F I S C A L   I M P A C T   R E P O R T

SPONSOR SFC **ORIGINAL DATE** 3/14/17 **LAST UPDATED** **HB**

SHORT TITLE Gross Receipts Tax on Food Act **SB** 496/SFCS

ANALYST Graeser

REVENUE (dollars in thousands)

Estimated Revenue					R or NR **	Fund Affected
FY17	**FY18**	**FY19**	**FY20**	**FY21**		
	189,051.4	186,337.4	183,454.4	176,970.4	R	General Fund
	(107,853.0)	(100,709.0)	(92,756.0)	(82,472.0)	R	Local Government Total**

Parenthesis ( ) indicate expenditure decreases. ** R = recurring; NR = non-recurring

This is a best estimate of the ultimate fiscal impact. These amounts are unlikely to be realized in the short run. Two bond covenants would probably be invoked: (1) the general fund would be required to distribute sufficient revenue to maintain hold harmless distribution revenue bond service payments; and (2) the action of a local government to repeal all increments of hold harmless gross receipts taxes would be estopped until the bonds were paid off. There is another contingency, as well. Each smaller jurisdiction (fewer than 48,000 population for a county or 10,000 population for a municipality) could rescind its hold harmless gross receipts tax enactment and requalify to receive a 100% food and medical services hold harmless distribution. Depending on the levels of these three contingencies, the short term and long term estimates could be quite different from those shown here.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	R or NR **	Fund Affected
Total	TBD-IT costs may be substantial					
	NMFA costs may be substantial					

Parenthesis ( ) indicate expenditure decreases. ** R = recurring; NR = non-recurring

TRD indicates very high impact to implement the local food tax and distributions. This is a new tax, not just an amendment to the Gross Receipts and Compensating Tax Act. It is unlikely that TRD could bring up a new processing system by July 1, 2017. NMFA also reports difficulty amending revenue bond covenants to reflect the changes in the food and medical hold harmless distributions and the hold harmless local option gross receipts taxes.

SOURCES OF INFORMATION
LFC Files

SUMMARY

Synopsis of Bill

Senate Finance Committee Substitute for SB 496 is an omnibus tax package. Notable changes are that the bill enacts a local food tax at a uniform, statewide rate of 4%, distributed formulaically to municipalities and counties based on where the food is sold. Both the food and medical hold harmless distributions to counties and municipalities are largely repealed, except that smaller municipalities and counties that have not enacted a hold harmless gross receipts tax will retain both the food and medical services hold harmless payments and the new food tax distributions. A number of tax deductions or credits are repealed or the rate changed.

Section 3	GRT on Food tax Imposition -- tax is a uniform 4% statewide	
Section 11	Distribution to counties and municipalities of a portion of the 4% food tax	
	- 84.37% of tax on food sold in municipalities to municipality	
	- 15.63% of tax on food sold in municipalities to county	
	- 100.00% of tax on food sold in remainder of county to county	
Section 9	Muni food and medical hold harmless partial repeal effective July 1, 2017	
Section 10	County food and medical hold harmless partial repeal effective July 1, 2017	
Section 12	Film Production Tax Credit claims -- reduce cap to $45 million from $50 million.	
Sections 14 & 15	7-9-62 Ag implements deduction – (A) retain 50% deduction for ag implements; (A) delete deduction for vehicles not required to be registered under the motor vehicle code; (B) delete deduction for sales of aircraft; and (C) delete deduction for sales of aircraft services. 7-9-77 delete comp tax deduction for sales of aircraft	
Sections 16 & 17	Reduce 7-9-83 GRT & 7-9-84 compensating tax deductions for jet fuel from 40% to 30%.	
Section 18	High wage jobs credit reduction from 10% to 8% and the limit per job reduced from $12,000 to $8,000.	
Section 19	Repeal any municipal hold harmless GRT Jan 1, 2018. Allows a conventional bond hold harmless	
Section 20	Repeal any County hold harmless GRT as of Jan 1, 2018.	
Section 21	Repealers	
	7-2-18.18	Renewable energy production tax credit.
	7-2-18.29	New sustainable building tax credit.
	7-2A-19	Renewable energy production tax credit
	7-2A-28	New sustainable building tax credit.
Section 22	GRT Repealers	
	7-9-57.2	Deduction; gross receipts tax; sale of software development services.
	7-9-63	Deduction; gross receipts tax; publication sales.
	7-9-64	Deduction; gross receipts tax; newspaper sales.
	7-9-95	Deduction; gross receipts tax; back-to-school supplies tax holiday
	7-9-112	Deduction; gross receipts; solar energy systems.
	7-9A-1 through -9, 7-9A-11	Investment Credit
	7-9G-2	Advanced energy combined reporting tax credit; gross receipts tax; compensating tax; withholding tax. (2009)

