

Local Government Distributions

Presentation to the Revenue Stabilization and Tax Policy Committee
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Special Distributions to Local Governments

- A number of distributions are made to counties and municipalities to support and equalize their revenues.
- We will discuss three of them today:
 - County Equalization distribution, Section 7-1-6.16 NMSA 1978
 - Small Cities Assistance fund 7-1-6.2 NMSA 1978
 - Small Counties Assistance fund, Section 7-1-6.5 NMSA 1978
- Other distributions not discussed today:
 - Municipal distribution, Section 7-1-6.4 NMSA 1978
 - Distributions of local option gross receipts and compensating taxes, Sections 7-1-6.12 and -6.13 NMSA 1978
 - Gasoline Tax distributions to local governments and road funds, Section 7-1-6.9, -6.19, -6.26, -6.27, -6.28, and -6.39 NMSA 1978
 - Distribution of Liquor Excise taxes, Section 7-1-6.40 NMSA 1978
 - Hold Harmless distributions, Sections 7-1-6.46 and -6.47 NMSA 1978
 - Distribution of Cannabis Excise taxes, Section 7-1-6.68 NMSA 1978

County Equalization Distribution

- Distribution made pursuant to Section 7-1-6.16 NMSA 1978.
- Distributions are made annually on September 15.
- Distributions go to qualifying counties that have imposed a tax pursuant to Section 7-20E-9 NMSA 1978 – the county local option gross receipts tax.
 - Increments were consolidated through 2019 “de-earmarking” legislation
- Amount of distribution is determined according to a complex formula.
 - Not all qualifying counties will receive a distribution; if the calculation is zero or a negative number, then that county will not receive a distribution.
 - In simplified terms, if the per capita contribution of a county is higher than the statewide per capita, the county will not receive a distribution.
 - The Taxation and Revenue Department recently revised the programming of the formula to reflect that special local option gross receipts taxes were consolidated into one local option tax under Section 7-20E-9.

County Equalization Distribution Formula

- The following formula is used to calculate whether a qualifying county is entitled to an equalization distribution in any year:
 - First determine the ratio of county population to state population = (county population) / (state population);
 - Multiply by the sum of monthly amounts in the report year;
 - “monthly amount” is the monthly net receipts from the state gross receipts tax, adjusted for food and medical deductions, multiplied by (0.125%) / (state GRT rate);
 - Subtract net receipts attributable to the county’s GRT, at a rate of 0.125%.
- If the amount is positive, this is the amount distributed to the county.
- If the amount is zero, or less (i.e. a negative number) then the county does not get a distribution.

County Equalization Distribution Formula - Example

- Doña Ana County 2023 calculation

- Population Ratio

- $\frac{\text{County Population}}{\text{State Population}} = \frac{219,561}{2,117,522} = 0.104$

- State Report Year 2023 Monthly Amounts

- $(\$4.758 \text{ billion} + \$290 \text{ million}) \times \frac{0.125\%}{5.0\%} = \126 million

- $\text{Population Ratio} \times \text{State Report Year} = 0.104 \times \$126 \text{ million} = \$13.1 \text{ million}$

- Doña Ana County's net receipts, at a rate of 0.125%

- $\$7.0 \text{ million}$

- $\$13.1 \text{ million} - \$7.0 \text{ million} = \$6.1 \text{ million}$, a positive amount which was distributed to Doña Ana County

