



NEW MEXICO LEGISLATURE

REVENUE STABILIZATION AND TAX POLICY COMMITTEE

2023 INTERIM FINAL REPORT

LEGISLATIVE COUNCIL SERVICE
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INTERIM SUMMARY

Revenue Stabilization and Tax Policy Committee 2023 Interim Summary

The Revenue Stabilization and Tax Policy Committee held five meetings in 2023. At the committee's meeting in September, members heard the annual revenue forecast; a proposal for a gross receipts tax deduction for child care services; and presentations on the impact of the film industry in Las Cruces. In October, the committee heard an in-depth, long-term revenue outlook that discussed economic indicators and trends; transportation taxes and fees; long-term general fund revenue trends; risks to revenue growth; the impact of setting aside more revenue for investment that will provide increased distributions to the general fund; and risk-assessment models.

Also in October, the committee heard from several experts from national organizations on economic trends affecting state taxation; analyses that study the impact of proposed or actual taxes on different segments of the population in New Mexico; the efficiency of a gross receipts tax versus a retail sales tax; and perspectives on pyramiding in sales and gross receipts taxes.

The November meeting focused on tax expenditures, including the Taxation and Revenue Department's presentation of its tax expenditure report, which is now required by statute. The committee also heard several presentations on the various distributions of tax revenue that are made to local governments; a study that estimates the amount of revenue contributed to New Mexico by each county and New Mexico's expenditures in each county on a per capita basis; the impact of the change to destination-based sourcing on certain municipalities; and a request to study how to distribute tax revenues generated by Los Alamos National Laboratory to regional communities surrounding Los Alamos.

At the final meeting in December, the economists with the Legislative Finance Committee (LFC) discussed the LFC's revenue tracking for the current fiscal year, including recent state revenue forecasts, budget trends, legislative changes affecting state revenues, volatility trends of revenues and tax expenditures; the economic outlook for the nation and New Mexico; and fiscal year 2024 revenue tracking. A presentation was also made on the volatile nature of capital outlay funding and the risks for funding capital projects as severance tax revenues decline, as well as potential initiatives to address those issues. The New Mexico Municipal League and New Mexico Counties presented their legislative priorities for the upcoming session, and a proposal to increase the liquor excise tax on certain manufacturers and producers was discussed. A single bill was proposed for endorsement that would create a new fund to distribute a portion of gross receipts tax revenue to municipalities and counties based on their tax base; however, due to the lack of a quorum, the committee did not act on the endorsement.

WORK PLAN AND MEETING SCHEDULE

2023 APPROVED
WORK PLAN AND MEETING SCHEDULE
for the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE

Members

Sen. Benny Shendo, Jr., Chair
Rep. Derrick J. Lente, Vice Chair
Sen. Craig W. Brandt
Sen. William F. Burt
Rep. Micaela Lara Cadena
Sen. Pete Campos
Rep. Christine Chandler
Rep. Mark Duncan
Rep. Doreen Y. Gallegos
Sen. Ron Griggs
Rep. Jason C. Harper
Rep. Susan K. Herrera
Sen. George K. Muñoz
Sen. Harold Pope
Rep. Larry R. Scott
Rep. Linda Serrato
Sen. Elizabeth "Liz" Stefanics
Sen. Peter Wirth

Designees

Rep. Ambrose Castellano
Sen. Katy M. Duhigg
Rep. Joanne J. Ferrary
Rep. Yanira Gurrola
Sen. Antonio Maestas
Rep. Alan T. Martinez
Rep. Rod Montoya
Rep. Kristina Ortez
Sen. Gerald Ortiz y Pino
Sen. Antoinette Sedillo Lopez
Sen. William E. Sharer

Work Plan

The Revenue Stabilization and Tax Policy Committee is a statutorily created joint interim legislative committee. Pursuant to Section 2-16-3 NMSA 1978, the committee is directed to "examine the statutes, constitutional provisions, regulations and court decisions governing revenue stabilization and tax policy in New Mexico and recommend legislation or changes if any are found to be necessary . . . ". In the 2023 interim, as time permits, the committee proposes to:

A. hear from national and local experts on the pros and cons of pyramiding in the gross receipts tax, review legislation previously enacted to reduce pyramiding and discuss the fiscal impact of pyramiding in New Mexico;

B. review options for long-term revenue stabilization, including the use of continuing record revenues attributable to the oil and gas industry and the risks associated with too much reliance on those revenues, options for creating or expanding more stable resources and the status and use of certain reserves and other funds with significant value;

C. examine certain excise taxes, including the cigarette tax, the tobacco products tax and the liquor excise tax, and how the liquor excise tax is imposed on different types of alcoholic beverages and wholesalers;

D. discuss economic trends that could impact New Mexico taxes and revenues;

E. hear from local governments in regard to how they are funded and the fiscal issues they face and legislative changes that may address those issues;

F. examine the effectiveness and value to the state of tax expenditures and other economic development incentives and the state's ability to report and track the effectiveness of those incentives and expenditures; and

G. determine legislative actions necessary to implement changes identified by committee members that will improve the state's tax system and revenue stabilization.

**Revenue Stabilization and Tax Policy Committee
2023 Approved Meeting Schedule**

<u>Date</u>	<u>Location</u>
June 8	Santa Fe, State Capitol, Room 321
September 18-19	Las Cruces
October 19-20	Santa Fe, State Capitol, Room 322
November 20-21	Santa Fe, State Capitol, Room 322
December 5-6	Santa Fe, State Capitol, Room 322

AGENDAS AND MINUTES

**TENTATIVE AGENDA
for the
FIRST MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE**

**June 8, 2023
State Capitol, Room 321
Santa Fe**

Thursday, June 8

- 10:00 a.m. (1) **Post-Session Fiscal Review**
—Ismael Torres, Chief Economist, Legislative Finance Committee (LFC)
—Jennifer Faubion, Economist, LFC
—Charles Sallee, Interim Director, LFC
- 11:00 a.m. (2) **Discussion of Work Plan and Meeting Schedule**
—Revenue Stabilization and Tax Policy Committee Members
- 12:00 noon **Adjourn**

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

**June 8, 2023
State Capitol, Room 321
Santa Fe**

The first meeting of the Revenue Stabilization and Tax Policy Committee for the 2023 interim was called to order by Senator Benny Shendo, Jr., chair, on Thursday, June 8, 2023, at 10:04 a.m. in Room 321 of the State Capitol in Santa Fe.

