



# Regional Coalition of LANL Communities

## Background on Department of Energy National Laboratories GRT Impact on State & Local Governments

We humbly ask members of the Revenue Stabilization and Tax Policy Committee to explore eliminating a tax exemption for Department of Energy National Laboratories, Sandia National Laboratory and Los Alamos National Laboratory, which would therefore continue the flow of approximately \$200 million in revenue for State and local governments on an annual basis.

If this tax exemption continues in State law, communities and the State of NM surrounding and hosting Sandia and LANL would have volatile tax revenues with upcoming changes in, or turnover to, contractors who manage and operate Sandia and LANL. In order to support the infrastructure, services and other efforts, which serve Sandia and LANL and surrounding communities, this tax exemption must be considered.

### Gross receipts tax from Department of Energy (DOE) National Laboratories, Los Alamos National Laboratory and Sandia National Laboratory, significantly contribute to the State of NM and regional communities

LANL Gross Receipts Tax Paid to the State of New Mexico\*

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GRT	\$41,468,300	\$75,293,800	\$90,570,500	\$90,926,600	\$98,914,400	\$100,810,000	\$87,849,800	\$72,949,700	\$67,197,400	\$76,948,600

Sandia Labs Gross Receipts Tax Paid to the State of New Mexico\*

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GRT**	\$64,073,820	\$56,480,486	\$59,947,320	\$46,465,921	\$65,619,091	\$65,267,488	\$57,375,787	\$64,543,688	\$62,490,752	\$76,248,757

\*Data compiled was self-reported by the National Nuclear Security Administration on 9/22/16 in response to a Legislative Finance Committee letter.

\*\*In 2009 SNL's tax liability reduced by a refund of \$8.8 million, which was received in April 2013. SNL has two pending refund claims/protests in the amount of \$16M for CY10 and CY11.

- o LANL generated an estimated total of \$128 million in gross receipts tax revenues to state and local governments during the 2009 federal fiscal year as reported by UNM's Bureau of Business and Economic Research.
- o In 2011, LANL reported an estimated \$136 million in state and local tax impact, which includes gross receipts tax revenues generated by the direct and indirect economic activity associated with operations and construction expenditures, and employee-paid property taxes.

### Eliminate tax exemption statuses managing and operating contractors of DOE National Laboratories. Host communities and the State of NM need to anticipate tax revenue through contractor turnover at SNL and LANL

- o Should the entity that manages and operates Sandia or LANL meet the criteria tax exemption, they will no longer be taxed on their activities, though their managing and operating functions have remained the same.
- o 2011, [NM Statute § 7-9-29](#) creates certain tax exemptions for certain organizations. This legislation could be revised to exempt a Labs contractor registered as a 501(c)(3).

### Significant impact on the horizon if tax exemption remains

- o Both Sandia and LANL have upcoming acquisitions determining new management and operations contractors, with the understanding that potential contractors are of non-profit status. We are asking that the LFC explore doing away with this exemption in order for the local communities and State of NM to continue to collect GRT revenue.

The Regional Coalition of LANL Communities monitors the activities of the impact of LANL on regional communities surrounding Laboratory. The Regional Coalition is a non-partisan group comprised of nine cities, towns, counties and pueblos surrounding LANL. Founded in 2011, the Regional Coalition works in partnership to ensure national decisions incorporate local needs and concerns. The organization's focus is regional economic development and site employment, environmental remediation, and adequate funding for LANL.

The 2016 Regional Coalition of LANL Communities Board of Directors includes Chair, Commissioner Barney Trujillo, Rio Arriba County; Vice-Chair, Mayor Javier Gonzales, City of Santa Fe; Secretary/Treasurer, Councilor Kristin Henderson, Los Alamos County; Mayor Alice Lucero, City of Española; Representative Ron Lovato, Ohkay Owingeh; Lt. Governor Ward Yeppa, Pueblo of Jemez; Commissioner Henry Roybal, Santa Fe County; Councilor Darien Fernández, Town of Taos; and Commissioner Mark Gallegos, Taos County.

## Sample Revisions to Previous Legislation to Remove M&O Lab Contractors' Exemption

### 7-9-29. EXEMPTION--GROSS RECEIPTS TAX—CERTAIN ORGANIZATIONS.--

A. Exempted from the gross receipts tax are the receipts of organizations that demonstrate to the department that they have been granted exemption from the federal income tax by the United States commissioner of internal revenue as organizations described in Section 501(c)(3) of the United States Internal Revenue Code of 1954, as amended or renumbered. The exemption provided by this Subsection does not apply to research and development services sold to the United States by persons who are prime contractors operating facilities in New Mexico designated as national laboratories by act of congress.

B. Exempted from the gross receipts tax are the receipts from carrying on chamber of commerce, visitor bureau and convention bureau functions of organizations that demonstrate to the department that they have been granted exemption from the federal income tax by the United States commissioner of internal revenue as organizations described in Section 501(c)(6) of the United States Internal Revenue Code of 1954, as amended or renumbered.

C. This section does not apply to receipts derived from an unrelated trade or business as defined in Section 13 of the United States Internal Revenue Code of 1954, as amended or renumbered.

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B. Exempted from the gross receipts tax are the receipts from carrying on chamber of commerce, visitor bureau and convention bureau functions of organizations that demonstrate to the department that they have been granted exemption from the federal income tax by the United States commissioner of internal revenue as organizations described in Section 501(c)(6) of the United States Internal Revenue Code of 1954, as amended or renumbered.

C. The exemption provided by this section does not apply to research and development services sold to the United States by persons described in Subsection A of Section 7-9-29 NMSA 1978, who are prime contractors operating facilities in New Mexico designated as national laboratories by act of congress.

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B. Exempted from the gross receipts tax are the receipts from carrying on chamber of commerce, visitor bureau and convention bureau functions of organizations that demonstrate to the department that they have been granted exemption from the federal income tax by the United States commissioner of internal revenue as organizations described in Section 501(c)(6) of the United States Internal Revenue Code of 1954, as amended or renumbered.

C. The exemption provided by this section does not apply to research and development services other than research and development services: (1) sold between affiliated corporations; or (2) sold to the United States by persons, other than organizations described in Subsection A of Section 7-9-29 NMSA 1978, who are prime contractors operating facilities in New Mexico designated as national laboratories by act of congress.

D. An "affiliated corporation" means a corporation that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with the subject corporation. "Control" means ownership of stock in a corporation which represents at least eighty percent of the total voting power of that corporation and has a stated or par value equal to at least eighty percent of the total stated or par value of the stock of that corporation.

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C. The exemption provided by this section does not apply to research and development services other than research and development services: (1) sold between affiliated corporations; (2) sold to the United States by persons, other than organizations described in Subsection A of Section 7-9-29 NMSA 1978, who are prime contractors operating facilities in New Mexico designated as national laboratories by act of congress; or (3) sold to persons, other than organizations described in Subsection A of Section 7-9-29 NMSA 1978, who are prime contractors operating facilities in New Mexico designated as national laboratories by act of congress.

D. An "affiliated corporation" means a corporation that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with the subject corporation. "Control" means ownership of stock in a corporation which represents at least eighty percent of the total voting power of that corporation and has a stated or par value equal to at least eighty percent of the total stated or par value of the stock of that corporation.

E. This section does not apply to receipts derived from an unrelated trade or business as defined in Section 13 of the United States Internal Revenue Code of 1954, as amended or renumbered.

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