A section by section review is appended to this report.

The effective date of the CIT and PIT tax credits repealers is January 1, 2018. The effective date of the other sections of the bill is July 1, 2017. TRD will indicate that it would not be able to implement the massive changes in time for a July 1, 2017 deadline. NMFA also indicates difficulty amending up to 176 revenue bond covenants in time for a July 1, 2017 implementation date.

FISCAL IMPLICATIONS

Section 3 Imposition -- tax of 4%

Section 11 Formulaic Distribution of revenues from GRT on Food

FY 17	FY 18	FY 19	FY 20	FY 21	
0.0	0.0	0.0	0.0	0.0	General Fund
0.0	82,200.0	86,200.0	90,500.0	94,500.0	Food Sold in Munis. Dist. To Munis
0.0	12,600.0	13,300.0	13,900.0	14,500.0	Food Sold in Munis Dist. To Counties
0.0	24,900.0	26,100.0	27,400.0	28,600.0	Food Sold in County Area to Counties

These data were obtained from TRD and confirmed by consultation with the LFC food deduction model. The 86.37% and 15.63% distribution percentages were chosen in SB-343 of this session so that the distributions to counties and municipalities of the tax on food sold in municipalities would be easy to program: 3.75% x 86.67% = 3.25% and 3.75% x 13.33% = .75%.

Section 8 County equalization -- remove food and medical hold harmless deduction add-backs from calculation

FY 17	FY 18	FY 19	FY 20	FY 21	
0.0	283.0	289.0	296.0	302.0	General Fund
0.0	-283.0	-289.0	-296.0	-302.0	Counties

Note: this assumes that all counties receive a distribution, so this may be an upper bound.

Sections 9 & 10 Muni & county food and medical hold harmless technical and zeroing out for the larger jurisdictions and the smaller jurisdictions that have enacted a hold harmless gross receipts tax after July 1, 2017.

FY 17	FY 18	FY 19	FY 20	FY 21	
0.0	124,700.0	121,100.0	117,100.0	110,000.0	General Fund
0.0	(101,300.0)	(98,400.0)	(95,200.0)	(89,400.0)	Municipalities
	(23,300.0)	(22,700.0)	(21,900.0)	(20,600.0)	Counties

NMFA points out that this repeal may impair bond covenants. This section contains the conventional makeup provision (see, for example, page 34, lines 1-13) "if the reductions made by this 2017 act to the distributions made pursuant to this section impair the ability of a county to meet its principal or interest payment obligations for revenue bonds that are outstanding prior to July 1, 2017 and that are secured by the pledge of all or part of the county's revenue from the distribution made pursuant to this section, then the amount distributed pursuant to this section to that county shall be increased by an amount sufficient to meet the required payment; provided that the total amount distributed to that county pursuant t to this section does not exceed the amount that would have been due that county pursuant to this section as it was in effect on June 30, 2017."

NMFA further notes that currently, "… in the Public Projects Revolving Fund (PPRF), NMFA currently has 110 GRT loans outstanding to municipalities totaling over $230 million; 59 GRT loans outstanding to counties totaling over $163 million; and 7 GRT loans outstanding to other joint powers agreements (JPA) entities totaling over $33 million. It is possible that all 176 outstanding PPRF GRT loan agreements would need to be amended if SB 496 is passed into law. Amending 176 PPRF loan agreements would place a significant administrative burden on NMFA, its counsel, and its borrowers. It is also unrealistic that the 176 PPRF loan agreements could be amended successfully prior to July 1, 2017."

