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New Mexico Municipal League Aims to Fix the Food Tax Once and for All

By William F. Fulginiti, Executive Director, New Mexico Municipal League

The New Mexico Municipal League is backing efforts in the upcoming legislative session to reverse the painful consequences of a 2004 law that repealed taxes on retail food sales and medical services to reduce the tax burden of our state's low-income residents.

The law did not help the disadvantaged, and it hurt the state by spurring a rush to increase other taxes meant to compensate cities and counties for the loss of revenue. The result is higher gross receipts taxes (GRT) — potentially more than 9 percent in some areas — on everything other than food.

Our proposal lowers GRT, allows food to be taxed at only the local rate and protects the disadvantaged by increasing low income tax credits to offset the food tax some low-income residents may pay. The bill aims to protect the state's least advantaged residents, while lowering GRT to make the state more competitive and retain essential municipal services.

How We Got Here

The League — a nonprofit, nonpartisan organization that represents New Mexico's 106 cities, towns and villages — anticipated that exempting groceries and medical services from the GRT starting in January 2005 would force local governments to slash critical community services, such as police and fire protection and infrastructure upkeep. So lawmakers agreed to hold local governments "harmless" for their portion of lost revenue by empowering cities to bill the state for the shortfall.

The hold-harmless clause was based on a gross miscalculation — an estimate almost four times lower than the actual amount of revenue the state generated from the repealed tax categories. Year after year, these payments drained a growing percentage of the state's budget.

The 2004 law also eliminated a tax credit given to municipalities, which effectively raised local GRT rates by .5 percent. When the recession of 2008-2009 constricted state revenue, the Legislature in 2009 raised the state GRT rate from 5 to 5.125 percent to start in July 2010.

In 2013, the Legislature agreed to phase out hold-harmless payments over 15 years beginning in 2015 and let cities and counties offset their losses by raising local taxes by 3/8 percent. This provision raised the prospect of a 3/4 percent increase if a city and county both imposed the increase.

Many counties quickly enacted the new tax; some found it generates far more revenue than the payment it replaces. Otero County's 66,000 residents now bear the burden of a tax increase that will generate \$2.4 million in new annual revenue to replace \$388,000 in lost hold-harmless payments. Yet Española, which enacted its allowable tax increase and now has a GRT of 8.8125 percent, won't raise enough new revenue to cover the lost payments. Even worse, Española's GRT could reach 9.1875 percent if Santa Fe County, which includes part of Española, also boosts its rate.

While the food tax exemption stretched the food budgets of middle- and upper-income New Mexicans, it did nothing to help low-income residents eligible to receive benefits through the Supplemental Nutrition Assistance Program (SNAP). Food stamps, as 1 in 4 New Mexicans who use the program know, aren't taxed in the first place.

By raising the GRT on all other commodities in 2004, 2010 and 2013, the Legislature ensured a disproportionately negative impact on low-income households and increased the cost of doing business in New Mexico. A higher rate on business-to-business purchases of supplies, raw materials and equipment at every stage of production — known as tax pyramiding — has resulted in exponential tax increases that have made New Mexico uncompetitive.

What we propose

NMML supports legislation that aims to stabilize the state's tax system and protect low-income New Mexicans by:

- o Immediately eliminating the hold-harmless clause and relieving the state of payments to cities and counties;
- o Lowering the state GRT to 5 percent and allowing local tax on food purchased for home consumption. Food would only be subject to the existing local tax plus 1.225 percent that would be shifted from the state, resulting in an effective food tax of about 2 to 4 percent, depending on where purchases are made.
- o Increasing the Working Families Tax Credit.

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Fix the Food Tax . . . continued from page 1

o Rescinding the provision allowing municipalities and counties to increase local taxes by 3/8 percent and repealing increases in effect in Corrales, Sunland Park, Española and Las Cruces and in 10 counties. Two cities have issued bonds on the basis of this increase; they would be allowed to retain the tax until the bonds are retired.