County Equalization Distribution: 2022 & 2023 Amounts

COUNTY	2022	2023	COUNTY	2022	2023
BERNALILLO	\$ 4,789,222	\$ 8,531,157	MCKINLEY	\$ 2,040,119	\$ 2,545,432
CATRON	\$ 30,633	\$ 125,733	MORA	\$ 141,771	\$ 106,422
CHAVES	\$ 1,146,420	\$ 1,725,634	OTERO	\$ 1,295,563	\$ 2,243,917
CIBOLA	\$ 807,537	\$ 999,871	QUAY	\$ 201,543	\$ 242,213
COLFAX	\$ 105,234	\$ 144,359	RIO ARRIBA	\$ 1,417,402	\$ 1,532,632
CURRY	\$ 1,044,139	\$ 1,264,450	ROOSEVELT	\$ 545,277	\$ 653,984
DE BACA	\$ 52,442	\$ 65,525	SANDOVAL	\$ 4,205,675	\$ 4,559,021
DOÑA ANA	\$ 4,289,719	\$ 6,061,251	SAN JUAN	\$ 1,839,636	\$ 2,381,452
EDDY	\$ -	\$ -	SAN MIGUEL	\$ 855,247	\$ 846,952
GRANT	\$ 604,296	\$ 681,559	SANTA FE	\$ 777,524	\$ 1,372,692
GUADALUPE	\$ 52,606	\$ 92,049	SIERRA	\$ 298,746	\$ 310,492
HARDING	\$ 11,026	\$ -	SOCORRO	\$ 567,739	\$ 657,217
HIDALGO	\$ 52,837	\$ 87,827	TAOS	\$ 521,570	\$ 664,799
LEA	\$ -	\$ -	TORRANCE	\$ 312,022	\$ 468,145
LINCOLN	\$ 125,932	\$ 159,416	UNION	\$ 65,952	\$ 103,010
LOS ALAMOS	\$ -	\$ -	VALENCIA	\$ 1,816,664	\$ 2,201,508
LUNA	\$ 714,042	\$ 755,605			
			Grand Total	\$30,728,536	\$41,584,325

Note: The distributions occur September 15, thus impact the general fund in the beginning of the fiscal year. Example - the 2023 amounts impact general fund in FY2024.

Taxation of Internet Sales Furthers Regional Equalization

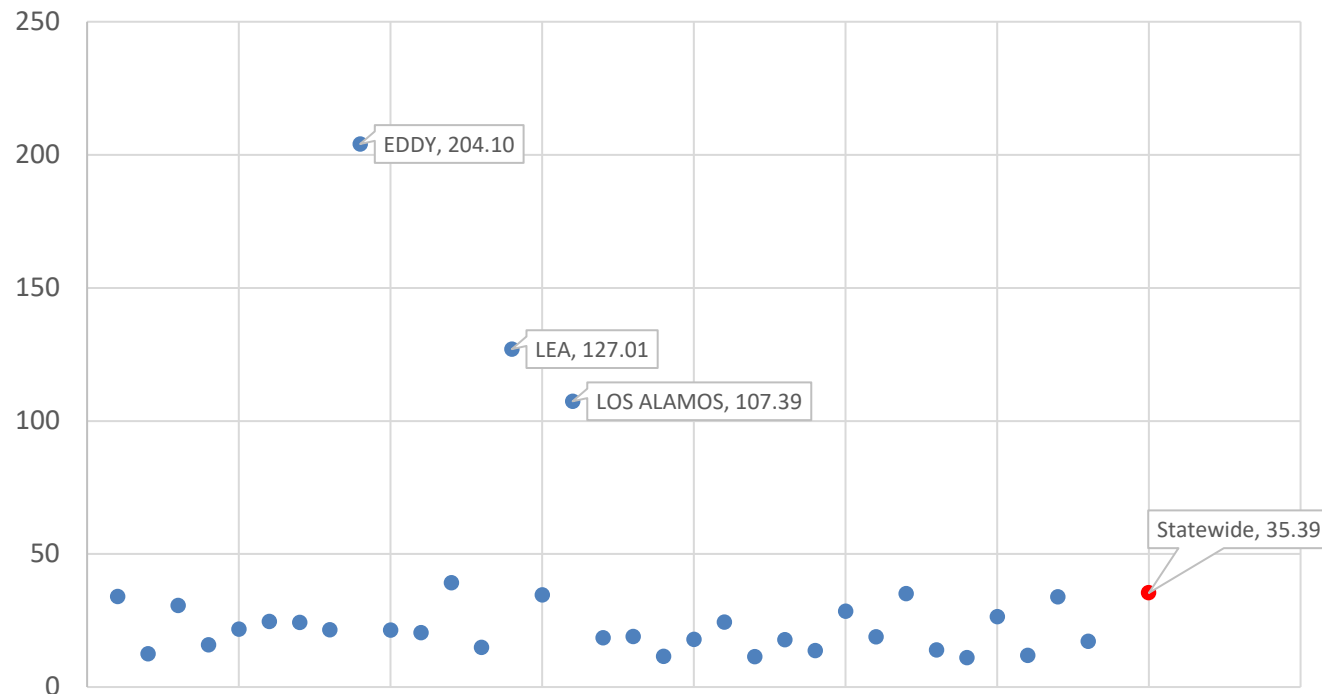
- US Supreme Court's 2018 *Wayfair* decision paved a path for New Mexico to impose GRT on internet sales
- Imposing GRT on internet sellers complemented switch from origin based sourcing to destination sourcing
- GRT is now sourced, with a few important exceptions, to the destination where goods and services are delivered, no longer to the location of the business
- Taxation of internet sales combined with destination sourcing benefits all local governments
- GRT base for Retail Trade grew 28% in the first year of destination sourcing (FY22 vs FY21), with growth across all counties
- Rural areas may benefit disproportionately, as rural consumers may purchase more goods online for home delivery

