

Taxation and Revenue Department Update

Presentation by:

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Taxation and Revenue Department Update

Overview

The Taxation and Revenue Department is busy implementing important changes in four key areas:

- 1. Key legislation that passed, and that didn't pass, in the 2009 Session;**
- 2. Modernization of the Motor Vehicle Division (MVD);**
- 3. Improved collection of delinquent taxes through our "Fair Share" initiative; and**
- 4. Improved enforcement of the Weight-Distance and Trip Taxes through a joint initiative with the Departments of Transportation and Public Safety**

I will only have time to provide you a quick summary of the status of our work in each area, but there is a more detailed handout on 2009 legislation available for you

Taxation and Revenue Department Update

Key Legislation in the 2009 Session

Key Legislation That Passed

- **Corporate Estimated Payments (SB-80; Sen. Smith)**
 - **Restored 1st quarterly estimated payment, with initial payment partially delayed (half due April 15th, other half due June 15th)**
 - **Clarifies that withholding and oil and gas proceeds withholding payments are estimated payments**
 - **Estimated to raise \$58 million in FY 2009**
- **Cigarettes (SB-219; Sen. Morales)**
 - **Changes were needed to insure that New Mexico is properly enforcing the Master Settlement Agreement, removing the risk of losing State revenue under the MSA (\$48 million this year alone)**
 - **Amends the Cigarette Tax Act and the Cigarette Tax Enforcement Act to conform rules and definitions and improve enforcement**
 - **Extends from 10 to 30 days the time that distributors can have cigarettes without affixing a stamp**
 - **Applies the tobacco products tax to samples and gifts of non-cigarette tobacco**
 - **Exempts Indian tribal sales from tax**
 - **Makes it a fourth degree felony to knowingly make a materially false statement in any record required to be kept under the Cigarette Tax Act**

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Key Legislation in the 2009 Session – Cont.

Key Legislation That Passed – Cont.

- **TIDD Oversight (HB-451; Rep. Lundstrom)**
 - **Adds notice requirements to the Secretaries of both Taxation and Revenue and Finance and Administration and the Director of the Legislative Finance Committee within 10 days after a resolution is adopted by a TIDD**
 - **Makes Secretary of DFA member of all TIDD boards**
 - **Provides distribution of remaining balances in debt service reserve fund to the governments that dedicated the revenue**

- **Winrock/Quorum Town Center Bonds (SB-467; Sen. Ortiz y Pino)**
 - **Authorized up to \$137 million for TIDDs 1 and 2, and \$27 million for TIDD 3**

- **Investment Tax Credit and Double-Weighted Sales Factor for Manufacturers (HB-75; Rep. B. Lujan)**
 - **Both extended to 2020**

Taxation and Revenue Department Update

Key Legislation in the 2009 Session – Cont.

Key Legislation That Passed – Cont.

- **Estimated Future Property Tax Information to Buyers (HB-261; Rep. Sandoval)**
 - **Requires sellers to disclose to potential buyers, prior to making an offer, a county assessor’s estimate of what the property tax will be based on the asking price**
 - **The county assessor’s estimate must contain a disclaimer that the estimate is based on the asking price but property tax valuations are “current and correct” which may be higher or lower than the estimate**
 - **Prospective buyers may waive the disclosure in writing prior to making an offer on the property**
- **Confidentiality (HB-257; Rep. Varela)**
 - **Adds new definitions and general rules**
 - **Reorganizes exceptions into groups of related entities**
 - **Makes conforming changes to the penalty provisions**
- **Alternative Vehicle Registrations (HB-12; Rep. Taylor)**
 - **Provides a 5% discount for motor vehicle registration renewals made by phone or internet**
 - **Allows transfers to offset effect of discount on State and local road funds**
 - **Appropriates certain fees to MVD and makes them non-reverting**

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Key Legislation in the 2009 Session – Cont.

Key Legislation That Did Not Pass

- **PIT Simplification (HB-262; Rep. Sandoval)**
 - **Would help taxpayers by simplifying the personal income tax**
 - **Make the income tax fairer**
 - **Was fiscally responsible**
- **Corporate Income and Franchise Tax Changes (SB-648; Sen. Wirth)**
 - **Would restructure the way corporations are taxed**
 - **You will hear more about this proposal this afternoon**
- **Public School Funding (HB-346; Rep. Stewart)**
 - **Early version would have increased top personal income tax rate to 6% and increased the State gross receipts tax rate by 0.5%**
 - **Final version would have increased the State gross receipts tax rate by 0.75%**
- **Suncal (Upper Petroglyph) Bonds (HB-470; Rep. Sandoval)**

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Key Legislation in the 2009 Session – Cont.

Key Legislation That Did Not Pass – Cont.

- **TIDD Technical changes (SB-201; Sen. B. Sanchez)**
 - **Would amend the gross receipts tax increment calculations to correct an omission, conform to tax reporting, and specify how certain estimates are made**
 - **Update the lists of municipal and county gross receipts taxes that can be dedicated to a TIDD**
 - **Add explicit rules for how excess amounts in a TIDD's debt service reserve fund are distributed when all bonds have been retired (similar rules included in HB-541)**
 - **Provided a mechanism for TIDD boards or developers to reimburse the Taxation and Revenue Department for the IT work necessary to implement the bill**

- **Broader property tax changes (various bills)**
 - **Legislation to address the unintended effects of the 3% limit on valuation increase and yield control will undoubtedly remain on the agenda**

- **Withholding Tax Update (HB-8; Rep. B. Lujan)**
 - **Would have extended pass-through entity withholding and oil and gas proceeds withholding to residents, and made pass-through entity withholding quarterly**
 - **These changes were intended to save residents time and money by reducing the need for estimate payments and to improve compliance**

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Key Legislation in the 2009 Session – Cont.