These changes will lower taxes on most household spending and decrease costs for small businesses while restoring fiscal certainty to local governments. They represent a win for residents, a win for businesses and a win for state and local governments without raising new revenue by imposing new taxes. Lawmakers could rest assured that the problems that have compounded since 2004 will finally be fixed and they can focus on other issues.

For more information, visit www.FixTheFoodTax.org.

Kirtland Approves Incorporation

The community of Kirtland in northwest New Mexico has approved incorporation of the community of approximately 400 people. This will be the 106th incorporated municipality in the state.

Of the 121 people who cast ballots, 80 voted for incorporation. The incorporation includes the Harper Valley subdivision and a commercial area to the northwest.

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Getting to Know You

This is a new feature that focuses on learning more about League Executive Committee members, Board members and other elected officials. This month is League Treasurer Sally Burbridge, Mayor of Aztec



What was your primary motivation to run for political office in your community?

I attended City Commission meetings for more than three years before deciding to run for office. During this time I was both an intern in the city’s Planning Department and later the Director for the Chamber of Commerce. In the midst of my internship, the city became embroiled in a recall election of three of the sitting City Commissioners, including the Mayor. My motivation to run for office sprang from my belief that I could listen to all sides and opinions without alienating those I didn’t agree with. As well as believing that working through some of the incendiary issues would then allow us to work on the important tasks of moving our community forward on projects with a focus on economic growth and stability.

How do you view your role in serving as an elected official in your community?

My role as Mayor is to work with the Commission, City Staff and Community Members to make appropriate policy decisions that guide Aztec in the direction of being that place WE want to live. It also means based upon my original reasons for running for elected office that I am a role model for how to behave and treat others in the community. If an alternate idea or suggestion is brought to our attention it is my responsibility to make sure we investigate it to determine merit and plausibility.

What do you think is the primary role of municipal government?

I believe the primary role of municipal government is to provide services and access to resources to its citizens. What those services and resources are and which are most important will vary based upon the specific makeup and attitudes of each community. Those priorities will change over time as the citizenry changes and the municipal government will need to keep up with those community changes.

What do you think is the primary role of the New Mexico Municipal League in municipal government?

The primary role of the New Mexico Municipal League for me has been education and access to information and other resources. I have heard newly elected officials state that they do not need to be educated about how to be a good elected official because they listen to the people. Listening to the people does not help you know how to navigate the systems and processes necessary to make good decisions for your community. Through the MOLI program and other leadership and educational training offerings as well as the networking with other officials. The League staff have a wealth of knowledge and experience from people who have been or currently are doing exactly what you are doing.

What is your favorite “after work” pass time?

When not working in my own business, for the City of Aztec or volunteering for various community efforts, I enjoy reading, gardening (watching flowering plants grow and bloom brings a special smile to my face) and generally spending time with my husband.

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Is Your Municipality Ready for an Aviation Emergency?

By M. Sean Parker, Assistant Director/ARFF Chief
Sierra Blanca Regional Airport

In just the past several months, New Mexico has dealt with three aircraft crashes. Two crashes were in the state, and one just north of our border, which just departed a New Mexico airport with local residents onboard. This doesn't include the countless "minor" mishaps that happen at almost every airport, requiring some sort of emergency response. This leads into the obvious question..... is your municipality ready for an aviation emergency?

Whether at the airport, or within your jurisdictional boundaries, you are responsible for the response to an aircraft incident, the protection of the site, the delicate handling of the friends and family members affected, and the public information to the media. Does your municipality Emergency Operations Procedures (EOP) include airport/aircraft related incidents? There are two main types of airports, generally speaking, in New Mexico. The first being just a handful of Commercially Certificated Part 139 airport's in New Mexico. Those airports are required by the FAA to have an Airport Emergency Plan (AEP). Those plans should correlate to the governing municipalities EOP.