Retail Trade MTGR by County FY22 vs FY21				
County	FY22 MTGR	FY21 MTGR	Year-over-Year Change	
Bernalillo County	\$ 6,051,104,895	\$ 4,949,520,892		22%
Catron County	\$ 16,719,752	\$ 7,583,259		120%
Chaves County	\$ 554,317,305	\$ 451,495,795		23%
Cibola County	\$ 131,587,836	\$ 113,497,154		16%
Colfax County	\$ 88,786,247	\$ 63,527,645		40%
Curry County	\$ 368,731,546	\$ 304,395,602		21%
De Baca County	\$ 5,964,393	\$ 3,980,861		50%
Dona Ana County	\$ 1,474,341,189	\$ 1,166,966,591		26%
Eddy County	\$ 1,054,457,048	\$ 682,780,996		54%
Grant County	\$ 237,412,875	\$ 187,762,861		26%
Guadalupe County	\$ 38,391,856	\$ 31,749,818		21%
Harding County	\$ 1,631,606	\$ 1,045,666		56%
Hidalgo County	\$ 28,421,210	\$ 23,024,218		23%
Lea County	\$ 1,035,247,952	\$ 695,526,867		49%
Lincoln County	\$ 212,121,645	\$ 164,263,535		29%
Los Alamos	\$ 105,730,032	\$ 55,500,994		91%
Luna County	\$ 151,804,508	\$ 120,365,236		26%
McKinley County	\$ 462,355,258	\$ 413,886,552		12%
Mora County	\$ 14,936,450	\$ 9,582,464		56%
Otero County	\$ 453,961,574	\$ 367,242,930		24%
Quay County	\$ 62,515,980	\$ 48,000,644		30%
Rio Arriba County	\$ 193,049,010	\$ 163,295,677		18%
Roosevelt County	\$ 112,036,984	\$ 88,771,313		26%
San Juan County	\$ 1,059,709,990	\$ 883,077,679		20%
San Miguel County	\$ 146,483,111	\$ 124,930,368		17%
Sandoval County	\$ 656,873,875	\$ 449,920,754		46%
Santa Fe County	\$ 1,617,187,863	\$ 1,175,855,776		38%
Sierra County	\$ 74,976,877	\$ 61,170,664		23%
Socorro County	\$ 77,255,998	\$ 58,685,412		32%
Taos County	\$ 278,002,352	\$ 204,725,703		36%
Torrance County	\$ 89,378,026	\$ 69,435,220		29%
Union County	\$ 20,764,814	\$ 15,916,471		30%
Valencia County	\$ 433,553,380	\$ 350,165,975		24%
Total	\$ 17,309,813,437	\$ 13,507,651,592		28%

County Equalization Distribution: County Per Capita Contribution

- Eddy, Lea & Los Alamos counties have only rarely received a distribution
 - Their per capita GRT contributions are usually higher than the statewide average and thus the statute calculation excludes them from a distribution
- All other counties typically received an annual distribution
 - Counties will not receive a distribution if large construction projects or other exceptional activity in their GRT tax base places their GRT per capita above the statewide average. Example – Harding County in 2023