To the extent that a substantial portion of the current total hold-harmless distributions are directly or indirectly entailed, the estimate revenue gain from repeal might take a number of years to realize.

Section 12 Credit claims -- reduce Film Production Credit to $45 million from $50 million

FY 17	FY 18	FY 19	FY 20	FY 21	
	5,000.0	5,000.0	5,000.0	5,000.0	General Fund

Section 14 7-9-62 Ag implements – (A) retain 50% deduction for ag implements; (A) delete deduction for vehicles not required to be registered under the motor vehicle code; (B) delete deduction for sales of aircraft; and (C) delete deduction for sales of aircraft services. For the purposes of this estimate, 50% of the (A) estimate reported in the 2016 Tax Expenditure Report was assumed to be for heavy construction machinery not required to be registered.

Section 15 7-9-77 Ag implements comp -- delete deduction for sales of aircraft

FY 17	FY 18	FY 19	FY 20	FY 21	
	7,030.0	7,370.0	7,670.0	7,670.0	General Fund GRT
	4,730.0	4,970.0	5,170.0	5,170.0	Local GRT
	780.0	840.0	900.0	900.0	General Fund Comp
	160.0	170.0	180.0	180.0	Small Cities
	100.0	110.0	120.0	120.0	Small Counties
	70.0	80.0	80.0	80.0	Municipal Equivalent Distribution

Section 16 7-9-83 Jet fuel reduce 40% deduction reduced to 30%

Section 17 7-9-84 Jet fuel comp reduce 40% to 30%

FY 17	FY 18	FY 19	FY 20	FY 21	
	1,430.0	1,830.0	2,430.0	2,920.0	Gen Fund GRT
	930.0	1,200.0	1,580.0	1,900.0	Local GRT
	360.0	450.0	600.0	720.0	Gen Fund Comp
	70.0	90.0	120.0	140.0	Small Cities
	50.0	60.0	80.0	100.0	Small Counties

Section 14 High wage jobs credit reduction 8% from 10%

FY 17	FY 18	FY 19	FY 20	FY 21	
	4,400.0	4,400.0	4,400.0	4,400.0	General Fund

Sections 19 & 20 Repeal county & municipal hold harmless GRT by Jan 1, 2018 for counties > 48,000 population and municipalities > 10,000 population and smaller counties and municipalities that have in effect any hold harmless GRT (enactors). These sections include bond hold harmless provisions.

FY 17	FY 18	FY 19	FY 20	FY 21	
	-$94,750.0	-$97,120.0	-$99,550.0	-$102,040.0	Counties
	-$18,140.0	-$18,590.0	-$19,050.0	-$19,530.0	Municipalities

This estimate is highly uncertain for two reasons: the smaller counties and municipalities that have enacted can repeal at any point and have their Hold Harmless (without phase down) distributions reinstated. Except for Espanola, all of the smaller enactors generate more money with the hold harmless GRT than with the hold harmless distribution. However, these smaller jurisdictions will receive revenue from the new food tax. Assume that the smaller jurisdictions will run the numbers and decide that the best strategy is to rescind the Hold Harmless GRT and reinstate the forever food and medical services hold harmless distributions. For FY 18, this will reduce the gain to the general fund from the repeal of the hold harmless distributions by about $1.4 million for the smaller counties and $230 thousand for the smaller municipalities.

A larger contingency is the extent to which the bond covenant provisions will kick in. These sections of the bill provide an unusual feature: rather than use general funds to make up bond payments, the bond covenant here provides that the ordinance repealing the hold harmless GRT is not effective until the revenue bonds have been discharged in full or provisions has been fully made therefor. It is uncertain if the revenue bonds negotiated by NMFA will have to be amended to explain this estoppel. However, unlike sections 9 and 10 of this bill (repealing the hold harmless distributions for larger jurisdictions and smaller enacters), the effective date of this required repeal is January 1, 2018. If NMFA believes that their bond covenants will have to be amended, that gives adequate time.

See a list of counties and municipalities affected by the repeal of hold harmless GRTs.

