

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

**September 23-24, 2024
State Capitol, Room 307
Santa Fe**

The third meeting of the Revenue Stabilization and Tax Policy Committee for the 2024 interim was called to order by Representative Derrick J. Lente, chair, on Monday, September 23, 2024, at 9:35 a.m. in Room 307 of the State Capitol in Santa Fe.

Present

Rep. Derrick J. Lente, Chair
Sen. Pete Campos, Vice Chair (9/23)
Rep. Micaela Lara Cadena (9/23)
Rep. Christine Chandler
Rep. Mark Duncan
Rep. Doreen Y. Gallegos
Sen. Harold Pope
Rep. Linda Serrato (9/23)
Sen. Elizabeth "Liz" Stefanics

Absent

Sen. Craig W. Brandt
Sen. William F. Burt
Sen. Ron Griggs
Rep. Jason C. Harper
Rep. Susan K. Herrera
Sen. George K. Muñoz
Rep. Larry R. Scott
Sen. Peter Wirth

Designees

Sen. Antonio Maestas (9/23, attending as a guest)
Rep. Alan T. Martinez

Rep. Ambrose Castellano
Sen. Katy M. Duhigg
Rep. Joanne J. Ferrary
Rep. Yanira Gurrola
Rep. Rod Montoya
Rep. Kristina Ortez
Sen. Gerald Ortiz y Pino
Sen. Shannon D. Pinto
Sen. Antoinette Sedillo Lopez
Sen. William E. Sharer

Special Advisory Members

Sen. Linda M. López

Guest Legislator

Rep. Tara L. Lujan

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

Staff

D. Martin Fischer, Staff Attorney, Legislative Council Service (LCS)

Pam Stokes, Senior Staff Attorney, LCS

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

Monday, September 23**Welcome and Introductions (9:35 a.m.)**

Representative Lente welcomed members, presenters and those attending in person and on the webcast.

How Work is Changing — Effects of Remote Work and Artificial Intelligence (AI) on Tax Policy (9:39 a.m.)

Helen Hecht, Esq., C.P.A., Uniformity Counsel, Multistate Tax Commission, began her presentation discussing the effects of remote work on employers and employees. For employers, they will likely have little to no in-state taxable income due to employing remote workers; however, they may be subject to state and local employment laws. Employees who work remotely, on the other hand, are likely to feel more significant impacts, including saving money on commuting costs and daycare, receiving less support from employers and experiencing more complex tax treatment of their wages if they will have income in multiple states. While there have been some studies on the economic impact of remote work, it will take some time before the impact is clear. Ms. Hecht also discussed the difficulty of determining the exact impact of AI on employers and employees. While it may be that most jobs will be impacted by AI, there is reason to doubt that there will be significant upheaval in the job market. The authors of a study on the impact of AI believe that it will be a useful research tool and, instead of replacing a lot of workers, it will help those workers do other work. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=9/23/2024&ItemNumber=1>.

Equitable Disclosure: Fair and Equitable Treatment of Property Owners (10:52 a.m.)

Damian Lara, chief deputy assessor, Bernalillo County, and chair, Assessors Affiliate, New Mexico Association of Counties (NMC), and Isaiah Romero, assessor, Santa Fe County, and vice chair, Assessors Affiliate, NMC, explained the impact of two constitutional amendments to increase property tax exemptions for veterans that will be on the ballot for approval of the voters at this year's general election. They explained that "the broader the base, the lower the rate"; however, increasing the exemptions will increase all other property owners' taxes and cause a hit to county revenues, which may cause a county to increase existing property tax rates, thus increasing property taxes even further. Since, they believe, the expansions to the exemptions are likely to be approved, an opportunity exists to provide some relief to other property tax payers by increasing the head-of-household exemption, which provides very little relief at its present level. The presenters also provided a ten-point plan of legislative proposals that includes increasing the head-of-household exemption; allowing disclosure of the sales price of commercial property, given that New Mexico is one of the few states that does not allow disclosure; and incentivising an increase in multifamily housing. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=9/23/2024&ItemNumber=2>.

Property Tax Code Overview and Technology in Tax Administration (1:36 p.m.)

Stephanie Schardin Clarke, secretary, Taxation and Revenue Department, and Ira Pearson, director, Property Tax Division, Taxation and Revenue Department, gave an overview of the New Mexico Property Tax Code. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=9/23/2024&ItemNumber=3>.

Overview of New Mexico Tax Policy: Income Tax and Gross Receipts Tax (2:14 p.m.)

Christy Green, program manager, Education Designed to Generate Excellence in the Public Sector (NM EDGE), Cooperative Extension Service, College of Agricultural, Consumer and Environmental Sciences, New Mexico State University, and Kevin Powers, instructor, NM EDGE, member, Tax Policy Curriculum Committee, and analyst, House Taxation and Revenue Committee, 2015-2023 legislative sessions, provided an overview of NM EDGE, which is an educational program for county officials and employees that provides public sector specialization certificates, including the tax policy professional certification. Richard Anklam, president and executive director, New Mexico Tax Research Institute, previewed the NM EDGE course on the Gross Receipts and Compensating Tax Act, and James O'Neill, president, O'Neill Consulting, previewed the NM EDGE course on New Mexico income taxes. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=9/23/2024&ItemNumber=4>.

Public Comment (3:23 p.m.)

A list of individuals making public comment is available in the meeting file.

Recess

The meeting recessed at 3:30 p.m.

Tuesday, September 24**Property Taxes in New Mexico and the Practical Impacts of the Property Tax Code on Local Government (9:33 a.m.)**

Jennifer Faubion, economist, Legislative Finance Committee, gave a presentation on the structure and trends of New Mexico's property tax. She explained the concepts of mill rates and the 20-mill limitation in the state constitution, including how those mills are shared among local governments and how a local government can impose additional mills if voters approve an increase. Ms. Faubion discussed yield control and how it limits the amount of property tax that can be collected, which has a significant impact on local governments that rely on such revenue for operations. She also discussed existing property tax relief and incentives, including the proposal to expand the veteran exemptions and how those exemptions impact other property tax owners. Ms. Faubion said that by implementing certain reforms, New Mexico could achieve a fairer and more equitable property tax system. Those reforms include requiring disclosure in the sale of nonresidential property (also known as commercial property) and significantly increasing the head-of-household exemption, which would shift some of the tax burden to out-of-state, non-primary homeowners without disproportionately affecting lower income residents or the revenues of local governments. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=9/23/2024&ItemNumber=5>.

Improving Poverty with Policy: Tax Credits and Sustainable Investments (10:43 a.m.)

Paige Knight, deputy policy director, NM Voices for Children (NM Voices), and Emily Wildau, senior research and policy analyst, NM Voices, explained two poverty measures used to measure household poverty and showed data that shows how refundable tax credits can reduce poverty. They reviewed recently enacted tax measures intended to provide relief to lower income individuals and families, and they proposed additional measures, including increasing the child income tax credit, expanding the working families tax credit and continuing to support non-tax programs, such as the Supplemental Nutritional Assistance Program, school lunch programs and other cash and non-cash benefits. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=9/23/2024&ItemNumber=6>.

Adjournment

There being no further business before the committee, the meeting adjourned at 11:45 a.m.