Per Capita GRT Receipts- FY2019



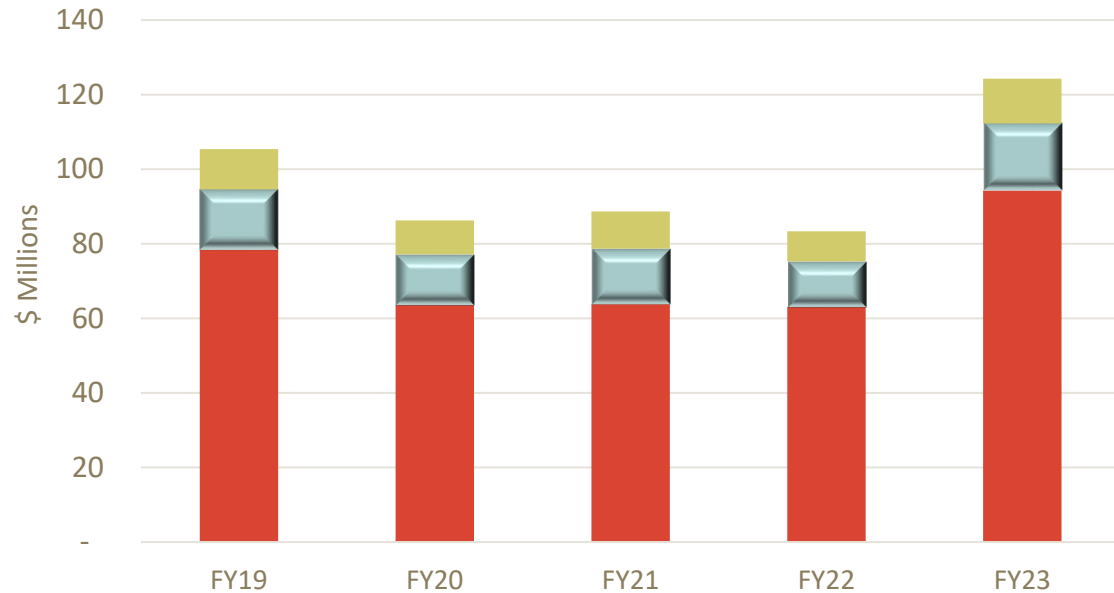
Source: GRT-RP500, U.S. Census Data, Tax & Rev calculations

Small Cities Assistance Fund

- Distributed to the Small Cities Assistance fund.
- Distribution is equal to 15% of the net receipts attributable to the State compensating tax.
- Amount may be declining due to changes to GRT nexus requirements, and to remote taxpayers now being liable for gross receipts tax, rather than the purchaser being liable for compensating tax.
 - Since HB6 (2019) online marketplaces based outside of New Mexico must now usually charge gross receipts taxes on property and services sold by marketplace sellers through the online marketplace.
- Distributions from the Small Cities Assistance fund are made pursuant to Section 3-37A-3 NMSA 1978.
 - Qualifying municipalities have a population less than 10,000 per latest U.S. Census and enacted a GRT rate of 0.25% or more
 - 86 qualifying municipalities
 - Municipalities receive a minimum \$90,000 annual distribution
 - The distribution calculation measures the per capita contribution of the municipality versus all small qualifying municipalities. Generally, if the per capita contribution is higher than or close to the average for all qualifying municipalities, the municipality receives the minimum distribution.
- Note: local option compensating taxes were imposed statewide on July 1, 2021, but the 15% revenue sharing to small cities remains in statute

Distributions from State Compensating Tax - Small Cities Assistance Fund

Compensating Tax Distributions



	FY19	FY20	FY21	FY22	FY23
General Fund	\$ 78	\$ 64	\$ 64	\$ 63	\$ 94 *
Small Cities Assistance Fund	\$ 16	\$ 14	\$ 15	\$ 12	\$ 18
Small Counties Assistance Fund	\$ 11	\$ 9	\$ 10	\$ 8	\$ 12

* Preliminary General Fund Figure

Source: DFA General Fund Reports, Tax & Rev Distribution Reports

■ General Fund ■ *Small Cities Assistance Fund* ■ Small Counties assistance fund

Small Cities Assistance Fund Distributions: FY22 Amounts

Note: per statute, distributions to small cities occur every year before March 1, and the entire fund balance is distributed.

