



P.O. Box 846 • Santa Fe, New Mexico 87504-0846
Tel. (505) 982-5573 • (800)-432-2036
Fax (505) 984-1392
www.nmml.org

Q06-01
Rev. 03/12

MUNICIPAL REVENUE SOURCES IN NEW MEXICO

MUNICIPAL REVENUES - DISTRIBUTIONS FROM THE STATE

Gross Receipts Tax (GRT) - This is a major source of municipal revenues, and together with the locally imposed MGRT makes up over 70% of total general fund revenues. Statewide, a 5.0% gross receipts tax is collected and 1.225% is returned to municipalities in which the tax was collected. The 1.225% distribution is in lieu of local gross receipts taxes previously imposed by municipalities but subsequently converted to a state distribution.

Gasoline Tax - The state collects 17 cents tax on each gallon of gasoline and special fuels sold. Of the 17 cents collected, the state returns the equivalent of 2 cents to the municipality in which the gas and special fuels were purchased, based on that municipality's sales in proportion to the total sales in all municipalities in the prior fiscal year — distribution is dedicated to streets, roads, bridges and mass transit; distributions to municipalities with populations of 3,000 or less may go to their general fund.

Motor Vehicle Fees - The state returns a small portion of motor vehicle fees to municipalities that run motor vehicle offices. Approximately \$4 million is distributed annually to municipalities to fund these operations.

Fire Protection Fund - The state distributes a portion of the State Fire Protection Fund to municipalities for fire department operation, construction, maintenance and equipment. Allocations are based on a formula using fire insurance rating and number of fire stations in the locality.

Law Enforcement Protection Fund - The state distributes a portion of certain insurance taxes, fees, and penalties back to municipalities for police equipment, training, planning and replacement salaries for training. Distribution is rated by class according to population. The rate of distribution is as follows: \$20,000 (0 - 20,000 pop.), \$30,000 (20,001 to 160,000) or \$40,000 (160,001 to 1,280,000) per year, depending on population, plus \$600 per certified officer.

Small Cities Assistance Fund – Ten percent of the State Compensating Tax is earmarked for distribution to aid municipalities under 10,000 in population. All money in the Fund is distributed to qualifying municipalities. Qualifying municipalities receive a minimum distribution of \$35,000, but may receive additional funding by operation of a formula-based average per capita gross receipts tax. Money can be used for general purposes or as allocated by the governing body.

MUNICIPAL REVENUES - DISTRIBUTIONS FROM THE STATE (continued)

Compensating Tax – Effective 2009, municipalities will receive 10% of 1.225 of the state’s compensating tax collected statewide on goods brought in from out of state. After 2010, the percentage of distribution will increase to 30%.

MUNICIPAL REVENUES - MANDATORY LOCAL IMPOSITION

Business Registration Fee - Municipalities are required to pass an ordinance levying an annual fee up to \$35 on each "place of business" within municipal boundaries. (§§3-38-3 through 3-38-6).

Local Government Corrections Fee - A fee of \$20 is imposed on all convictions of traffic offenses and convictions for violations of any ordinance carrying a potential jail term. The funds must be used for housing of prisoners, construction and maintenance of jails, jailer training, cost of transporting prisoners, substance abuse treatment programs, electronic monitoring and matching federal funds. (§35-14-11).

Municipal Court Fines - A maximum fine of \$500 may be levied on convictions of municipal ordinances and monies go to the general fund. Maximum fine must be set by ordinance. [Exception: A fine of up to \$999 may be imposed for conviction of operating a motor vehicle while under the influence of liquor or drugs, and a fine of up to \$999 per day may be imposed for conviction of violating an industrial user wastewater pretreatment ordinance.] (§3-17-1C).

MUNICIPAL REVENUES - OPTIONAL LOCAL IMPOSITION

Municipal Gross Receipts Tax (MGRT) - Municipalities are authorized to levy up to 1½% (6 quarters) in gross receipts tax. The tax can be levied by ordinance subject to a negative referendum or by going directly to election. The Municipal Gross Receipts Tax can be used for general purposes or dedicated for special purposes. (§7-19D-9).

Municipal Environmental Services Gross Receipts Tax - Municipalities have the option to adopt, by ordinance, an additional 1/16 of 1% Gross Receipts Tax which shall be dedicated for acquisition, construction, operation and maintenance of solid waste facilities, water facilities, wastewater facilities, sewer systems and related facilities. The imposition of this tax is not subject to referendum of any kind unless required by a municipal charter. (§7-19D-10).

Municipal Gross Receipts Tax for Infrastructure - Municipalities have the option to adopt an additional Municipal Gross Receipts Tax up to 1/4%. The first 1/8th may be enacted in 1/16th increments and is not subject to referendum of any kind, unless it is dedicated for economic development, in which case an election is required. The second 1/8th may also be enacted in 1/16th increments and is subject to referendum. Both 1/8ths may be dedicated for infrastructure, other enumerated purposes, or general purposes. (§7-19D-11)

Municipal Gross Receipts Tax for Capital Outlay – Municipalities may impose, by ordinance, a Capital Outlay Gross Receipts Tax for local infrastructure purposes in increments of 1/16th up to a maximum of 1/4%. The tax may be dedicated for various capital outlay purposes. The tax is subject to referendum. *(Prior to the enactment of the Capital Outlay Gross Receipts Tax, a municipality must have imposed all increments of the Municipal Gross Receipts Tax, all increments of the Municipal Infrastructure Gross Receipts Tax, and none of the Supplemental Municipal Gross Receipts Tax after January 1, 2001.)* (§7-19D-12)

Municipal Quality of Life Gross Receipts Tax – Municipalities may impose, by ordinance, a Quality of Life Gross Receipts Tax in increments of 1/16th up to a maximum of 1/4%. The tax is

subject to referendum. Revenues from the tax may be dedicated to cultural programs and activities provided by a local government and to cultural programs, events and activities provided by contract with nonprofits or publicly owned cultural organizations that advance or preserve zoology, museums, library sciences, art, music, theater, dance, literature or the humanities. Revenues shall be used to meet goals of cultural diversity, enhancing quality of cultural programs, fostering greater access to cultural opportunities, and promoting culture to further economic development. All municipalities have this GRT authority except for Albuquerque which has an agreement with Bernalillo County to enact the tax, 65% of which is dedicated for projects inside the City. The tax must be enacted by January 1, 2016.