Section 21 PIT and CIT Repealers

		FY 17	FY 18	FY 19	FY 20	FY 21	
7-2-18.18; 7-2A-19	Renewable Energy Production Credit against PIT or CIT						
			25,200.0	32,500.0	30,000.0	33,400.0	General Fund
7-2-18.19; 7-2A-21	Sustainable Building Credit against PIT or CIT						
			0.0	0.0	0.0	0.0	General Fund
7-2-18.21; 7-2A-23	Blended Biodiesel Fuel Credit against PIT or CIT						
			0.0	0.0	0.0	0.0	General Fund
7-2-18.25;	Advanced Energy Tax Credit against PIT or CIT or Modified Combined						

7-2A-25;							
			500.0	500.0	500.0	500.0	General Fund
7-2-18.29; 7-2A-28	New sustainable building tax credit against PIT or CIT						
			5,000.0	5,000.0	5,000.0	5,000.0	General Fund

Section 22 GRT Repealers

		FY 17	FY 18	FY 19	FY 20	FY 21	
7-9-57.2	Software Development Services GRT Deduction						
			916.0	916.0	916.0	916.0	General Fund
			610.0	610.0	610.0	610.0	Local Govt
7-9-63	Publication Sales GRT Deduction						
			234.0	234.0	234.0	234.0	General Fund
7-9-64	Newspapers GRT Deduction						
			11,720.0	11,720.0	11,720.0	11,720.0	General Fund
7-9-95	Back to School GRT Deduction (Tax Holiday)						
			3,380.0	3,380.0	3,380.0	3,380.0	General Fund
			2,250.0	2,250.0	2,250.0	2,250.0	Local Govt
7-9-112	Solar Energy Systems GRT Deduction						
			1,882.0	1,882.0	1,882.0	1,882.0	General Fund
			1,250.0	1,250.0	1,250.0	1,250.0	Local Govt
7-9A	Investment Tax Credit against GRT, Comp or WH						
			6,506.4	6,506.4	6,506.4	6,506.4	General Fund
7-9G-2							
			2,000.0	2,000.0	2,000.0	2,000.0	General Fund
			197,611.4	202,107.4	196,664.4	193,580.4	General Fund
			-9,193.0	361.0	10,844.0	23,748.0	Local Government Total

Many of the provisions of this bill reduce tax expenditures. For these provisions, the bill sustains the LFC tax policy principle of adequacy, efficiency, and equity. Due to the increasing cost of tax expenditures, revenues may be insufficient to cover growing recurring appropriations.

Estimating the cost of tax expenditures is difficult. Confidentiality requirements surrounding certain taxpayer information create uncertainty, and analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the expenditure's fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures. However, over the last few years, TRD's Office of Tax Policy has annually published a compendium of Tax Expenditure costs. Each edition of this report has broached new ground. Most of the data in this review were obtained from the 2016 edition of the TRD Tax Expenditure Report.

The partial repeal of the food and medical hold harmless distributions will have the following effect for FY 18. In subsequent years, these amounts will decline because of the scheduled phase-out.

