

History of Food & Medical and Hold Harmless in New Mexico

- 2004**
- State repeals the GRT on food & medical receipts
 - Municipalities held harmless in the repeal of GRT on food & medical
 - State increased GRT by 1/2% in order to fund hold harmless payments to municipalities and counties
- 2010 - 2012** Legislative discussions on repealing hold harmless payments to municipalities
- 2013** Legislative and Executive action through passage of HB641 to eliminate hold harmless reimbursement to cities and counties while retaining the 2004 1/2% GRT for state use
- Hold Harmless repealed with a 15-year phase out
 - Municipalities with a population of 10,000 or less are arbitrarily exempted
 - State prescribed to municipalities and counties to implement six (6) – 1/8th % increments to replace the lost hold harmless revenue
 - The resulting effect is the stacking of 3/4% GRT tax in municipalities
 - Passed in Senate 34 to 8, in House 46 to 18, and signed by Governor Martinez on April 4, 2013
- 2014**
- San Juan County implements two (2) of their three (3) 1/8th % increments effective January 1, 2015
- 2015 - 2019**
- July 1, 2015, Phase out begins
 - The City is expecting to lose a total of \$4.9 million for the fiscal years 2015 through 2021
 - The phase out results in an estimated cumulative loss of **\$51M** over 15 years
- 2016**
- City of Farmington implements two (2) of their three (3) 1/8th % increments effective January 1, 2016
- 2019**
- City of Farmington implements one (1) of the remaining 1/8th % Hold Harmless increment, and four (4) 1/8th % of the Municipal Increment (1/8th dedicated to Public Works, 1/8th to Public Safety, and 2/8th to CTED) effective January 1, 2019



“Effective” GRT Taxability of Household Expenses

0% GRT

Housing (rent, ownership)	26%
Insurance & Pensions	9%
Vehicle Payments	5%
Donations	2%
Gasoline	3%
Education & Communicatio	2%
Other	3%

Subtotal 50%

GRT Tax Free = 66%

0% GRT

Food	10%
Medical	6%

Subtotal 16%

Subject to GRT

Household Utilites, Supply, Furnishir	15%
Restaurants & Accomodations	7%
Vehicle Maintenance	5%
Entertainment	4%
Apparel	2%
Personal Care & Misc	1%

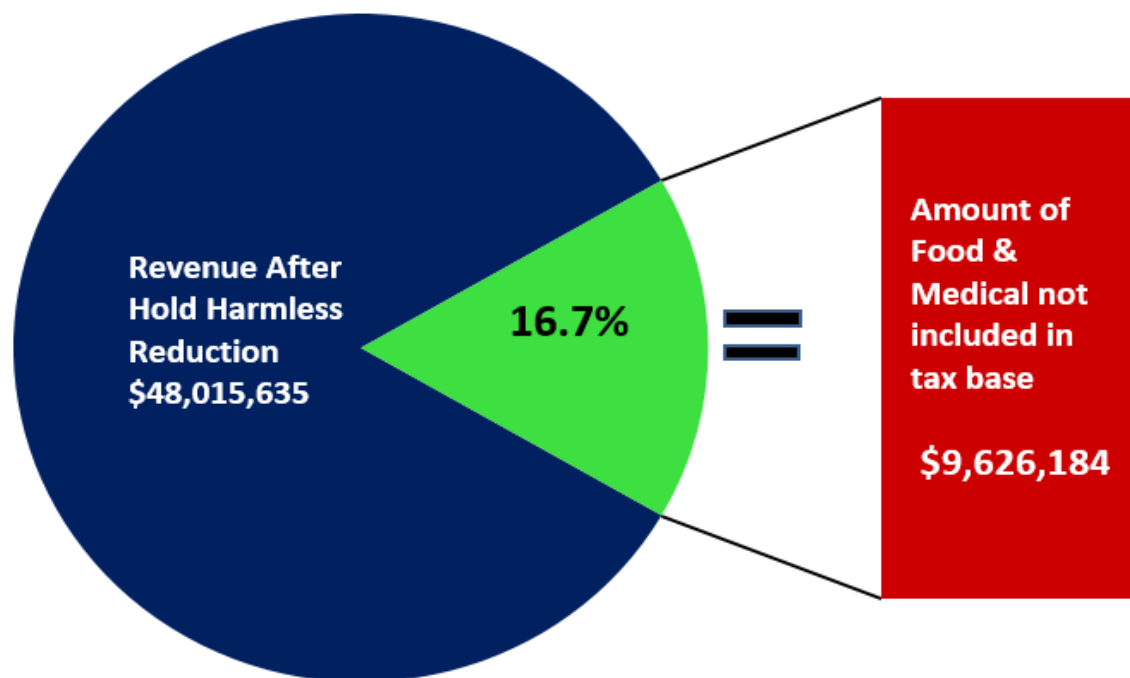
Subtotal 34%

GRT Tax Base = 34%

Source: U.S. Bureau of Labor Statistics (Data for CY2018)



Hold Harmless GRT Reduction Based on FY2021 Projected GRT



Based on FY2021 Projected Actual GRT Revenue

With the passage of the legislation repealing the hold harmless provision for food and medical, the State Legislature has authorized local governing bodies to implement three (3) separate one-eighth (1/8th) local option increments to replace this lost revenue.

Year	*Actual Annual Reduction	Accumulative Loss of Revenue To-Date
FY2016	\$ 308,563	\$ 308,563
FY2017	646,278	954,841
FY2018	1,016,816	1,971,657
FY2019	1,234,602	3,206,259
FY2020	1,859,288	5,065,547
FY2021	2,125,752	7,191,299
FY2022	3,268,166	10,459,465
FY2023	3,836,956	14,296,421
FY2024	4,485,324	18,781,745
FY2025	5,163,713	23,945,459
FY2026	5,873,218	29,818,677
FY2027	6,614,971	36,433,648
FY2028	7,390,141	43,823,790
FY2029	8,199,935	52,023,725
FY2030	9,045,600	61,069,324
FY2031	9,381,187	70,450,512
FY2032	9,615,717	80,066,228
FY2033	9,856,110	89,922,338
FY2034	10,102,512	100,024,850
FY2035	\$ 10,355,075	\$ 110,379,926
Indefinitely		

*CPI annual growth was estimated at 2.5%. Assumes level GRT Revenue.