This article pertains to the second, remaining 50 plus General Aviation Airports, Helipads, and single Seaport situated around the state, that have no federal requirements for ANY type of Emergency Plan, leaving the responsibility solely on the shoulders of the airport owner. Many of New Mexico's airports are not even manned, and the responsibility then lies on someone sitting in an office at City Hall that probably knows little to nothing about aviation, airport familiarization, aircraft familiarization, jet A fuel, Avgas Fuel, FAA, NTSB, FSDO, NOTAM's, and FAA/NTSB procedures for Public Information Officers .

Did I lose you with any of the aforementioned acronyms? If so, you better start sounding the alarm, and get yourself, or someone, onboard to do their research and come up with a plan!

As General Aviation (Private) and Business Aviation (Corporate, Cost-share, Charter) increase in both aircraft numbers and flight frequency, so does the potential for incidents. Most of the time, those incidents will not be located at your airport, but in your neighborhoods or business districts. Emergency responders have standard protocols for structure fires, but are they ready when you insert an aircraft into the scenario? Now you have a whole new set of federal guidelines and protocols to follow with respect to the FAA, and NTSB.

I recommend to any municipality that they go back to their EOP's, or airport representative, and crack some books open. Are you ready for an aviation emergency? For specific information and help in developing your emergency plan, feel free to contact Jane Lucero, Airport Development Administrator, DOT Aviation Division, 505-244-1788 ext. 9111, jane.lucero@state.nm.us.



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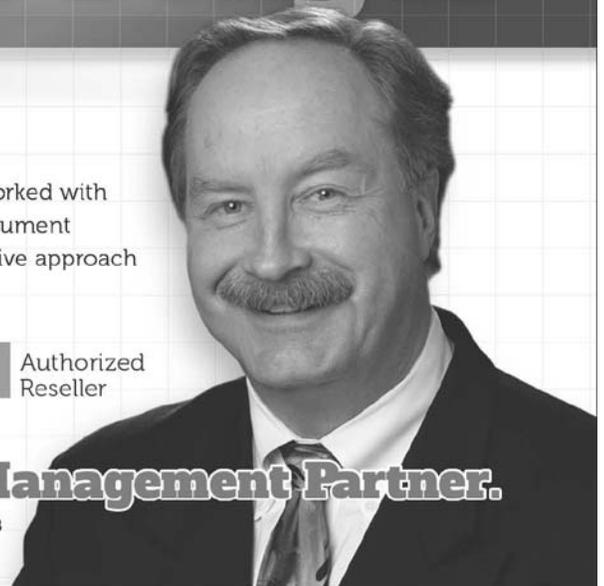
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Our Communities – City of Farmington

This feature is a look at New Mexico’s cities, towns and villages and what makes them unique. This month’s city profile was written by Randy Van Vleck, League General Counsel.



Farmington Mayor Tommy Roberts

Farmington can trace its history back over 2,000 years to the time of the Anasazi. Their influence can still be seen throughout the area most notably at the Salmon Ruins and Aztec Ruins. Following the Anasazi came the Navajo, Jicarilla Apache and Ute people and ultimately the Spanish, who settled in the early 19th Century. This diversity of cultures continues in present-day Farmington.

The permanent settle of Farmington was begun by pioneers from Colorado who found the site at the confluence of the La Plata, Animas and San Juan rivers to be an excellent agricultural site. Farmington was incorporated in 1901 making it one of New Mexico’s oldest incorporated municipalities. Over time, with the discovery of oil and gas, the emphasis on agriculture waned as the production of oil and gas blossomed. Oil and gas production is still an anchor industry in Farmington and the Four Corners area.

It is called the Four Corners area because it is the only place in the United States where four states intersect in a single place. I recently sat down with the Mayor of Farmington, Tommy Roberts. He relates that the small town atmosphere promotes a sense of volunteerism in its residents.

Farmington is the home to many excellent tourist-related industries including the Connie Mack World series, held each August at Ricketts Park , a world class golf course at Pinon Hills and some of the best trout fishing in the country in the San Juan “quality waters”. The San Juan Mountains and Navajo Lake are nearby as well. Mayor Roberts is proud of the diversity Farmington has to offer and wishes to continue embracing the tradition of tolerance and acceptance that is an important part of life for the people of Farmington.



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