

Update on Pandemic Tax Relief Provisions

for the Revenue Stabilization and Tax Policy Committee

September 2, 2021

Stephanie Schardin Clarke, Secretary of Taxation and Revenue

Mark Chaiken, Tax Policy Director

Executive Leadership Team

Office of the Secretary
Cabinet Secretary: Stephanie Schardin Clarke
Deputy Cabinet Secretary: Emily Oster, CPA
Tax Policy Director: Mark Chaiken, JD, LL.M
Chief Legal Counsel: Vacant
General Counsel: Elizabeth Korsmo, JD
Director of Communications: Charlie Moore
Taxpayer Advocate: Vacant
Chief Economist: **Lucinda Sydow**
Local Government Liaison: David Montieth

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Director: Santiago Chavez

Deputy Director: Michael O'Melia

Revenue Processing Division

Director: Lakisha Holley

Deputy Director: Rick Lopez

Motor Vehicle Division
Director: Vacant
Deputy Director Field Operations: Htet Gonzales
Deputy Director Central Admin: Gerasimos Razatos

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Director: Vince Mares

Deputy Director: Greg McCormick

Information Technology

CIO: Mike Baca

Deputy CIO: Darshana Kanabar

Administrative Services

Director: Denise Irion

Deputy Director: Miranda Ntoko

Audit & Compliance
Director: Aysha Mora
Deputy Director: Audit: Aaron Brown
Deputy Director: Compliance: Tiffany Smyth

TRD Mission and 3-Year Vision

MISSION: The mission of the Taxation and Revenue Department is to serve New Mexico by providing fair and efficient tax and motor vehicle services

3-YEAR VISION STATEMENT - The Taxation and Revenue Department:

- Promotes a culture of integrity, respect, and innovation
- Earns the trust of our customers through our actions
- Empowers customers through outreach, education, and ease of compliance
- Offers flexible and secure solutions to improve customer experience
- Administers tax and motor vehicle laws efficiently and transparently
- Maintains a skilled, knowledgeable, and service-oriented workforce

TRD's Core Values and Guiding Principles

INTEGRITY We will:

- Adhere to the highest ethical standards
- Deliver what we promise
- Protect our financial and human resources
- Be trustworthy stewards of customer information

RESPECT We will:

- Promote employee safety, empowerment and inclusion
- Treat others with civility, empathy, and dignity
- Actively listen and value the contributions of others

EXCELLENCE We will:

- Deliver an exceptional customer experience
- Provide timely and consistent guidance to customers and staff
- Support workforce growth and development

COMMUNICATION We will:

- Ensure timely, thoughtful and effective connection with our customers and each other
- Promote respectful, meaningful exchanges of ideas
- Demonstrate transparency through open communication

INNOVATION We will:

- Commit to continuous improvement in efficiency and service quality
- Challenge conventional thinking and be open to change
- Encourage and recognize diverse perspectives and creativity

TRD's 2020 3-Year Strategic Plan Overview

Goal 1: Enhance Customer Experience and Customer Service

- 1.1 Expand customer outreach efforts
- 1.2 Expand customer education opportunities
- 1.3 Expand and improve customer channels and choices
- 1.4 Simplify and streamline processes to balance enforcement and customer service
- 1.5 Serve state, local and tribal customers through strong enforcement and collection

Goal 2: Cultivate Workforce Excellence

- 2.1 Provide training and education opportunities to grow and develop our managers
- 2.2 Provide training and education opportunities to grow and develop our employees
- 2.3 Recruit and retain skilled, qualified employees
- 2.4 Create a safe and fair workplace
- 2.5 Promote cross-divisional communication that builds interconnectedness and coordination

Goal 3: Improve Efficiency, Security and Transparency of Operations

- 3.1 Implement process governance framework
- 3.2 Preview and balance agency processes for efficiency and internal control
- 3.3: Ensure Department Regulations are Current, Comprehensive, Consistent, and Informative
- 3.4 Implement and monitor disaster recovery and business continuity plans
- 3.5 Ensure robust oversight of contract expenditures

Penalty and Interest Relief (HB6, 2020 First Special Session)

- Provided temporary tax penalty and interest relief
- Taxpayers were required to **file** tax returns timely but were allowed additional time to **pay** without incurring penalty or interest

Tax Program	Tax Due Dates Eligible for Relief	Deadline to file tax returns to avoid late-filing penalty	Extended Deadline to Pay in Full	Taxes Qualifying for Relief	Amount Unpaid After Deadline
PIT and CIT	April 15, 2020 – July 15, 2020	July 15, 2020	April 15, 2021	\$69.5m PIT \$30.5m CIT \$0.9m FID	\$26.9m PIT \$25.3m CIT \$0.6m FID
Withholding Tax	March 25, 2020 – July 25, 2020	July 25, 2020	April 25, 2021	\$25.6 million for all CRS taxes	\$15.0 million for all CRS taxes
GRT/Comp Tax	March 25, 2020 – July 25, 2020	Original due dates	April 25, 2021		
Property Tax	April 10, 2020 – May 10, 2020	NA	May 10, 2021	Unknown to Tax & Rev (county data)	Unknown to Tax & Rev (county data)