Property Tax (Ad Valorem) - The maximum millage authorized for general purposes is 7.650 mills. Up until 1987, municipalities only had 2.225 mills for general fund operations. Effective for the 1987 property tax year, municipalities gained additional 5.425 mills for a total of 7.65. The millage is enacted by including the additional amount in the budget resolution for the upcoming fiscal year. (§7-37-7).

Municipal Gasoline Tax - Municipalities in Class A counties (Bernalillo, Dona Ana, Santa Fe, San Juan) and H counties (Los Alamos) may levy a two-cent gasoline tax by referendum. The tax may be used for bridges and road projects or public transportation purposes. Proceeds may also be used for vehicle emission testing; roads, streets or highway construction, repair or maintenance (§§7-24A-1 to 7-24A-21).

Lodger's Tax - A municipality may levy a maximum tax rate of 5% on all persons renting temporary lodging (hotels and motels) within the municipality. If the tax imposed is not more than 3%, at least 1/2 of the proceeds must be used for the promotion or advertising of authorized facilities, tourist attractions and events. If the tax imposed is more than 3%, an additional amount of at least 1/4 of the additional tax proceeds over 3% must be used for promotion and advertising. (Exception: Municipalities in Class A Counties must use 1/2 of their entire proceeds for advertising). The tax proceeds exceeding the amounts required for advertising may be used for the other purposes set forth in the Lodgers Tax Act.

The City of Santa Fe may impose an additional 2% specifically earmarked to finance construction and operation of a convention/civic center; Las Cruces may impose a fee of \$2.50 per room per day to finance a convention center; and, Albuquerque may impose a 1% hospitality fee on lodging to finance convention center operations and advertising. (§§3-38-13 through 3-38-24).

Franchise Fees - Municipalities may collect a fee on the gross receipts of private utilities doing business within the municipality. The fee is a negotiated percentage of the gross receipts of the utility and is imposed for the utilities' use of the public rights-of-way to provide gas, electric, telephone, water or cable TV. (§§3-42-1 through 3-42-2).

Liquor Licenses - Municipalities may require establishments which sell liquor to purchase an annual municipal liquor license. The annual license fee may be up to \$250.00. (§§ 7-24-1 through 7-24-16).

Business License Fees - A municipality may pass an ordinance requiring certain businesses which need regulating to be licensed and to pay a fee for the privilege of doing business in the municipality. The amount of the fee must be reasonably related to the amount of regulation provided. (§§ 3-38-1 through 3-38-6).

User Fees - These are fees charged to patrons for services such as libraries, museums, recreation, etc.

Other Miscellaneous Fees - These include parking fees, building permits, or other permit fees.

MANDATORY MUNICIPAL COURT FEES DISTRIBUTED BY THE STATE

DWI Traffic Safety Fee - A \$75 fee is imposed on all persons convicted for DWI, which goes to a State Traffic Safety Fund. It is distributed back to municipalities upon their application and must be used for DWI prevention, education and other traffic safety programs. An \$85 fee is also assessed on a person convicted of DWI to help defray the cost of chemical and other tests to determine the influence of alcohol or drugs.

Judicial Education Fee - A \$3 fee is collected on convictions of all violations involving operating a motor vehicle and all violations of ordinances imposing a possible prison sentence. It goes to the Judicial Education Fund and is used to help provide education for municipal judges.

Municipal Court Automation Fee - Municipal courts must collect a \$6 fee on all convictions, which goes to the state to be used for automating municipal court operations. (§35-14-11).

STATE GRANTS AND LOANS

A number of types of grants and loans are available through the state.

- Wastewater Treatment Construction Loans
- Rural Infrastructure Fund
- Highway Cooperative Fund
- Municipal Arterial Program
- E-911
- Fire Protection Grant Fund
- New Mexico Finance Authority
 - Public Project Revolving Loan Fund
 - Drinking Water revolving Loan Fund
 - Local Government Planning Grant Fund
 - Water Trust Board Project Fund
- Solid Waste Facility Grant Fund (no funding available)

Local Government Division of the Department of Finance and Administration publishes a *Catalog of Local Assistance Programs* which gives information on grants and loans available, what they may be used for, and how and when to apply for them. Call Local Government Division at 800-432-7108, or access them on-line at http://www.state.nm.us/clients/dfa/Files/LGD/dfa_home.html.

FEDERAL GRANTS

A limited number of grants remain for municipalities:

- Community Development Block Grants
- Limited Highway Funds
- Mass Transportation Funds

For a more exhaustive list, the Federal government publishes a *Catalog of Federal Domestic Assistance*. The cost varies, but it is available by writing to:

Catalog of Federal Domestic Assistance
Superintendent of Documents
U.S. Government Printing Office
Mail Stop SSOP
Washington, D.C. 20402-9328
www.cfda.gov