City	Amount (\$)	City	Amount (\$)	City	Amount (\$)
Angel Fire	90,000.00	Floyd	90,000.00	Raton	385,910.68
Anthony, City of	385,910.68	Folsom	90,000.00	Red River	90,000.00
Aztec	385,910.68	Ft Sumner	151,689.35	Reserve	90,000.00
Bayard	385,910.68	Grants	90,000.00	Rio Communities	385,910.68
Belen	90,000.00	Grenville	90,000.00	Roy, Village Of	90,000.00
Bernalillo	90,000.00	Hagerman	267,627.03	Ruidoso Downs	90,000.00
Bloomfield	385,910.68	Hatch	90,000.00	Ruidoso, Village of	90,000.00
Bosque Farms	385,910.68	Hope	90,000.00	San Jon	90,000.00
Capitan	283,496.62	House	90,000.00	San Ysidro	90,000.00
Carrizozo	134,333.36	Hurley	385,910.68	Santa Clara	385,910.68
Causey	90,000.00	Jal	90,000.00	Santa Rosa	90,000.00
Chama	90,000.00	Jemez Springs	90,000.00	Silver City	90,000.00
Cimarron	192,147.92	Kirtland	90,000.00	Socorro, City of	385,910.68
Clayton	301,607.41	Lake Arthur	123,305.12	Springer	217,004.29
Cloudcroft	90,000.00	Logan	90,000.00	T or C	385,910.68
Columbus	385,910.68	Lordsburg	141,353.16	Taos	90,000.00
Corona	90,000.00	Los Ranchosde Alb	385,910.68	Taos Ski Valley, Village of	90,000.00
Corrales	385,910.68	Loving	90,000.00	Tatum	90,000.00
Cuba	90,000.00	Magdalena	232,142.87	Texico	328,349.46
Des Moines	90,000.00	Maxwell	90,000.00	Tijeras	90,000.00
Dexter	90,000.00	Melrose	208,462.46	Tucumcari	385,910.68
Dora	90,000.00	Mesilla, Town of	133,874.09	Tularosa	385,910.68
Eagle Nest	90,000.00	Milan	90,000.00	Vaughn	90,000.00
Edgewood, Town of	90,000.00	Moriarty	90,000.00	Village Of Grady	90,000.00
Elephant Butte, City of	308,083.94	Mosquero	90,000.00	Viriden, Village of	90,000.00
Elida	90,000.00	Mountainair	228,990.02	Wagon Mound	90,000.00
Encino	90,000.00	Pecos	385,910.68	Willard	90,000.00
Estancia	90,000.00	Peralta	385,910.68	Williamsburg	145,060.81
Eunice	90,000.00	Questa	385,910.68	Grand Total	15,319,830.83

Source: Compensating Tax-RP500, Tax & Rev GenTax Reports

Small Cities Assistance Fund Distributions: FY23 Amounts

Note: per statute, distributions to small cities occur every year before March 1 , and the entire fund balance is distributed.

City	Amount (\$)	City	Amount (\$)	City	Amount (\$)
Angel Fire	90,000.00	Floyd	90,000.00	Raton	336,398.75
Anthony, City of	336,398.75	Folsom	90,000.00	Red River	90,000.00
Aztec	255,205.42	Ft Sumner	153,496.14	Reserve	90,000.00
Bayard	336,398.75	Grants	90,000.00	Rio Communities	336,398.75
Belen	90,000.00	Grenville	90,000.00	Roy, Village Of	90,000.00
Bernalillo	90,000.00	Hagerman	317,074.38	Ruidoso Downs	90,000.00
Bloomfield	336,398.75	Hatch	158,673.31	Ruidoso, Village of	90,000.00
Bosque Farms	336,398.75	Hope	90,000.00	San Jon	90,000.00
Capitan	331,241.33	House	90,000.00	San Ysidro	90,000.00
Carrizozo	159,636.56	Hurley	336,398.75	Santa Clara	336,398.75
Causey	90,000.00	Jal	90,000.00	Santa Rosa	90,000.00
Chama	90,000.00	Jemez Springs	90,000.00	Silver City	90,000.00
Cimarron	226,737.26	Kirtland	90,000.00	Socorro, City of	336,398.75
Clayton	90,000.00	Lake Arthur	90,000.00	Springer	212,202.29
Cloudcroft	90,000.00	Logan	175,410.32	T or C	336,398.75
Columbus	336,398.75	Lordsburg	90,000.00	Taos	90,000.00
Corona	90,000.00	Los Ranchosde Alb	336,398.83	Taos Ski Valley, Village of	90,000.00
Corrales	336,398.75	Loving	90,000.00	Tatum	90,000.00
Cuba	90,000.00	Magdalena	229,265.41	Texico	289,579.55
Des Moines	90,000.00	Maxwell	90,000.00	Tijeras	90,000.00
Dexter	173,566.82	Melrose	193,128.97	Tucumcari	336,398.75
Dora	90,000.00	Mesilla, Town of	90,000.00	Tularosa	336,398.75
Eagle Nest	90,000.00	Milan	90,000.00	Vaughn	90,000.00
Edgewood, Town of	90,000.00	Moriarty	90,000.00	Village Of Grady	90,000.00
Elephant Butte, City of	336,398.75	Mosquero	90,000.00	Virden, Village of	90,000.00
Elida	90,000.00	Mountainair	207,209.63	Wagon Mound	95,246.74
Encino	90,000.00	Pecos	336,398.75	Willard	90,000.00
Estancia	90,000.00	Peralta	336,398.75	Williamsburg	153,626.61
Eunice	90,000.00	Questa	336,398.75	Grand Total	14,312,877.07