Code	Population	Jurisdiction	Enactor	Food Hold Harmless	Med Hold Harmless	Large Juris Fiscal Impact	Small Juris. Fiscal Impact
2002	662,564	Bernalillo County	X	$6,596,700	$2,232,300	-$8,829,000	
4004	65,645	Chaves County	X	$406,600	$302,000	-$708,600	
33033	27,213	Cibola County	X	$146,000	$5,200		-$151,200
9009	13,750	Colfax County	X	$42,100	$8,100		-$50,200
5005	48,376	Curry County	X	$287,700	$119,900	-$407,600	
27027	2,022	DeBaca County	X	$11,000	$0		-$11,000
7007	209,233	Dona Ana County	X	$1,152,400	$367,200	-$1,519,600	
3003	53,829	Eddy County	X	$206,700	$118,200	-$324,900	
8008	29,514	Grant County	X	$237,900	$52,600		-$290,500
31031	695	Harding County	X	$1,000	$0		-$1,000
6006	64,727	Lea County		$206,400	$9,900	-$216,300	
19019	20,095	Luna County	X	$168,000	$29,100		-$197,100
13013	71,492	McKinley County		$1,151,300	$75,600	-$1,226,900	
30030	4,881	Mora County	X	$11,300	$200		-$11,500
15015	63,797	Otero County	X	$261,500	$67,100	-$328,600	
11011	19,846	Roosevelt County	X	$278,300	$13,100		-$291,400
16016	130,044	San Juan County	X	$1,712,500	$550,600	-$2,263,100	
12012	29,393	San Miguel County	X	$222,700	$41,200		-$263,900
29029	131,561	Sandoval County		$375,900	$94,000	-$469,900	
1001	144,170	Santa Fe County	X	$2,487,200	$565,800	-$3,053,000	
21021	11,988	Sierra County	X	$150,100	$12,100		-$162,200
14014	76,569	Valencia County	X	$453,600	$70,100	-$523,700	
		County Total				-$19,871,200	-$1,430,000
15116	30403	Alamogordo		$1,857,880	$459,310	-$2,317,190	
2100	545852	Albuquerque		$24,051,200	$8,489,620	-$32,540,820	
3205	11301	Artesia	X	$846,540	$116,350	-$962,890	
3106	26138	Carlsbad		$1,314,720	$189,550	-$1,504,270	
5103	37775	Clovis		$1,552,180	$653,110	-$2,205,290	
29504	8329	Corrales	X	$0	$9,720		-$9,720
29311	731	Cuba	X	$114,420	$0		-$114,420
19113	14855	Deming		$582,790	$101,110	-$683,900	
17215	10224	Espanola	X	$635,110	$61,950	-$697,060	
16121	45877	Farmington	X	$3,641,110	$1,555,870	-$5,196,980	
27104	1031	Ft Sumner	X	$59,210	$0		-$59,210
13114	21678	Gallup		$2,341,260	$185,900	-$2,527,160	
6111	34122	Hobbs		$1,417,800	$107,330	-$1,525,130	
7105	97618	Las Cruces	X	$6,099,770	$1,376,720	-$7,476,490	
12122	13753	Las Vegas		$862,500	$160,020	-$1,022,520	
14316	14835	Los Lunas		$1,443,970	$137,820	-$1,581,790	
6405	11009	Lovington	X	$380,990	$9,760	-$390,750	
11119	12280	Portales		$685,330	$34,420	-$719,750	
28130	289	Reserve	X	$16,930	$0		-$16,930
29524	87521	Rio Rancho		$2,648,030	$916,690	-$3,564,720	
4101	48366	Roswell		$2,066,600	$454,610	-$2,521,210	
1123	67947	Santa Fe		$7,780,510	$1,901,440	-$9,681,950	
8107	10315	Silver City		$1,148,300	$198,230	-$1,346,530	
9301	1047	Springer	X	$28,770	$1,090		-$29,860
7416	14106	Sunland Park	X	$70,550	$3,290	-$73,840	
		Municipal Total				-$78,540,240	-$230,140

SIGNIFICANT ISSUES

Repealing the 7-2-18.18 & 7-2A-19 NMSA 1978 Renewable Energy Production Credit against PIT or CIT may be controversial. A company applies for these credits on a first-come, first-served basis. As of December 16, 2016, producers had applied for, and been granted certificates for tax credits based on 1,109 megawatts of wind capacity and 201 megawatts of solar capacity. Producers had applied for and been placed on the wait list queue for 1,022 megawatts of wind capacity and 1,103 megawatts of solar capacity. Not all of the wait-list capacity has been constructed. There is some thought that once the project has been certified and is actually in production, the promise of the law may constitute a contract. There would be no problem, presumably, with repealing the credit for certified producers that had not begun production. It might also survive challenge to repeal the credits for producers that had not been certified because of the caps. The fiscal impact in the table above assumes that the repeal is absolute. It denies credits for certified producers as of the effective date of the repeal.

The Gross Receipts Tax on Food proposal does not reverse the 2002 Richardson era food and medical services deductions from the GRT. It is a new tax. It does not generate any general fund revenue directly. The tax is imposed only for the benefit of the counties and municipal budgets. The general fund benefits indirectly because the bill repeals the food and medical hold harmless distributions.

