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HOUSE BILL 737

45TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2001

INTRODUCED BY

Judy Vanderstar Russell

AN ACT

**RELATING TO MUNICIPALITIES; REALLOCATING REVENUE SOURCES AMONG
THE STATE AND MUNICIPALITIES; AMENDING AND ENACTING SECTIONS
OF THE TAX ADMINISTRATION ACT.**

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

**Section 1. Section 7-1-6.1 NMSA 1978 (being Laws 1983,
Chapter 211, Section 6, as amended by Laws 1990, Chapter 6,
Section 19 and also by Laws 1990, Chapter 86, Section 3) is
amended to read:**

**"7-1-6.1. IDENTIFICATION OF MONEY IN TAX ADMINISTRATION
SUSPENSE FUND--DISTRIBUTION.--After the necessary
disbursements have been made from the tax administration
suspense fund, the money remaining, except for remittances
received within the previous sixty days that are unidentified
as to source or disposition, in the suspense fund as of the**

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1 last day of the month shall be identified by tax source and
2 distributed or transferred in accordance with the provisions
3 of Sections 7-1-6.2 through 7-1-6.19, 7-1-6.24 through
4 7-1-6.26 and 7-1-6.28 through [~~7-1-6.40~~] 7-1-6.42 NMSA 1978.
5 After the necessary distributions and transfers, any balance
6 shall be distributed to the general fund. "

7 Section 2. Section 7-1-6.4 NMSA 1978 (being Laws 1983,
8 Chapter 211, Section 9, as amended) is amended to read:

9 "7-1-6.4. DISTRIBUTION--MUNICIPALITY FROM GROSS RECEIPTS
10 TAX. --

11 A. Except as provided in Subsection B of this
12 section, a distribution pursuant to Section 7-1-6.1 NMSA 1978
13 shall be made to each municipality in an amount, subject to
14 any increase or decrease made pursuant to Section 7-1-6.15
15 NMSA 1978, equal to the product of the quotient of one [~~and~~
16 ~~two hundred twenty five thousandths~~] percent divided by the
17 tax rate imposed by Section 7-9-4 NMSA 1978 times the net
18 receipts for the month attributable to the gross receipts tax
19 from business locations:

20 (1) within that municipality;

21 (2) on land owned by the state, commonly
22 known as the "state fair grounds", within the exterior
23 boundaries of that municipality;

24 (3) outside the boundaries of any
25 municipality on land owned by that municipality; and

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1 (4) on an Indian reservation or pueblo grant
2 in an area that is contiguous to that municipality and in
3 which the municipality performs services pursuant to a
4 contract between the municipality and the Indian tribe or
5 Indian pueblo if:

6 (a) the contract describes an area in
7 which the municipality is required to perform services and
8 requires the municipality to perform services that are
9 substantially the same as the services the municipality
10 performs for itself; and

11 (b) the governing body of the
12 municipality has submitted a copy of the contract to the
13 secretary.

14 B. If the reduction made by Laws 1991, Chapter 9,
15 Section 9 to the distribution under this section impairs the
16 ability of a municipality to meet its principal or interest
17 payment obligations for revenue bonds outstanding prior to
18 July 1, 1991 that are secured by the pledge of all or part of
19 the municipality's revenue from the distribution made under
20 this section, then the amount distributed pursuant to this
21 section to that municipality shall be increased by an amount
22 sufficient to meet any required payment, provided that the
23 distribution amount does not exceed the amount that would have
24 been due that municipality under this section as it was in
25 effect on June 30, 1992.

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1 C. If the reduction made by this 2001 act in the
2 distribution in Subsection A of this section impairs the
3 ability of a municipality to meet its principal or interest
4 payment obligations for revenue bonds outstanding prior to
5 January 1, 2002 that are secured by the pledge of all or part
6 of the municipality's revenue from the distribution made under
7 this section, the municipality may pledge any amount of the
8 distribution pursuant to Section 7-1-6.42 NMSA 1978 to meet
9 any required payment. "

10 Section 3. A new section of the Tax Administration Act,
11 Section 7-1-6.42 NMSA 1978, is enacted to read:

12 "7-1-6.42. [NEW MATERIAL] DISTRIBUTION TO
13 MUNICIPALITIES--INCOME TAX.--A distribution pursuant to
14 Section 7-1-6.1 NMSA 1978 shall be made to each municipality
15 in an amount equal to the greater of:

16 A. the amount that would be distributed pursuant
17 to Section 7-1-6.4 NMSA 1978 to the municipality in the
18 current month if the percentage used for purposes of that
19 section was two hundred twenty-five thousandths percent; or

20 B. one-twelfth of an amount equal to two hundred
21 seventy-five thousandths percent of the adjusted gross income
22 reported pursuant to the Income Tax Act by residents of the
23 municipality for taxable years beginning on or after January 1
24 in the taxable year two years prior to the calendar year in
25 which the distribution is being made, provided that "adjusted

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1 gross income reported" does not include adjusted gross income
2 reported on returns filed after November 30 of the calendar
3 year following that taxable year. "

4 Section 4. [NEW MATERIAL] REPORT TO REVENUE
5 STABILIZATION AND TAX POLICY COMMITTEE. --The secretary of
6 taxation and revenue, the secretary of finance and
7 administration and the executive director of the New Mexico
8 municipal league shall report annually to the revenue
9 stabilization and tax policy committee the distributions made
10 in the most recent fiscal year or calendar year to the
11 municipalities pursuant to Sections 7-1-6.4 and 7-1-6.42 NMSA
12 1978 and any recommendations for changes in the distribution
13 formulas or revenue sources.

14 Section 5. TEMPORARY PROVISION. --For calendar year 2002,
15 the secretary of taxation and revenue shall develop a method
16 of determining as accurately as practicable the site of
17 residence of income taxpayers for purposes of determining the
18 distribution to each municipality pursuant to the provisions
19 of Section 7-1-6.42 NMSA 1978.

20 Section 6. EFFECTIVE DATE. --The effective date of the
21 provisions of this act is January 1, 2002.