Expansion of Working Families Tax Credit (HB291, 2021 Regular Session)

- Expected to benefit 253,000 New Mexico tax filers
- Increased WFTC from 17% to 20% of federal Earned Income Tax Credit for tax years 2021 and 2022 and to 25% of EITC for tax years 2023+ (estimated 201,000 pre-existing filers)
- Allows taxpayers who file using an ITIN rather than Social Security Number to claim WFTC for first time (estimated 10,000 filers)
- Allows working adults aged 18 – 24 to claim WFTC for first time (estimated 42,000 filers)
- WFTC amount claimed expected to increase by \$25m in FY22, \$23m in FY23, \$49m in FY24+

Expansion of Low Income Comprehensive Tax Rebate (HB291, 2021 Regular Session)

- Restores erosion of LICTR that occurred due to inflation since 1998
- Indexes LICTR for future inflation
- Increases rebates to low-income taxpayers by up to \$48.8 million in FY22
- Average rebate increases from \$78 to \$195 for the existing 220,000 filers who already claim LICTR
- Expected to benefit 450,000 New Mexico tax filers
 - 220,000 current LICTR filers
 - 160,000 new LICTR filers due to higher MGI cap
 - 70,000 filers due to “woodwork effect”

\$600 Rebates (SB1, 2021 Regular Session)

- One-time rebates based on 2020 tax returns
- Eligibility based on 2020 PIT return:
 - Received WFTC
 - Not a dependent
 - Are a NM Resident
 - Income less than \$31,200 (single) or \$39,000 (married, head of household)
- 163,951 rebates paid totaling \$98.4 million through 8/23/21
- Actuals to date are less than \$109.4 million expected to be rebated to 182,000 filers in FIR, but taxpayers can continue to file until 10/15/21

Restaurant and Bar GRT Holiday (SB1, 2021 Regular Session)

- From March 1 through June 30, 2021, allows restaurants, bars and food trucks to collect GRT on food receipts but to deduct all receipts and keep the tax that was collected
- Not available for fast food or packaged liquor sales
- State holds local governments harmless from revenue losses – entire relief absorbed by State general fund
- 3,636 returns claimed the deduction, resulting in \$50.5 million tax relief as of 8/23/21
 - \$33.6 million in State GRT
 - \$16.9 million local hold harmless GRT relief funded by the State
- Considerably less than the \$90.3 million relief expected in FIR
- Tax & Rev may continue to receive amended returns claiming the deduction
- Outreach through bulletin, radio, Restaurant Association, social media

Expanded Managed Audit Program

- Tax & Rev expanded eligibility for the managed audit program in April 2020 to include taxpayers recently approached for field audit
- Taxpayers are no longer require taxpayers to waive protest rights to participate in managed audit
- A managed audit is different from a traditional field audit – allows taxpayer to work collaboratively with Tax & Rev to achieve compliance
- Interest is not assessed if the liability is paid in full within 180 days of assessment
- Penalty is permanently waived

• Managed audit program

In Progress by Function	Measure	FY21 Fiscal Year	% Recovery
	# Assessed	60	
SAS Field	Amount Assessed	\$17,448,223	
	Amount Recovered	\$4,065,530	23%
	# Assessed	22	
SAS Managed	Amount Assessed	\$2,258,720	
	Amount Recovered	\$1,937,093	86%

Public Assistance Payments in Lieu of Federal Stimulus

- Tax & Rev has assisted HSD to verify applications, prevent fraud, and efficiently distribute payments of public assistance appropriated for individuals who were not eligible for federal stimulus payments
- December 2020 – distributed \$7.0 million to 15,118 low income New Mexicans – each received \$465
- July 2021 – distributed \$3.5 million to 4,631 low income New Mexicans – each received \$750

Other

- Administrative Deadline Relief:
 - New Mexico and the IRS extended the deadline to file and pay personal and corporate income taxes for tax year 2019 from April 15, 2020 to July 15, 2020
 - New Mexico and the IRS extended the deadline to file and pay personal and corporate income taxes for tax year 2020 from April 15, 2021 to May 17, 2021
 - New Mexico extended the deadline to file and pay withholding taxes due March 25 through June 25, 2021 to July 25, 2021
- HB98 Tax and Rev Administrative Clean Up Bill (2021 Regular Session):
 - Clarified GRT is not charged on delivered groceries
 - Allows TRD to approve innocent spouse relief for taxpayers defrauded by a spouse or ex-spouse if the IRS approves the same request
 - Allows low-income delinquent taxpayers to keep more of their income from TRD wage garnishment

Thank you!

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