Implementation

Law goes into effect Jan. 1, 2018 – 10 month lag

Temporary moratorium on all local government adjustment to sales tax upon enactment and through 3-year implementation period.

Year 1 – Jan 1, 2018

Sets a new state sales tax rate of $\sigma\%$

- This rate is set based on known data, and set to be revenue neutral + inflation (yr1)
    - Revenue neutral rate = baseline revenue/new taxable base

Sets new municipal sales tax rates of $\alpha_i\%$

- This rate is set based on known data, and set to be revenue neutral + inflation (yr1)
    - Revenue neutral rate = baseline revenue/new taxable base

Sets new county sales tax rates of $\beta_i\%$

- This rate is set based on known data, and set to be revenue neutral + inflation (yr1)
    - Revenue neutral rate = baseline revenue/new taxable base

As we are expanding the base beyond known data, we expect this new rate will generate excess revenue above inflation.

State Excess

Establish a new fund – Tax Stabilization fund for Municipalities and Counties

- All excess in State GRT revenue will go into this fund
- This fund will be used to make up any potential GRT loses to individual municipalities or counties that are eligible
- Distribution will be made quarterly to each eligible local government
    - Year to date revenues and distributions are used to calculate distributions

Municipality and County Excess

All revenue in excess of baseline + inflation is kept by the local government in their general fund

Year 2 – Jan 1, 2019

Sets a new state sales tax rate of $\phi\%$

- This new rate takes into account new data from year 1 that now includes previously unknown revenue (e.g. exemptions repealed, remote sellers, etc.)
- Rate is determined for the state using the same mythology as year 1 (= Target Rev/known new taxable base)
- Target revenue = baseline + inflation (yr1) + inflation (yr2) + population growth (yr2)

Sets new municipal sales tax rates of $\gamma_i\%$

- Rate is determined for each municipality (= Target Rev/known new taxable base)
- Target revenue = baseline + inflation (yr1) + inflation (yr2) + population growth (yr2)

Sets new county sales tax rates of $\delta_i\%$

- Rate is determined for each county (= Target Rev/known new taxable base)
- Target revenue = baseline + inflation (yr1) + inflation (yr2) + population growth (yr2)

After these adjustments, there should be little to no excess revenue over baseline + inflation (yr1) + inflation (yr2) + growth (yr2).

- If excess is realized by state sales tax:
  - Will go into the Tax Stabilization fund for municipalities and counties
- If excess is realized by a municipality or county, excess revenue is retained in their general fund
- If loss of revenue, payment from Tax Stabilization fund for municipalities and counties will be made quarterly to each eligible local government

Year 3 – Jan 1, 2020

The balance of Tax Stabilization fund for municipalities and counties is transferred to the State Road Fund, and the fund is dissolved

Temporary moratorium on all local government adjustment to sales tax expires

Definitions

- Baseline = greatest annual GRT of either 2017, 2016, or 2015
- Inflation = Bureau of Labor Statistics? (Statewide)
  - If less than zero, Inf =zero; cannot be negative
- Population Growth = UNM BBER estimate (Statewide or by local gov?)
  - If less than zero, population growth = zero; cannot be negative
- Excess sales tax revenue
  - Year 1: Revenue greater than baseline + inflation
  - Year 2: Revenue greater than baseline + inflation (yr1) + inflation (y2) + growth (yr2)
- "Eligible" municipalities or counties for Tax Stabilization Fund Payment
  - Year 1: Year to date sales tax is less than comparable timeframe of baseline + inflation (yr1) + distributions from Tax Stabilization Fund from previous quarters
  - Year 2: Year to date sales tax is less than comparable timeframe baseline + inflation (yr1) + inflation (y2) + growth (yr2) + distributions from Tax Stabilization Fund from previous quarters