

A JOINT MEMORIAL

**REQUESTING THE INTERIM REVENUE STABILIZATION AND TAX POLICY
COMMITTEE TO STUDY NEW MEXICO'S STATE AND LOCAL TAX STRUCTURE
AND DETERMINE ITS ADEQUACY FOR THE TWENTY-FIRST CENTURY.**

WHEREAS, the past few decades have seen unprecedented changes in the way society operates in the new global economy, and these changes have occurred most dramatically in technology, computers, medicine, telecommunications and the retail environment and have changed the way people work and live; and

WHEREAS, we are witnessing the deregulation of the electric and telecommunications industries, the consolidation of the banking and financial sectors and the growth of the world economies, which affect every aspect of the state and its citizens; and

WHEREAS, unlike other aspects of our society, the tax system has changed little from when the state economy was primarily agrarian; and

WHEREAS, New Mexico enacted its first gross receipts tax, the emergency school tax, in 1935 and the first compensating tax in 1939, with the current version of the gross receipts and compensating tax enacted in 1966; and

WHEREAS, gross receipts and compensating taxes generate over forty percent of general fund revenues for the state and

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are a significant revenue source for the municipalities in the state; and

WHEREAS, the trend toward purchasing an increasing share of goods and services through forms of remote commerce that are not taxable or escape the current gross receipts and compensating taxes means that the sales of goods and services that are taxed represent an ever higher tax burden on the consumers and businesses in the state; and

WHEREAS, the traditional nexus for sales or gross receipts taxation, determined by the courts to be having a physical presence in the state, is rapidly becoming an antiquated concept and should be addressed by the United States congress; and

WHEREAS, the Uniform Sales and Use Tax Administration Act was developed to simplify and modernize sales tax administration and reduce the burden of tax compliance in modern commerce and is being considered in the 2001 session of many state legislatures; and

WHEREAS, in 1998 the United States congress passed the Internet Tax Freedom Act, declared a three-year moratorium on changes in taxation of internet transactions and created the national commission on electronic commerce; and

WHEREAS, New Mexico and its local governments must adapt to and harness this inevitable change and use it to improve the way governments deliver and pay for the public

goods and services that the state's citizens need and demand;

NOW, THEREFORE, BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO that the interim revenue stabilization and tax policy committee be requested to study New Mexico's state and local tax structure, examine its adequacy for the twenty-first century and determine what changes are necessary to adapt to the current economic, social, demographic and technological trends that are overwhelming the current tax structure; and

BE IT FURTHER RESOLVED that the committee in conducting its study analyze the relationship between state and local taxing authority and service responsibilities in order to determine whether the duty to provide services at the appropriate level of government is matched by the ability to generate sufficient revenues and examine what other states have done to assist their localities in raising revenues; and

BE IT FURTHER RESOLVED that the committee develop revenue-neutral recommendations for changes in the state and local tax structure that will not increase New Mexico's per capita state and local tax burden and report its findings and recommendations by December 15, 2001 prior to the second session of the forty-fifth legislature; and

BE IT FURTHER RESOLVED that a copy of this memorial be transmitted to the co-chairmen of the New Mexico legislative council and to the chairman and vice chairman of the interim

revenue stabilization and tax policy committee.