

LEGISLATIVE BULLETIN

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”Sweeps & Swaps” Shore Up Budget

Funding for Local Roads and Internet Taxes Vetoed

The First Special Session of the 53rd Legislature adjourned Sine Die on Tuesday, May 30. The Special Session produced four pieces of legislation that were sent to the Governor. The pieces were aimed at restoring funding for higher education and the legislature in the state budget that the Governor had originally vetoed after the regular session ended in March. Also included was a tax package designed to help increase the state’s reserves. The Governor vetoed the tax package and had line-item vetoes in the other three bills.

House Bill 1, Supplemental General Appropriations Act introduced by **House Appropriations and Finance Committee Chair Patricia Lundstrom**, appropriates money from the General Fund, other state funds, internal funds/interagency transfer for FY 18 for the operation of legislative functions and to restore funding for higher education.

The bill appropriates more than \$763 million, \$19 million of which is for legislative functions, and \$744.8 million for higher education institutions. Appropriations include \$150,000 for a Capital Buildings Planning Commission Master Plan, \$99,600 for National Center for State Court dues and \$500,000 for student financial aid. Additional state funds include \$1 million from legislative cash balances for repairs, security and infrastructure upgrades in the Capitol Building, \$1 million from the University of New Mexico unrestricted cash balances for the Cancer Center at UNM, and \$500,000 for student aid. A special appropriation of \$1.2 million is made to the Administrative Office of the Courts for a shortfall in magistrate court leases. Of special note is a \$400,000 appropriation for a tax study to be performed in FY 18. Municipal tax structure will be a large part of the study. **Representative Jason Harper’s** major tax reform bill introduced during the Special Session, House Bill 8, part of the Governor’s legislative package, was tabled in House Labor and Economic Development Committee.

House Bill 2, Tax, Fund and Distribution Changes was introduced by **House Taxation and Revenue Committee Chair Jim Trujillo, House Speaker Brian Egolf and Representative Carl Trujillo**. As introduced, the bill focused on several issues, including:

- Allowing the collection of gross receipts taxes on sales made over the Internet;
- Having hospitals and most non-profits be included in the gross receipts tax base, but retaining a deduction for part of hospitals’ sales;
- Suspending monthly distributions to the Legislative Retirement Fund for five years and having the savings go to the General Fund for the first two years and then to the Judicial and Magistrate Retirement Funds for the remaining three years; and
- Requiring separate reporting for certain GRT deductions (corporate income taxes).

These sections were vetoed by the Governor. The Governor accepted the following:

- Creating a “rainy day” fund by disbursing revenues in excess of a five-year average from the Oil and Gas Emergency Tax Fund to the Tax Stabilization Fund and repealing the Taxpayer Dividend Fund.

Another significant tax issue for local governments was the closing of the loophole on Internet sales. Supported by the legislature to restore fairness of taxation for Main Street businesses, the measure was ultimately vetoed by the Governor citing “no new taxes.” Somewhat ironically, the Governor had no problem agreeing to Amazon paying the **STATE** tax on their remote sales, leaving behind local governments.

Senate Finance Committee Substitute for Senate Bill 2, Severance Tax Bond Changes, “sweeps and swaps” numerous state appropriations and capital project fundings back to the General Fund. The bill authorizes the State Board of Finance to issue \$81.4 million in supplemental Severance Tax Bonds to help shore up the General Fund. She vetoed several “sweeps” of state agency funds, including \$1 million each from the Public Liability Fund, Public Property Reserve Fund and the Workers’ Compensation Retention Fund. The bill also transfers \$8 million from the New Mexico Finance Authority to the General Fund. The \$8 million comes from dedicated revenues from the Governmental Gross Receipts Tax distributed to the Authority.