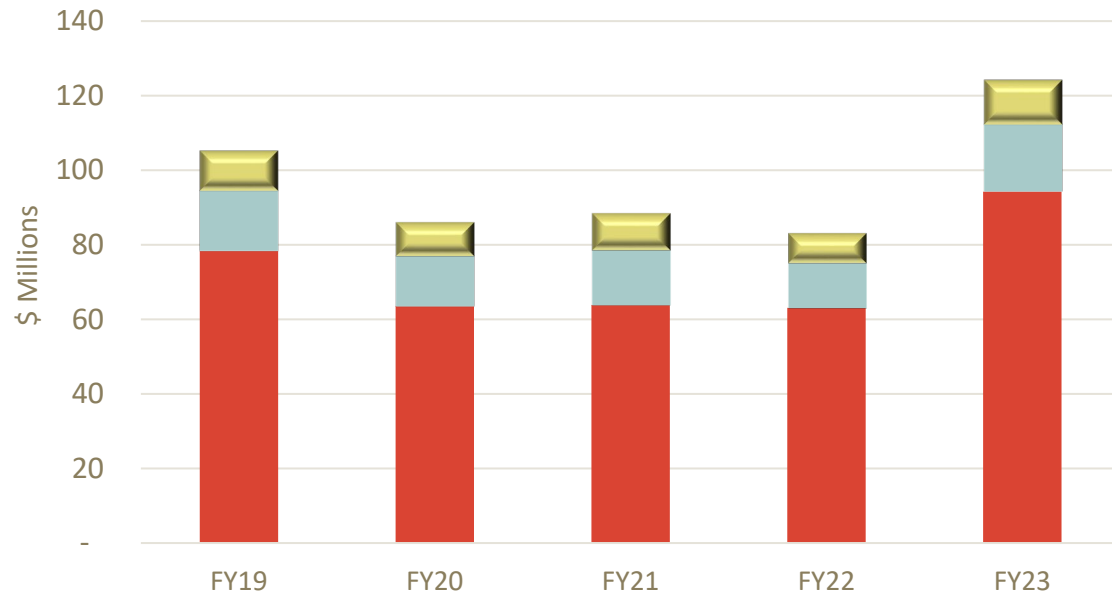
Source: Compensating Tax-RP500, Tax & Rev GenTax Reports

Small Counties Assistance Fund

- Distributed to the small counties assistance fund.
- Distribution is equal to 10% of the net receipts attributable to the State compensating tax.
- Same issues with nexus, and potential decline of compensating tax revenues, as with the Small Cities Assistance fund.
- Distributions from the Small Counties Assistance fund are made pursuant to Section 4-61-3 NMSA 1978.
 - Qualifying counties have a population less than 48,000 per U.S. Census and meet GRT increment requirements in conjunction with property tax rate and valuation requirements.
 - 19 qualifying counties in 2021 and 2022
 - Amount to be distributed is based on the total property value for the county; the smaller the value, the larger the distribution.
- Note: local option compensating taxes were imposed statewide on July 1, 2021, but the 10% revenue sharing to small counties remains in statute