Present

Sen. Benny Shendo, Jr., Chair
Rep. Derrick J. Lente, Vice Chair
Rep. Micaela Lara Cadena
Rep. Christine Chandler
Rep. Mark Duncan
Sen. Ron Griggs
Rep. Susan K. Herrera
Rep. Larry R. Scott
Sen. Elizabeth "Liz" Stefanics
Sen. Peter Wirth

Designees

Sen. Antonio Maestas
Rep. Alan T. Martinez
Rep. Kristina Ortez

Special Advisory Members

Rep. Cynthia Borrego
Sen. Linda M. Lopez
Sen. Joshua A. Sanchez
Sen. Bill Tallman

Staff

Pam Stokes, Staff Attorney, Legislative Council Service (LCS)
Ric Gaudet, Researcher, LCS
Rebecca Griego, Records Officer, LCS
Clinton Turner, Research and Fiscal Policy Analyst, LCS

Absent

Sen. Craig W. Brandt
Sen. William F. Burt
Sen. Pete Campos
Rep. Doreen Y. Gallegos
Rep. Jason C. Harper
Sen. George K. Muñoz
Sen. Harold Pope
Rep. Linda Serrato

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

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.

Thursday, June 8

Welcome and Introductions (10:04 a.m.)

Senator Shendo welcomed members, staff, presenters and those attending in person and on the webcast. Members of the committee introduced themselves.

Post-Session Fiscal Review (10:13 a.m.)

Ismael Torres, chief economist, Legislative Finance Committee (LFC); Jennifer Faubion, economist, LFC; and Charles Sallee, interim director, LFC, discussed the fiscal outlook for the state following the recent legislative session. Mr. Sallee began by discussing record-level revenues and a fiscal year 2024 budget of \$9.57 billion. The increases are attributed mostly to oil and gas production in the Permian Basin in New Mexico. Ms. Faubion discussed legislation enacted in the 2023 legislative session that will have an impact on future state revenues. Mr. Torres discussed the projected state financial outlook, including economic predictors and oil and gas production estimates. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20060823%20Item%201%20LFC%20Post-Session%20Fiscal%20Report.pdf>.

Discussion of Work Plan and Meeting Schedule (11:40 a.m.)

Members of the committee discussed the proposed work plan and meeting schedule for the 2023 interim. The committee voted to meet in Las Cruces for its September meeting and to request approval of that change from the New Mexico Legislative Council. The proposed work plan and meeting schedule, as amended, were adopted unanimously by the committee.

Adjournment

There being no further business before the committee, the meeting adjourned at 12:18 p.m.

Revised: September 11, 2023

**TENTATIVE AGENDA
for the
SECOND MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE**

**September 18-19, 2023
Villanueva Victory Club
Stan Fulton Athletics Center
Corner of Arrowhead Drive and Wells Street
Las Cruces**

Monday, September 18

- 10:00 a.m. **Welcome**
—Jay Gogue, Ph.D., President, New Mexico State University (NMSU)
- 10:10 a.m. (1) **Revenue Forecast**
—Stephanie Schardin Clarke, Secretary, Taxation and Revenue Department
—Wayne Propst, Secretary, Department of Finance and Administration
 (DFA)
—Leo Delgado, Chief Economist, DFA
—Ismael Torres, Chief Economist, Legislative Finance Committee
- 12:00 noon **Lunch**
- 1:00 p.m. (2) **Burdens, Presumptions and Evidence in Tax Protest Disputes**
—Brian VanDenzen, Chief Hearing Officer, Administrative Hearings Office
- 2:00 p.m. (3) **New Mexico Certified Tax Policy Professional Classes**
—Christy Green, Program Manager, Education Designed to Generate
 Excellence in the Public Sector, Cooperative Extension Service,
 College of Agricultural, Consumer and Environmental Sciences, New
 Mexico State University (NM EDGE)
—Tasia Young, Instructor, NM EDGE; Member, Tax Policy Curriculum
 Committee, NM EDGE
—Kevin Powers, Instructor, NM EDGE; Member, Tax Policy Curriculum
 Committee, NM EDGE; Analyst, House Taxation and Revenue
 Committee, 2015-2023 Legislative Sessions
- 2:30 p.m. (4) **Proposals for Gross Receipts Tax Deductions for Child Care Services**
—Angela Garcia, President, Full Circle Children, Family and Educator
 Services (Full Circle); Owner, The Toy Box Early Learning and
 Childcare Center
—Daisy Lira, Vice President, Full Circle; Owner, The Hive Education
—Barbara Tedrow, Board Member and Policy Chair, New Mexico Child

Care and Education Association (NMCCEA); Owner, A Gold Star Academy and Child Development Center; Owner, Smiling Faces Child Care Center

—Ray Jaramillo, Board Member and Policy Assistant Chair, NMCCEA; Owner, Alpha School, Inc.

- 3:30 p.m. (5) [Perspectives on Tax Competitiveness in the Border Region](#)
—Eric Montgomery, Regional Director, Governmental Affairs, El Paso Electric Company
—Jerry Pacheco, President and Chief Executive Officer, Border Industrial Association; Executive Director, International Business Accelerator; Owner, GPI, Inc.
—James Ortiz, Principal, State and Local Tax, REDW LLC

4:30 p.m. **Recess**

Tuesday, September 19

- 9:00 a.m. (6) [Overview of New Mexico's Film Incentive and Industry](#)
—Amber Dodson, Director, New Mexico Film Division, Economic Development Department (NM Film)
—Shane Shariff, Economist, NM Film
- 10:00 a.m. (7) [Creative Campus: A Collaboration Between Dona Ana Community College \(DACC\), NMSU and the Film Industry](#)
—Monica Torres, Chancellor, NMSU System of Community Colleges
—Matt Byrnes, Department Chair, Creative Media Technology Program, DACC
—Amy Lanasa, Department Head, Creative Media Institute, NMSU; Associate Professor and Interim Department Head, Department of Journalism and Media Studies, NMSU
—Wayne Savage, Executive Director, Arrowhead Park, Arrowhead Center, NMSU
—Andrew Jara, Associate Film Liaison, Film Las Cruces
- 11:15 a.m. (8) [A Movie Studio's Perspective on Filming in Las Cruces](#)
—Jonathon Sepp, Film Liaison, 828 Productions
—Todd Lundbohm, Chief Executive Officer, 828 Productions
—Stephanie Denton, Executive Vice President, 828 Productions
- 12:00 noon **Adjourn**

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

**September 18-19, 2023
Villanueva Victory Club
Stan Fulton Athletics Center
Las Cruces**

The second meeting of the Revenue Stabilization and Tax Policy Committee for the 2023 interim was called to order by Senator Benny Shendo, Jr., chair, on Monday, September 18, 2023, at 10:23 a.m. in the Stan Fulton Athletics Center at New Mexico State University (NMSU) in Las Cruces.