Another contentious area is that the bill imposes the gross receipts tax on newspaper sales (by repealing 7-9-6 NMSA 1978). Over the years, the newspaper and publications industries have been successful in asserting an argument that their operations are in the nature of manufacturing. The retail distribution is conducted by independent contractors. However, the newspaper business has changed. The 7-9-64 NMSA 1978 deduction was clearly enacted (in 1969, it was a deduction from the very beginning of the Gross Receipts and Compensating Tax Act) in an era before TV and bloggers created the 24 hour news cycle and before the era of Twitter and Snapchat. From a common-law point of view, the curbside vendors or the home-delivery contractors are now under the complete control of the newspaper. And a web-based newspaper is a service, not a tangible product. Most subscriptions are now multi-media. You can pay for a print subscription or pay for a web-based subscription with no physical product or have a combined subscription. With that in mind, taxing subscriptions as well as advertising might make sense. However, this additional tax burden might be the straw that forces some of the less competitive print operators into bankruptcy.

The issue of bond impairment is invoked twice in the bill: once for the repeal of the hold harmless distribution for larger jurisdictions and for smaller jurisdictions that have enacted a hold harmless GRT. The second impairment is created by forcing all jurisdictions to repeal any hold harmless gross receipts tax enactments. The bond covenant provisions against impairing any bonds supported by either revenue stream differ. In the case of the repeal of the hold harmless distribution, the remedy is that the general fund will continue distributing to the jurisdiction in the amount necessary to meet required bond service payments. In the case of the repeal of the hold harmless distributions , the remedy is that the required rescission would be stopped until the bonds serviced with the revenue of the tax were fully paid off. In both cases, NMFA implies it would have to amend up to 176 gross receipts tax revenue bond covenants.

PERFORMANCE IMPLICATIONS

In general, the LFC tax policy of accountability is met with the bill's requirement to report annually regarding the data compiled from the reports from taxpayers taking the deduction and other information to determine whether the deduction is meeting its purpose. We have an adequate assessment of the fiscal costs of these measures. What is lacking is an assessment of benefits.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Does the bill meet the Legislative Finance Committee tax expenditure policy principles?

1. **Vetted**: The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee (RSTP), to review fiscal, legal, and general policy parameters.
2. **Targeted**: The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals.
3. **Transparent**: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies.
4. **Accountable**: The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date.
5. **Effective**: The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions "but for" the existence of the tax expenditure.
6. **Efficient:** The tax expenditure is the most cost-effective way to achieve the desired results.

LG/al

Section 1 Short Title -- Gross Receipts Tax on Food
Section 2 GRT on Food definitions, adapted from the GR&CTA; excludes any amounts of GRT/F from the GRT/F base
Section 3 GRT on Food tax Imposition -- tax is a uniform 4% statewide
Section 4 Allows all exemptions and deductions from GR&CTA except the food deduction (7-9-92 NMSA 1978) to apply to the GRT/Food. These include the specifically listed exemptions and deductions in the .1 version of the bill:

7-9-13	Government agencies
7-9-13.1	Exemption; gross receipts tax; services performed outside the state the product of which is initially used in New Mexico; R & D Exception
7-9-18.1	SNAP
7-9-28	Casual sales
7-9-29	501(c)(3) & 501(c)(6) orgs
7-9-41.3	Disabled street vendor
7-9-60	Sales to non-profits (deduction)

And also include sales of

7-9-47	tangible personal property or licenses for resale.
7-9-54	sales to governmental agencies.

Section 5 Payment due date (25th of month following transaction)
Section 6 Adds GRT on Food as a Tax Administration Act reference
Section 7 7-1-6.15 adjustments apply, including the amendments to this section enacted in 2015 as Chapter 89, § 1
Section 8 County equalization -- remove food and medical hold harmless deduction add-backs from calculation
Section 9 Muni food and medical hold harmless technical and zeroing out after July 1, 2017 (this is almost the same as a repeal). Municipalities with population less than 10,000 that have not enacted a food and medical hold harmless gross receipts tax retain the full hold harmless food and medical services distributions forever. For small municipal enactors and larger municipalities, the hold harmless distributions are repealed as of July 1, 2017. Note that these small communities will begin receiving distributions from the new GRT on food as of July ,1 2017 and receive the food and medical hold harmless in addition.
Section 10 County food and medical hold harmless technical and zeroing out after July 1, 2017 (this is almost the same as a repeal). Counties with populations less than 48,000 that have not enacted a food and medical hold harmless gross receipts tax retain the full hold harmless food and medical services distributions forever. For small county enactors and larger municipalities, the hold harmless distributions are repealed as of July 1, 2017. Note that these small counties will begin receiving distributions from the new GRT on food as of July ,1 2017 and receive the food and medical hold harmless in addition.
Section 11 Distribution to counties and municipalities of a portion of the 4% food tax
84.37% of tax on food sold in municipalities to municipality
15.63% of tax on food sold in municipalities to county
100.00% of tax on food sold in remainder of county to county
Section 12 Film Production Tax Credit claims -- reduce cap to $45 million from $50 million.
Section 13 GRT definitions technical: any amount of add-on GRT on Food is not added to GRT tax base

