply add on top of the new consolidated Municipal GRT, like they do now.*

**Current Law - Counties**

	<u>County-wide</u>	<u>Outside city</u>	
County GRT	0.521%		General Purpose
Hold Harmless GRT	0.375%		General Purpose
Infrastructure GRT Earmarked		0.125%	} 49% of capacity
Environmental GRT Earmarked		0.125%	
Fire Protection GRT Earmarked		0.250%	
County Correctional GRT Earmarked	0.125%		
Capital Outlay GRT	0.250%		Earmarked



**Proposed De-Earmarking - Counties**

	<u>County-wide</u>	<u>Outside city</u>	
County GRT pose	1.25%	0.50%	General Pur-
	1.00% No Referendum 0.25% Referendum req.	0.12% No Referendum 0.38% Referendum req.	

*Some special increments that are only available to a specific county (e.g. Education → Taos) or are for non-county operations (e.g. Regional Spaceport → Sierra, Dona Ana; County Health Care → All Counties for Medicaid). These special increments are not impacted by this bill. These special increments simply add on top of the consolidated County GRT, like they do now.*