Present

Sen. Benny Shendo, Jr., Chair
Rep. Derrick J. Lente, Vice Chair
Sen. William F. Burt
Rep. Micaela Lara Cadena
Sen. Pete Campos
Rep. Christine Chandler
Rep. Mark Duncan
Rep. Doreen Y. Gallegos (9/18)
Sen. Ron Griggs
Sen. Elizabeth "Liz" Stefanics (9/18)

Absent

Sen. Craig W. Brandt
Rep. Jason C. Harper
Rep. Susan K. Herrera
Sen. George K. Muñoz
Sen. Harold Pope
Rep. Larry R. Scott
Rep. Linda Serrato
Sen. Peter Wirth

Designees

Rep. Ambrose Castellano
Sen. Katy M. Duhigg
Rep. Joanne J. Ferrary
Rep. Yanira Gurrola
Sen. Antonio Maestas
Rep. Alan T. Martinez
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 Member

Sen. Bill Tallman

Guest Legislators

Rep. Raymundo Lara

Rep. Nathan P. Small (9/18)

Sen. Jeff Steinborn (9/19)

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

Staff

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

Ric Gaudet, Researcher, LCS

Rebecca Griego, Records Officer, LCS

Sonya Snyder, Committee Coordinator, 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

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Monday, September 18**Welcome and Introductions (10:25 a.m.)**

Senator Shendo welcomed members, staff, presenters and those attending in person and via the webcast. Members of the committee introduced themselves.

Jay Gogue, Ph.D., president, NMSU, welcomed the committee to the NMSU campus. He discussed the increased revenues that NMSU has realized in the past year and also discussed the issue of how to adequately fund female sports after the recent realignment of athletic conferences.

Revenue Forecast (10:47 a.m.)

Stephanie Schardin Clarke, secretary, Taxation and Revenue Department (Tax & Rev); Wayne Propst, secretary, Department of Finance and Administration (DFA); Leo Delgado, chief economist, DFA; and Ismael Torres, chief economist, Legislative Finance Committee, discussed the revenue forecast for the state. Secretary Schardin Clarke began by discussing the economic outlook for the nation and for New Mexico. She discussed the outlook for a national recession, gross domestic product figures, employment figures, inflation, the labor market, oil and gas

production revenues, including severance taxes and royalties paid to state beneficiaries, and personal income tax and gross receipts tax (GRT) revenues.

Secretary Propst discussed the outlook for the General Fund, which is mostly good news for the state. He discussed recent legislative changes that will increase revenues to the Severance Tax Permanent Fund, General Fund reserve projections, expected growth to General Fund revenues and reserves and risks to the forecast.

Mr. Torres discussed details of the revenue outlook, including severance taxes and fees and royalties paid in the state. He also discussed the stress testing that was performed on the revenue estimate and the long-term revenue outlook for the state. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=9/18/2023&ItemNumber=1>.

Burdens, Presumptions and Evidence in Tax Protest Disputes (1:11 p.m.)

Brian VanDenzen, chief hearing officer, Administrative Hearings Office (AHO), and Jacob Streeter, hearing officer, AHO, discussed the evolution of the standards of burden of proof and presumptions of correctness in tax protest hearings administered by the AHO. After the New Mexico Court of Appeals clarified the presumption of correctness framework in a tax protest proceeding in 2023, the AHO has revised how it handles tax protest cases into a three-stage process. In the first stage, the taxpayer has the burden to produce countervailing evidence that disputes Tax & Rev's claim of tax liability; in the second stage, if the taxpayer has passed the first stage, the burden shifts to the department to provide evidence that its assessment was correct; and in the third stage, the AHO hearing officer decides the matter based on the merits of the opposing parties' evidence and arguments. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20091823%20Item%202%20AHO%20Burdens%20Presumptions%20and%20Evidence.pdf>.

New Mexico Certified Tax Policy Professional Classes (1:58 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, NMSU; Tasia Young, instructor, NM EDGE; and Kevin Powers, instructor, NM EDGE, discussed the tax professional education programs provided by NM EDGE. NM EDGE provides professional training to a wide range of public sector employees and has recently begun providing tax professional classes. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20091823%20Item%203%20NM%20EDGE%20Presentation.pdf>.

Proposals for GRT Deductions for Child Care Services (2:19 p.m.)

Angela Garcia, president, Full Circle Children, Family and Educator Services (Full Circle), and owner, The Toy Box Early Learning and Childcare Center; Daisy Lira, vice president, Full Circle, and owner, The Hive Education; and Barbara Tedrow, board member and policy chair, New Mexico Child Care and Education Association, owner, A Gold Star Academy and Child Development Center, and owner, Smiling Faces Child Care Center, discussed the need to eliminate the GRT on child care services. They said that there is a disparity in available operating revenues between nonprofit and for-profit child care service providers because the GRT is imposed on for-profit providers. Some for-profit providers may be forced to pass along the GRT to parents of children in their programs, which could be a burden on working families. Many parents of children in child care programs spoke about how difficult it would be to pay the GRT on child care services, sometimes as much as \$250 per month, for families with multiple children in child care. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20091823%20Item%204%20NMCCEA%20Presentation.pdf>.

Perspectives on Tax Competitiveness in the Border Region (3:27 p.m.)

Eric Montgomery, regional director, Governmental Affairs, El Paso Electric Company; Jerry Pacheco, president and chief executive officer, Border Industrial Association, executive director, International Business Accelerator, and owner, GPI, Inc.; and James Ortiz, principal, State and Local Tax, REDW LLC, discussed robust economic activities in the Santa Teresa border area. Mr. Pacheco discussed multiple new large construction projects for various companies taking advantage of the multi-modal and international port in Santa Teresa and adjacent San Jeronimo in Mexico. Mr. Ortiz discussed a GRT pyramiding problem for construction services that he says is making some companies develop in neighboring El Paso, Texas, rather than in New Mexico. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20091823%20Item%205%20Perspectives%20on%200Competitiveness%20in%20Border%20Region.pdf>.

Recess

The meeting recessed at 4:38 p.m.

Tuesday, September 19

Reconvene

The meeting was reconvened by Senator Shendo at 9:12 a.m.

Overview of New Mexico's Film Incentive and Industry (9:14 a.m.)

