

**44TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION,
2000**

INTRODUCED BY

John Heaton

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

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1 system has changed little from when the state economy was
2 primarily agrarian; and

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

7 WHEREAS, gross receipts and compensating taxes generate
8 over forty percent of general fund revenues for the state and
9 are a significant revenue source for the municipalities in
10 the state; and

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

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

22 WHEREAS, in 1998 the United States congress passed the
23 Internet Tax Freedom Act, declared a three-year moratorium on
24 changes in taxation of internet transactions and created the
25 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

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1 the way governments deliver and pay for the public goods and
2 services that the state's citizens need and demand;

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

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

18 BE IT FURTHER RESOLVED that the committee develop
19 revenue-neutral recommendations for changes in the state and
20 local tax structure that will not increase New Mexico's per
21 capita state and local tax burden and report its findings and
22 recommendations by December 15, 2000 prior to the first
23 session of the forty-fifth legislature; and

24 BE IT FURTHER RESOLVED that a copy of this memorial be
25 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.

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