Section 14 7-9-62 Ag implements -- delete aircraft and aircraft services; retain 50% for ag implements. Note: the current law 50% deduction for other vehicles that are not required to be registered under the Motor Vehicle code is repealed. This could apply to mopeds, trail bikes, some electric motorcycles. Snowmobiles and ATVs are considered by MVD to be vehicles subject to registration. The major impact of this deletion is probably heavy construction equipment, such as backhoes, tracked construction equipment, draglines and mobile cranes. This is an unknown fiscal impact.

Section 15 7-9-77 Ag implements compensating tax -- delete aircraft

Section 16 7-9-83 Jet fuel reduce 40% deduction to 30%. (Note: the reduction in this deduction from 55% to 40% which would have been effective July 1, 2017 would be superseded by this further reduction to 30% effective July 1, 2017.

Section 17 7-9-84 Jet fuel compensating tax reduce 40% deduction to 30%.

Section 18 High wage jobs credit reduction 8% from 10% and the limit per job reduced from $12,000 to $8,000.

Section 19 Repeal any municipal hold harmless GRT Jan 1, 2018. Allows a conventional bond hold harmless. NMFA is not convinced that the conventional bond covenant provision is adequate. LFC staff believe that this language is time-tested and adequate:

E. If the reduction to the rate of tax made by this 2017 act impairs the ability of a municipality to meet its principal or interest payment obligations for revenue bonds that are outstanding prior to July 1, 2017 and that are secured by the pledge of all or part of the municipality's revenue from a municipal hold harmless gross receipts tax, the ordinance imposing the municipal hold harmless gross receipts tax shall not be deemed repealed until the outstanding revenue bonds have been discharged in full or provision has been fully made therefor."

Section 20 Repeal any County hold harmless GRT as of Jan 1, 2018. Allows a conventional bond hold harmless. NMFA is not convinced that the conventional bond covenant provision is adequate. LFC staff believe that this language is time-tested and adequate:

Section 21 Repealers

7-2-18.18	Renewable energy production tax credit.
7-2-18.19	Sustainable building tax credit.
7-2-18.21	Credit; blended biodiesel fuel.
7-2-18.25	Advanced energy income tax credit.
7-2-18.29	New sustainable building tax credit.
7-2A-19	Renewable energy production tax credit
7-2A-21	Sustainable building tax credit.
7-2A-23	Credit; blended biodiesel fuel.
7-2A-25	Advanced energy corporate income tax credit.
7-2A-28	New sustainable building tax credit.

Section 22 GRT Repealers

7-9-57.2	Deduction; gross receipts tax; sale of software development services.
7-9-63	Deduction; gross receipts tax; publication sales.
7-9-64	Deduction; gross receipts tax; newspaper sales.
7-9-95	Deduction; gross receipts tax; back-to-school supplies tax holiday
7-9-112	Deduction; gross receipts; solar energy systems.
7-9A-1 through -9, 7-9A-11	Investment Credit
7-9G-2	Advanced energy combined reporting tax credit; gross receipts tax; compensating tax; withholding tax. (2009)

Section 23 Applicability
Section 14, high wage applies to credit claims received on or after July 1, 2017.
Section 21 repealers apply to taxable years beginning on or after January 1, 2018.

Section 24 Effective Date
Section 21 repealers effective January 1, 2018
Sections 1-20 and 22 effective July 1, 2017.