Amber Dodson, director, New Mexico Film Division, Economic Development Department, and Shane Shariff, economist, New Mexico Film Division, discussed the film industry in the state and the importance of film incentives to the viability of the industry. Ms. Dodson discussed the various film credits and incentives, as well as recent productions filmed in

New Mexico, and provided details on New Mexico residents employed by the industry. She also discussed recent upgrades to some incentives enacted into law by the legislature during the 2023 legislative session, which were designed to bring even more film production to the state. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20091823%20Item%206%20NM%20Film%20Presentation.pdf>.

Creative Campus: A Collaboration Between Dona Ana Community College (DACC), NMSU and the Film Industry (10:43 a.m.)

Monica Torres, chancellor, NMSU System of Community Colleges; Matt Byrnes, department chair, Creative Media Technology Program, DACC; Amy Lanasa, department head, Creative Media Institute, and associate professor and interim department head, Department of Journalism and Media Studies, NMSU; Wayne Savage, executive director, Arrowhead Park, Arrowhead Center, NMSU; and Andrew Jara, associate film liaison, Film Las Cruces, discussed the creative campus for film in the Las Cruces area.

Ms. Torres discussed the origins and idea behind the creation of the Creative Campus, which will bring together multiple organizations in one location to further digital media training, beginning in 2024. Mr. Byrnes discussed the academic programs provided by DACC, including digital film, digital graphics and game development. Ms. Lanasa discussed the Creative Media Institute at NMSU and how it prepares students for careers in journalism, digital filmmaking, animation and creative writing. The institute needs more space as it expands, and the Creative Campus will provide that space, as well as provide collaboration with the other partners in the campus. Mr. Savage discussed the role that the Arrowhead Center will play in the Creative Campus, which will be housed at Arrowhead Park next to the main campus of NMSU. Mr. Jara discussed the role that Film Las Cruces, an independent economic development organization devoted to the film and entertainment arts industries, will play at the campus. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20091823%20Item%207%20Creative%20Campus%20Presentation.pdf>.

A Movie Studio's Perspective on Filming in Las Cruces (11:42 a.m.)

Jonathan Sepp, film liaison, 828 Productions, and Robert Dean, vice president, Physical Production, 828 Productions, discussed the history of the company and its relocation to Las Cruces in 2022. 828 Productions is the third New Mexico film partner under the state's film incentives program, which will allow the company to recoup a bigger proportion of production expenditures from the state in exchange for significant film production activity, focusing on the Las Cruces area. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20091823%20Item%208%20828%20Productions.pdf>.

Adjournment

There being no further business before the committee, the meeting adjourned at 12:00 noon.

Revised: October 17, 2023

**TENTATIVE AGENDA
for the
THIRD MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE**

**October 19-20, 2023
State Capitol, Room 322
Santa Fe**

Thursday, October 19

- 9:00 a.m. (1) **Long-Term Revenue Outlook**
—Ismael Torres, Chief Economist, Legislative Finance Committee
—Leo Delgado, DED, Chief Economist, Department of Finance and
Administration
—Michael Morrison, Chief Economist, Department of Transportation
—Lucinda Sydow, Chief Economist, Taxation and Revenue Department
- 11:00 a.m. (2) **Economic Trends Affecting State Taxation**
—Scott Pattison, Deputy Executive Director, Multistate Tax Commission
- 12:00 noon **Lunch**
- 1:15 p.m. (3) **Who Pays New Mexico Taxes?**
—Carl Davis, Research Director, Institute on Taxation and Economic
Policy
- 2:15 p.m. (4) **Gross Receipts Taxes Versus Sales Taxes: Tradeoffs for New Mexico**
—Andre Barbe, Ph.D., Economist
- 3:15 p.m. (5) **Perspectives on Pyramiding**
—Michael Mazerov, Senior Fellow, Center on Budget and Policy Priorities
- 4:15 p.m. **Recess**

Friday, October 20

- 9:00 a.m. (6) **Overview of Certain Studies on Open and Closed Economies, Business
Inputs and the Gross Receipts Tax**
—Clinton Turner, Fiscal Policy Analyst, Legislative Council Service
- 10:00 a.m. (7) **Economic Aspects of Gross Receipts Tax Policy Issues**
—James Nunns, Ph.D., Former Tax Policy Director, Taxation and Revenue
Department; Former Senior Fellow, Urban Institute
—Richard Anklam, President and Executive Director, New Mexico Tax
Research Institute
- 11:30 a.m. **Adjourn**

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

**October 19-20, 2023
State Capitol, Room 322
Santa Fe**

The third meeting of the Revenue Stabilization and Tax Policy Committee for the 2023 interim was called to order by Senator Benny Shendo, Jr., chair, on Thursday, October 19, 2023, at 9:12 a.m. in Room 322 of the State Capitol in Santa Fe.

Present

Sen. Benny Shendo, Jr., Chair
Rep. Derrick J. Lente, Vice Chair (10/19)
Sen. Craig W. Brandt (10/19)
Sen. William F. Burt
Rep. Micaela Lara Cadena
Sen. Pete Campos
Rep. Christine Chandler
Rep. Mark Duncan
Rep. Jason C. Harper
Rep. Susan K. Herrera
Sen. George K. Muñoz (10/19)
Sen. Harold Pope
Sen. Peter Wirth

Absent

Rep. Doreen Y. Gallegos
Sen. Ron Griggs
Rep. Larry R. Scott
Rep. Linda Serrato
Sen. Elizabeth "Liz" Stefanics

Designees

Sen. Antonio Maestas (attending as a guest)
Rep. Kristina Ortez (10/19)
Sen. Antoinette Sedillo Lopez

Rep. Ambrose Castellano
Sen. Katy M. Duhigg
Rep. Joanne J. Ferrary
Rep. Yanira Gurrola
Rep. Alan T. Martinez
Rep. Rod Montoya
Sen. Gerald Ortiz y Pino
Sen. Shannon D. Pinto
Sen. William E. Sharer

Special Advisory Members

Rep. Cynthia Borrego
Sen. Joshua A. Sanchez (10/19)
Sen. Bill Tallman (10/19)

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

Staff

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

Ric Gaudet, Researcher, LCS

Rebecca Griego, Records Officer, LCS

Sonya Snyder, Committee Coordinator, 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

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Thursday, October 19**Welcome and Introductions (9:12 a.m.)**

Senator Shendo welcomed committee members, staff, presenters and those attending in person and via the webcast. Members of the committee introduced themselves.

Long-Term Revenue Outlook (9:15 a.m.)