Distributions from State Compensating Tax - Small Counties Assistance Fund

Compensating Tax Distributions



	FY19	FY20	FY21	FY22	FY23
General Fund	\$ 78	\$ 64	\$ 64	\$ 63	\$ 94 *
Small Cities Assistance Fund	\$ 16	\$ 14	\$ 15	\$ 12	\$ 18
Small Counties Assistance Fund	\$ 11	\$ 9	\$ 10	\$ 8	\$ 12

* Preliminary General Fund Figure

Source: DFA General Fund Reports, Tax & Rev Distribution Reports

■ General Fund ■ Small Cities Assistance Fund ■ *Small Counties assistance fund*

Small Counties Assistance Fund: Amounts

FY 2022-2023
SMALL COUNTIES ASSISTANCE DISTRIBUTION
9/30/2022

COUNTY	Eligibility	DISTRIBUTION	Prior Year	
			Distribution	Difference
Catron	eligible	555,000	546,000	9,000*
Cibola	eligible	288,000	284,000	4,000*
De Baca	eligible	625,000	616,000	9,000*
Grant	eligible	178,000	176,000	2,000*
Guadalupe	eligible	498,000	491,000	7,000*
Harding	eligible	843,000	830,000	13,000*
Hidalgo	eligible	498,000	491,000	7,000*
Los Alamos	eligible	178,000	176,000	2,000*
Luna	eligible	198,000	196,000	2,000*
Mora	eligible	498,000	491,000	7,000*
Quay	eligible	370,000	365,000	5,000*
Rio Arriba	eligible	198,000	196,000	2,000*
Roosevelt	eligible	198,000	284,000	(86,000)**
San Miguel	eligible	198,000	196,000	2,000*
Sierra	eligible	370,000	365,000	5,000*
Socorro	eligible	288,000	284,000	4,000*
Taos	eligible	198,000	196,000	2,000*
Torrance	eligible	288,000	284,000	4,000*
Union	eligible	498,000	491,000	7,000*
TOTAL Distribution		\$6,965,000	\$6,958,000	\$7,000

*Increases are due to the increase in cash balance available in the fund.

**Roosevelt County is receiving \$86,000 less due to an increase in assessed property valuation of \$174,951,852 (excludes oil and gas values) which moved county to a lower distribution bracket.

FY 2023-2024
SMALL COUNTIES ASSISTANCE DISTRIBUTION
9/30/2023

COUNTY	Eligibility	DISTRIBUTION	Prior Year
			Distribution
Catron	eligible	603,000	555,000
Cibola	eligible	306,000	288,000
Curry	eligible	209,000	
De Baca	eligible	673,000	625,000
Grant	eligible	189,000	178,000
Guadalupe	eligible	534,000	498,000
Harding	eligible	909,000	843,000
Hidalgo	eligible	534,000	498,000
Los Alamos	eligible	189,000	178,000
Luna	eligible	209,000	198,000
Mora	eligible	534,000	498,000
Quay	eligible	396,000	370,000
Rio Arriba	eligible	209,000	198,000
Roosevelt	eligible	209,000	198,000
San Miguel	eligible	209,000	198,000
Sierra	eligible	396,000	370,000
Socorro	eligible	306,000	288,000
Taos	eligible	209,000	198,000
Torrance	eligible	306,000	288,000
Union	eligible	673,000	498,000
TOTAL Distribution		\$7,802,000	\$6,965,000

*Increases are due to the increase in cash balance available in the fund.

Curry was eligible this year based on population.

Caution on Tax Distribution Complexity

- New Mexico's gross receipts and compensating tax distributions are unusually complex across the United States.
- Complex distributions create risks of system errors, increase taxpayer reporting burden, and increase costs of system maintenance and programming.
- Examples: Recent legislative proposals have threatened more complexity – Tax & Rev urges caution:
 - Metropolitan Redevelopment Act Changes (SB251, 2023 Session) – Allows State and local governments to dedicate up to 75% of GRT over a baseline to a Metropolitan Redevelopment Error. Technical issues make it impossible to implement the bill; high cost of implementation on Tax & Rev.
 - Local Economic Development Act Distributions (SB1, 2021 Special Session) – Provides GRT and compensating tax on certain large LEDA projects to be distributed to the LEDA fund instead of to the general fund and to local governments. High costs of implementation on Tax & Rev, may not be most efficient way to get public funds from Point A to Point B.
 - Recent proposals not enacted would have affected destination sourcing, special sourcing rules for certain industries.

Further Information

Thank you!

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