Ismael Torres, chief economist, Legislative Finance Committee; Leo Delgado, DED, chief economist, Department of Finance and Administration; Michael Morrison, chief economist, Department of Transportation (DOT); and Lucinda Sydow, chief economist, Taxation and Revenue Department, discussed the long-term economic and revenue outlook for the state. Mr. Delgado began by discussing economic indicators and oil and gas production trends. Mr. Morrison discussed various transportation taxes and fees that fund DOT operations, including expected down trends from electric vehicle and fuel-efficiency standards taking effect. Ms. Sydow discussed long-term general fund revenue trends, including expected income revenues from the state's trust funds. Mr. Torres discussed risks to revenue growth, including the usage of debt for capital outlay expenditures; the impact of recent legislation setting aside more revenue for investment; and models of surplus versus deficit under various budget growth scenarios. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=10/19/2023&ItemNumber=1>.

Approval of Minutes

Upon a motion made and without any objections, the committee approved the minutes of the September 18-19, 2023 meeting without any changes.

Economic Trends Affecting State Taxation (10:51 a.m.)

Scott Pattison, deputy executive director, Multistate Tax Commission, discussed recent economic trends that have been impacting state taxation, including inflation, economic growth, international conflicts, natural disasters, energy prices and supply issues. He discussed the potential for an upcoming recession, inflation versus unemployment and interest rates and the potential impacts of those on state revenues. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20101923%20Item%202%20Pattison%20Economic%20Trends%20Affecting%20State%20Taxation.pdf>

Who Pays New Mexico Taxes? (1:28 p.m.)

Carl Davis, research director, Institute on Taxation and Economic Policy (ITEP), discussed state tax incidence analyses performed by the ITEP. These analyses study the impact of proposed or actual taxes on different segments of the population. New Mexico, like most states, has a fairly regressive tax system, in which lower income residents pay a higher share of their income in taxes than wealthy residents do. Mr. Davis provided information showing state and local taxes as a share of family income in New Mexico, which included the impact of recent legislative changes such as expanding the low-income comprehensive tax rebate and the child tax credit. Mr. Davis also provided considerations as to whether cascading in the gross receipts tax can improve or worsen neutrality. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20101923%20Item%203%20Davis%20Who%20Pays%20NM%20Taxes.pdf>

Gross Receipts Taxes Versus Sales Taxes: Tradeoffs for New Mexico (2:43 p.m.)

Andre Barbe, Ph.D., economist, discussed whether a textbook gross receipts tax is more efficient than a sales tax. He presented a study he performed that found that a textbook gross receipts tax with no exemptions is more efficient than a sales tax that exempts certain services. While New Mexico does not have a textbook gross receipts tax because it exempts most taxes on food, exempts some services and treats the oil and gas industry and federal facilities differently, it is likely more efficient than the sales tax he modeled in his study. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20101923%20Item%204%20Barbe%20GRTs%20vs%20RSTs%20Tradeoffs%20for%20NM.pdf>

Perspectives on Pyramiding (3:27 p.m.)

Michael Mazerov, senior fellow, Center on Budget and Policy Priorities, discussed pyramiding in sales and gross receipts taxes. Taxing business inputs tends to increase the overall tax rate that final users pay because a portion of the final cost paid has already been subject to

taxation. However, not all business inputs that are taxed are subject to pyramiding because many final sales of goods and services are not subject to taxation. Mr. Mazerov cautioned against blindly exempting more business inputs from taxation in New Mexico because many inputs are already not subject to taxation, including 78 percent of taxable manufacturing gross receipts, 73 percent of agricultural receipts and 86 percent of wholesaling receipts. Due to these existing provisions, Mr. Mazerov stated that it is debatable as to whether additional deductions for business inputs are warranted and that New Mexico already has a reasonably competitive business tax structure. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20101923%20Item%205%20Mazerov%20Perspectives%20on%20Pyramiding.pdf>.

Recess

The committee recessed at 4:20 p.m.

Friday, October 20

Reconvene

Senator Shendo reconvened the meeting at 9:12 a.m.

Overview of Certain Studies on Open and Closed Economies, Business Inputs and the Gross Receipts Tax (9:13 a.m.)

Mr. Turner discussed challenges in modeling effects of taxation on business inputs in open and closed economies, including how tax pyramiding is not as simple as it may appear initially. He discussed how the standard tax pyramiding economic model breaks down in New Mexico because many business inputs are not taxed and some final products and services are also not taxed. The model gets more complicated if the stages of production for a product cross state or national boundaries. Mr. Turner discussed several studies that attempted to measure the actual impact and level of tax pyramiding versus tax exporting, including a major study performed for New Mexico, and he identified that more complex economic models should be explored to inform the potential policy choices facing New Mexico, a state with an open economic system. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=10/19/2023&ItemNumber=6>.

Economic Aspects of Gross Receipts Tax Policy Issues (10:00 a.m.)

James Nunns, Ph.D., former tax policy director, Taxation and Revenue Department, and former senior fellow, Urban Institute, and Richard Anklam, president and executive director, New Mexico Tax Policy Institute, discussed the economic aspects of New Mexico's gross receipts tax and possible improvements to the tax system. Mr. Nunns suggested that policymakers consider broadening the gross receipts tax base, reducing differential rates between

municipal and non-municipal areas, removing pyramiding provisions in the tax base, using the personal income tax system to address fairness issues that arise from the regressive gross receipts tax system and using the current surplus to reduce the gross receipts tax rate. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=10/19/2023&ItemNumber=7>.

Adjournment

There being no further business before the committee, the meeting adjourned at 11:34 a.m.

Revised: November 17, 2023

**TENTATIVE AGENDA
for the
FOURTH MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE**

**November 20-21, 2023
State Capitol, Room 322
Santa Fe**

Monday, November 20

- 9:00 a.m. (1) **Tax Expenditure Report**
—Stephanie Schardin Clarke, Secretary, Taxation and Revenue Department (Tax & Rev)
—Lucinda Sydow, Chief Economist, Tax & Rev
- 10:00 a.m. (2) **Annual Economic Development Incentives Update**
—Jon Clark, Deputy Secretary, Economic Development Department (EDD)
- 11:00 a.m. (3) **The Film Credits: Diving Into the Data**
—Jon Clark, Deputy Secretary, EDD
—Amber Dodson, Director, New Mexico Film Division (NM Film), EDD
—Shane Shariff, Economist, NM Film, EDD
- 12:00 noon **Lunch**
- 1:00 p.m. (4) **The Role of Business Taxes, Incentives and Other State Policies in Economic Development**
—Timothy Bartik, Ph.D., Senior Economist, W.E. Upjohn Institute for Employment Research
- 2:00 p.m. (5) **Proposed Extension of the Angel Investment Tax Credit**
—John Rice, Chief Executive Officer (CEO), ASiQ, LLC, and Board Member, New Mexico Angels
—Chris Ziomek, Founder and CEO, Build With Robots
—Carlos Perea, CEO, Terra Vera Corporation
- 3:00 p.m. (6) **Report: The Laboratory Partnership with Small Business Tax Credit and the Technology Readiness Gross Receipts Tax Credit (TRGR)**
—Julia Wise, Ph.D., Program Manager, New Mexico Small Business Assistance and TRGR Technology Readiness Initiative, Los Alamos National Laboratory

—David Kistin, Manager, Technology and Economic Development, Sandia National Laboratories
—Paul Laur, Chief Operating Officer, Mercury Bio

4:00 p.m. (7) [Improving Child Well-Being Through Tax Policy: Progress and Proposals](#)
—Bill Jordan, Government Relations Officer, New Mexico Voices for Children (NM Voices)
—Paige Knight, Deputy Policy Director, NM Voices

5:00 p.m. **Recess**

Tuesday, November 21

9:00 a.m. (8) [Gross Receipts Tax Distributions to Local Governments](#)
—Stephanie Schardin Clarke, Secretary, Tax & Rev
—Lucinda Sydow, Chief Economist, Tax & Rev

9:30 a.m. (9) [County-Level Revenue and Expenditure Analysis Report](#)
—Roberta Gonzales, County Manager, Eddy County
—Kramer Winingham, DED, Program Director, Arrowhead Center, New Mexico State University

10:30 a.m. (10) [Impact of Destination-Based Sourcing on Certain Local Governments](#)
—Sam Cobb, Mayor, City of Hobbs
—Toby Spears, Finance Director, City of Hobbs
—Representative Larry R. Scott

11:30 a.m. (11) [Proposal to Study Distributions of Local Option Tax Revenues from National Laboratories to Regional Areas](#)
—Representative Joseph Sanchez

12:30 p.m. **Public Comment**

1:00 p.m. **Adjourn**

MINUTES
of the
FOURTH MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE

November 20-21, 2023
State Capitol, Room 322
Santa Fe

The fourth meeting of the Revenue Stabilization and Tax Policy Committee for the 2023 interim was called to order by Senator Benny Shendo, Jr., chair, on Monday, November 20, 2023, at 9:12 a.m. in Room 322 of the State Capitol in Santa Fe.

Present

Sen. Benny Shendo, Jr., Chair
Rep. Derrick J. Lente, Vice Chair
Rep. Micaela Lara Cadena
Sen. Pete Campos
Rep. Christine Chandler
Rep. Mark Duncan
Sen. Ron Griggs
Rep. Jason C. Harper
Rep. Susan K. Herrera
Sen. Harold Pope
Rep. Larry R. Scott
Sen. Elizabeth "Liz" Stefanics
Sen. Peter Wirth

Designees

Rep. Ambrose Castellano
Rep. Yanira Gurrola
Rep. Kristina Ortez (11/20)

Absent

Sen. Craig W. Brandt
Sen. William F. Burt
Rep. Doreen Y. Gallegos
Sen. George K. Muñoz
Rep. Linda Serrato

Sen. Katy M. Duhigg
Rep. Joanne J. Ferrary
Sen. Antonio Maestas
Rep. Alan T. Martinez
Rep. Rod Montoya
Sen. Gerald Ortiz y Pino
Sen. Shannon D. Pinto
Sen. Antoinette Sedillo Lopez
Sen. William E. Sharer

Special Advisory Members

Rep. Cynthia Borrego
Sen. Linda M. Lopez (11/21)
Sen. Bill Tallman

Guest Legislators

Rep. Tara L. Lujan (11/20)

Sen. Steven McCutcheon II (11/21)

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

Staff

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

D. Martin Fischer, Staff Attorney, LCS

Ric Gaudet, Researcher, LCS

Rebecca Griego, Records Officer, LCS

Sonya Snyder, Committee Coordinator, 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, November 20

Welcome and Introductions (9:12 a.m.)

Senator Shendo welcomed members, staff, presenters and those attending in person and via the webcast. Members of the committee introduced themselves.

Tax Expenditure Report (9:20 a.m.)

Stephanie Schardin Clarke, secretary, Taxation and Revenue Department (Tax & Rev), and Lucinda Sydow, chief economist, Tax & Rev, presented the annual Tax Expenditure Report published by the department. Secretary Schardin Clarke gave a primer on the nature of tax expenditures, including the difference between exclusions from the tax base, exemptions, deductions and credits. Ms. Sydow gave a detailed explanation of the data for several tax expenditures in the report. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=11/20/2023&ItemNumber=1>.

Annual Economic Development Incentives Update (10:38 a.m.)

Jon Clark, deputy secretary, Economic Development Department (EDD), updated the committee on several economic development incentives administered by the EDD, including the investment credit, the state dedication of gross receipts tax (GRT) revenues for Local Economic Development Act projects, the high-wage jobs tax credit, the rural job tax credit and the locomotive fuel tax GRT and compensating tax deductions. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20112023%20Item%202%20EDD%20Incentives%20Presentation.pdf>.

The Film Credits: Diving Into the Data (11:13 a.m.)

Deputy Secretary Clark; Amber Dodson, director, New Mexico Film Division (NM Film), EDD; and Shane Shariff, economist, NM Film, EDD, discussed in detail data derived from the film and television tax credits. Ms. Dodson discussed the components of the film incentives, including those for New Mexico film partners. Mr. Shariff discussed the economic impact of the film incentives and job figures associated with the industry. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20112023%20Item%203%20Film%20Diving%20into%20the%20Data.pdf>.

Approval of Minutes

On a motion duly made, the minutes of the October 19-20, 2023 meeting of the committee were approved without changes.

The Role of Business Taxes, Incentives and Other State Policies in Economic Development (1:25 p.m.)

Timothy Bartik, Ph.D., senior economist, W.E. Upjohn Institute for Employment Research, discussed how tax incentives, business taxes and other state policies affect economic development and per capita earnings of state residents. He discussed data that showed the present value of the cost per job created of many policy options, starting with the most expensive option, general business tax cuts, to targeted tax incentives, infrastructure investment, customized training and the cheapest policy option, business advice. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20112023%20Item%204%20Bartik%20Presentation.pdf>.

Proposed Extension of the Angel Investment Tax Credit (2:15 p.m.)

John Rice, chief executive officer (CEO), AsiQ, LLC, and board member, New Mexico Angels, and Chris Ziomek, founder and CEO, Build With Robots, discussed a proposal to extend the angel investment tax credit. Mr. Rice discussed the importance of angel investors for small businesses looking to expand, as well as how the tax credit works. Mr. Ziomek described the

nature of his company and how the \$5 million investment into the company by angel investors has helped add 25 jobs and \$4.7 million in annual revenues. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20112023%20Item%205%20Proposed%20Extension%20of%20Angel%20Investment%20Credit.pdf>.

Improving Child Well-Being Through Tax Policy: Progress and Proposals (2:32 p.m.)

Bill Jordan, government relations officer, New Mexico Voices for Children (NM Voices), and Paige Knight, deputy policy director, NM Voices, discussed strategies designed to improve child well-being through tax policy. Mr. Jordan discussed recent progress made in tax policy that impacted children and families. Ms. Knight discussed additional policy proposals to increase revenue and improve child well-being, including increasing the child tax credit, restructuring personal income tax rates, reducing the GRT rate, repealing the capital gains deduction and reforming the corporate income tax. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20112023%20Item%207%20Voices%20Presentation.pdf>.

Report: The Laboratory Partnership with Small Business Tax Credit and the Technology Readiness Gross Receipts (TRGR) Tax Credit (3:49 p.m.)

Julia Wise, Ph.D., program manager, New Mexico Small Business Assistance and TRGR Technology Readiness Initiative, Los Alamos National Laboratory; David Kistin, manager, Technology and Economic Development, Sandia National Laboratories; TD Raymond, chief technology officer, Scintellite, LLC; and Paul Laur, chief operating officer, Mercury Bio, discussed the tax credits associated with the national laboratories that are designed to provide technical assistance to small businesses.

Mr. Kistin began by discussing the nature of the tax credits and the partnerships between the national laboratories and small businesses around the state. Ms. Wise discussed the technology readiness initiative that allows the national laboratories to license technologies to New Mexico businesses and also receive a tax credit for the collaboration between the laboratory and the business. Mr. Raymond discussed an ophthalmic screening device that Scintellite, LLC is developing to improve vision diagnostic care. Mr. Laur discussed the new medical delivery system Mercury Bio is developing to improve delivery of various pharmaceuticals. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=11/20/2023&ItemNumber=6>.

Recess

The meeting recessed at 4:25 p.m.

Tuesday, November 21

Reconvene

The meeting was reconvened by Senator Shendo at 9:06 a.m.

GRT Distributions to Local Governments (9:08 a.m.)

Secretary Schardin Clarke and Ms. Sydow discussed various distributions of tax revenue to local governments. Ms. Sydow discussed how the county equalization distribution attempts to equalize the revenue of counties by distributing a portion of state GRT revenue to counties based on each county's population and tax revenue density. Secretary Schardin Clarke discussed distributions from the Small Cities Assistance Fund, which consists of 15 percent of revenues from the compensating tax. Ms. Sydow then discussed distributions from the Small Counties Assistance Fund, which consists of 10 percent of revenues from the compensating tax. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20112023%20Item%208%20Tax%20&%20Rev%20Local%20GRT%20Distributions.pdf>.

County-Level Revenue and Expenditure Analysis Report (10:05 a.m.)

Ernie Carlson, commissioner, Eddy County Board of County Commissioners, and Kramer Winingham, DED, program director, Arrowhead Center, New Mexico State University, discussed a revenue and expenditure analysis from 2015 to 2022 that was performed by the Arrowhead Center of New Mexico State University. Commissioner Carlson discussed the big changes experienced by Eddy County due to the oil and gas boom and the lack of government revenue needed to provide extra services to the area. Dr. Winingham discussed the study results, which found that per capita tax contributions from Lea and Eddy counties greatly exceeded the state-level expenditures to those counties. Jason Burns, public works projects director, Eddy County, discussed the significant population fluctuation from day to day in Eddy and Lea counties due to itinerant worker movements. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=11/20/2023&ItemNumber=9>.

Impact of Destination-Based Sourcing on Certain Local Governments (10:27 a.m.)

Sam Cobb, mayor, City of Hobbs; Toby Spears, finance director, City of Hobbs; and Representative Scott discussed some of the changes made in 2021 to switch to destination-based sourcing for the GRT. Mayor Cobb discussed how the city is losing revenue because businesses located in Hobbs are not supposed to be charging the Hobbs GRT rate for services performed outside of the city. Mr. Spears gave details on revenue losses that the City of Hobbs experienced after the sourcing rules changed. Representative Scott discussed a proposed solution to the problem, which was introduced as House Bill 440 in the 2023 legislative session. The

legislation would set up a new fund consisting of a portion of state GRT revenues. Money in the fund would be distributed monthly to all municipalities and counties, based on a formula that would distribute a greater share to those municipalities and counties with larger tax bases. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=11/20/2023&ItemNumber=10>.

Proposal to Study Distributions of Local Option Tax Revenues from National Laboratories to Regional Areas (11:18 a.m.)

Representative Joseph Sanchez discussed a proposal to study how to distribute tax revenues generated by Los Alamos National Laboratory to regional communities surrounding Los Alamos. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=11/20/2023&ItemNumber=11>.

Public Comment (12:11 p.m.)

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

Adjournment

There being no further business before the committee, the meeting adjourned at 12:28 p.m.

Revised: December 4, 2023

**TENTATIVE AGENDA
for the
FIFTH MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE**

**December 5, 2023
State Capitol, Room 322
Santa Fe**

Tuesday, December 5

- 9:00 a.m. (1) **Revenue Tracking**
—Ismael Torres, Chief Economist, Legislative Finance Committee (LFC)
—Jennifer Faubion, Economist, LFC
—Brendon Gray, Economist, LFC
- 10:00 a.m. (2) **Potential Capital Outlay Initiatives**
—Ismael Torres, Chief Economist, LFC
—Cally Carswell, Fiscal Analyst, LFC
- 11:00 a.m. (3) **Municipal Legislative Priorities**
—Alison Nichols, Director, Policy, New Mexico Municipal League (NMML)
—Tim Johnson, Director, Public Safety, NMML
- 12:00 noon **Lunch**
- 1:15 p.m. (4) **County Legislative Priorities**
—Joy Esparsen, Executive Director, New Mexico Counties (NMC)
—Grace Philips, General Counsel, NMC
—Katherine Crociata, Government Relations/Lobbyist, NMC
- 2:15 p.m. (5) **Overview: Liquor Excise Tax, Cigarette Excise Tax and Tobacco Products Tax**
—Mark Chaiken, Director, Tax Policy, Taxation and Revenue Department
- 3:00 p.m. (6) **Proposal to Increase the Liquor Excise Tax**
—Senator Antoinette Sedillo Lopez
—Representative Joanne J. Ferrary
- 3:30 p.m. (7) **Proposals for Committee Endorsement**
- 4:00 p.m. **Adjourn**

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

**December 5, 2023
State Capitol, Room 322
Santa Fe**

The fifth meeting of the Revenue Stabilization and Tax Policy Committee for the 2023 interim was called to order by Senator Benny Shendo, Jr., chair, on Tuesday, December 5, 2023, at 9:13 a.m. in Room 322 of the State Capitol in Santa Fe.

Present

Sen. Benny Shendo, Jr., Chair
Rep. Derrick J. Lente, Vice Chair
Rep. Micaela Lara Cadena
Sen. Pete Campos
Rep. Christine Chandler
Rep. Doreen Y. Gallegos
Sen. Ron Griggs
Rep. Jason C. Harper
Rep. Susan K. Herrera
Sen. Harold Pope
Rep. Larry R. Scott
Sen. Elizabeth "Liz" Stefanics
Sen. Peter Wirth

Designees

Rep. Ambrose Castellano

Absent

Sen. Craig W. Brandt
Sen. William F. Burt
Rep. Mark Duncan
Sen. George K. Muñoz
Rep. Linda Serrato

Sen. Katy M. Duhigg
Rep. Joanne J. Ferrary
Rep. Yanira Gurrola
Sen. Antonio Maestas
Rep. Alan T. Martinez
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

Rep. Cynthia Borrego
Sen. Linda M. López
Sen. Joshua A. Sanchez
Sen. Bill Tallman

Guest Legislator

Rep. Tara L. Lujan

Staff

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

Ric Gaudet, Researcher, LCS

Rebecca Griego, Records Officer, LCS

Sonya Snyder, Committee Coordinator, LCS

Clinton Turner, Research and Fiscal Policy Analyst, LCS

Minutes Approval

Because the committee will not meet again this year, the minutes for this meeting have not been officially approved by the committee.

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.

Tuesday, December 5

Welcome and Introductions (9:13 a.m.)

Senator Shendo welcomed members, staff, presenters and those attending in person and on the webcast. Members of the committee introduced themselves.

Revenue Tracking (9:17 a.m.)

Ismael Torres, chief economist, Legislative Finance Committee (LFC); Jennifer Faubion, economist, LFC; and Brendon Gray, economist, LFC, discussed the LFC's revenue tracking for the current fiscal year. Ms. Faubion discussed recent state revenue forecasts, budget trends, legislative changes affecting state revenues, volatility trends of revenues and tax expenditures. Mr. Gray discussed the economic outlook for the nation and for New Mexico, including labor force participation and unemployment levels and economic recovery trends for various ethnic, gender and income groups. Mr. Torres discussed fiscal year 2024 revenue tracking, in

anticipation of upcoming revenue estimates performed by the Consensus Revenue Estimate Group in mid-December. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/5/2023&ItemNumber=1>.

Approval of Minutes

On a motion duly made and seconded, the minutes of the November 20-21, 2023 meeting of the committee were approved without changes.

Potential Capital Outlay Initiatives (10:43 a.m.)

Mr. Torres and Cally Carswell, fiscal analyst, LFC, discussed the capital outlay process in the state, including possible changes to improve the process. Mr. Torres discussed the volatile nature of capital outlay funding, possible bond rating downgrades if the state increases severance tax bonding capacity and the lack of planning for funding capital projects as severance tax revenues decline. Ms. Carswell discussed the \$5 billion in unspent capital outlay funds, construction industry barriers to capital project success and the dilution of project success due to huge amounts of state money being spread among thousands of underfunded projects. She also discussed possible solutions to the problem, including setting earlier deadlines for capital outlay requests, setting up a dedicated infrastructure division within the Department of Finance and Administration and reducing debt capacity and streamlining capital outlay funding. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20120523%20Item%202%20Capital%20Issues%20and%20Options.pdf>.

Municipal Legislative Priorities (11:49 a.m.)

Alison Nichols, director, Policy, New Mexico Municipal League (NMML), and Tim Johnson, director, Public Safety, NMML, discussed priorities of the NMML for the upcoming legislative session. Mr. Johnson discussed public safety legislative requests of municipalities, including the distribution of 10 percent of health insurance premium surtax revenues to the Emergency Medical Services Fund, the expansion of workers' compensation coverage for first responders and state funding to cover public safety agencies' fees for the state public safety radio communications network. Ms. Nichols discussed municipalities' desire to increase funding to the Water Project Fund so local governments can access more funding for critical water projects, to distribute all motor vehicle excise tax revenues to road funds and to eliminate the three percent fee imposed by the Taxation and Revenue Department (Tax & Rev) for administering tax collection for local governments. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20120523%20Item%203%20NMML%20Legislative%20Priorities.pdf>.

County Legislative Priorities (1:36 p.m.)

Joy Esparsen, executive director, New Mexico Counties (NMC), discussed priorities of the NMC for the upcoming legislative session, which include increased funding for firefighter recruitment and retention; emergency medical services; the Reach, Intervene, Support and Engage program; the County Detention Facility Reimbursement Fund; prisoner transport and extradition; county detention officer recruitment and retention; and courthouse construction and renovation. Other legislative priorities include the need to reform the state health benefits plan, increase the salary cap for elected county officials and change the Tax & Rev administrative fee. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/5/2023&ItemNumber=4>.

Overview: Liquor Excise Tax, Cigarette Tax and Tobacco Products Tax (1:58 p.m.)

Mark Chaiken, tax policy director, Tax & Rev, discussed the structure and economics of various excise taxes imposed in New Mexico. He discussed the incidence of and revenues generated from the liquor excise tax, cigarette tax, tobacco products tax and cannabis excise tax. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20120523%20Item%205%20Tax%20&%20Rev%20New%20Mexico%20Excise%20Taxes.pdf>.

Proposal to Increase the Liquor Excise Tax (2:23 p.m.)

Marlene C. Lira, substance use researcher and public health advocate, and Shelley Mann-Lev, public health advocate, discussed proposed legislation that would increase the liquor excise tax. Ms. Lira discussed alcohol abuse in the state and how it affects many aspects of public health. Ms. Mann-Lev discussed proposed legislation that would increase the liquor excise tax on various types of alcoholic beverages but would not increase tax rates for microbrewers, small wineries and craft distillers. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/5/2023&ItemNumber=6>.

Proposals for Committee Endorsement (3:25 p.m.)

Representative Scott presented proposed legislation that would create a new fund to distribute a portion of gross receipts tax revenue to municipalities and counties based on their tax base. The committee did not act on the endorsement. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/5/2023&ItemNumber=7>.

Adjournment

There being no further business before the committee, the meeting adjourned at 3:40 p.m.



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