Key Legislation That Did Not Pass – Cont.

- **Film Actor Withholding (HB-404; Rep. Lujan)**
 - **Would have required withholding on all payments for film performing artists**
 - **A conforming change insured that these payments would not be subject to gross receipts tax twice**

- **TAA Electronic Payments (HB-266; Rep. Trujillo)**
 - **Would have helped small taxpayers by increasing the threshold for required monthly filing of Combined Reporting System (CRS) taxes**
 - **Help insure that large tax payments are received and distributed on a timely basis**
 - **Allowed quicker relief to taxpayers impacted by disasters or other crises**
 - **Increased the minimum penalties for failure to file or to evade tax, which are currently too low to be effective**

- **TAA Administrative Changes (SB-641; Sen. Cisneros)**
 - **Would have helped taxpayers who have disagreements with the Department by simplifying and improving the protest and hearing process**
 - **Helped taxpayers by awarding administrative and litigation costs related to credits**
 - **Corrected the rate for food and medical hold harmless distributions to large municipalities and counties**

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Key Legislation in the 2009 Session – Cont.

General Fund Revenue Estimates

Tax-Related Legislation Enacted in 2009 Legislative Session						
Title/Description	Estimated General Fund Impact by Fiscal Year					
	(\$ millions)					
	2009	2010	2011	2012	2013	2009-13
Executive Office Building Bonds			(0.30)	(1.80)	(1.80)	(3.90)
Continued Distribution to Retiree Health Care			(3.00)	(3.00)	(3.00)	(9.00)
Corporate Income Tax Reporting Dates	58.00	(3.50)	2.00	2.00	1.00	59.50
Manufacturing and Investment Tax Credits			(2.10)	(16.10)	(16.40)	(34.60)
School Event Service Gross Receipts		(0.13)	(0.13)	(0.14)	(0.15)	(0.54)
Sustainable Building Tax Credit Provisions		(a)	(a)	(a)	(a)	(a)
Geothermal heat Pump Tax Credits			(0.50)	(0.70)	(0.90)	(2.10)
Renewable Energy Tax Credit				(5.06)	(4.05)	(9.11)
Solar Market Development Tax Credit		0.57	0.66	0.76	0.87	2.85
Railroad-Highway Crossing Violation		(b)	(b)	(b)	(b)	(b)
Municipal Environmental Gross Receipts		(c)	(c)	(c)	(c)	(c)
Total	58.00	(3.05)	(3.38)	(24.04)	(24.43)	3.10

- (a) Small positive but indeterminate revenue impact.
- (b) Positive but indeterminate revenue impact.
- (c) Small negative but indeterminate revenue impact.

Copies of the *Legislative Summary: 2009*, New Mexico Bulletin B-100.21 2009, are available or can be obtained on the Department's web site:

http://www.tax.state.nm.us/pubs/legislative_summary.htm

Taxation and Revenue Department Update

Modernization of the Motor Vehicle Division (MVD)

This is a significant initiative to make MVD work better for our customers

The “road map” for this initiative is an IBM Needs Assessment Study completed in 2006 that evaluated MVD IT system and business processes

Key Accomplishments to Date

- **Partner Management Unit for contract compliance**
- **Drive Insured program which has reduced New Mexico’s uninsured rate from 33% to 9%**
- **Central Issuance of driver’s license and ID cards, which include biometric facial recognition**
- **Document scanning and authentication of source documents**

Current Work

- **Web site to offer on-line services – Under contract negotiations**

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Modernization of the Motor Vehicle Division (MVD)

Current Work – Cont.

- **Issue RFP for vendors to operate private “agent” offices**
- **Improved automated Call Center**
- **Issue RFP for commercial off-the-shelf driver and vehicle system**
- **Task Force to streamline and simplify MVD fees**
- **MVD Code rewrite to provide consistent policies and clear direction to MVD staff and customers**
- **“Express Lanes” for customers with simple transactions**
- **Appointments for driving test, 1st time driver’s license and 1st time title transactions**
- **More efficient and more secure transactions**
- **Management training for all supervisors and continued training for Field Office Agents**
- **“Substitute Clerk” program to reduce wait time between 10 am and 2 pm**

Modernization of the Motor Vehicle Division (MVD)

Current Work – Cont.

- **“Secret Shopper” service to provide continuous monitoring of offices, including customer service**

Future Projects and Challenges

- **Electronic titling and lien process**
- **Customer feedback forms and venues**
- **Expanded payment options**
- **Preprocessing capability on website**
- **Address update/change on website**
- **Manage business partners accounts online**
- **Communicate with customers by e-mail**
- **Fee calculator on website to titling and registrations**

Taxation and Revenue Department Update

“Fair Share” Initiative

The “tax gap”, the difference between taxes owed and taxes paid, is estimated to be 15% of taxes owed

The tax gap is unfair to compliant taxpayers, who must pay additional taxes that should be paid by delinquent taxpayers

Since 2003, the Department has collected \$598 million in delinquent taxes through an initiative supported by the Governor and the Legislature

The “Fair Share” initiative would extend that effort by:

- Increasing data available for auditors and collectors;**
- Increasing the number of auditors, collectors and tax examiners**
- Upgrading software and hardware in TRD’s tax processing system and data warehouse**
- Educating the public on tax requirements**
- Increasing awareness of existing programs like managed audits and payment plans**
- Use of collection agencies for low-value, old and out-of-state debt**

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“Fair Share” Initiative – Cont.

The Legislature appropriated \$7.4 million in FY09 for this initiative

- **This funding will allow the Department to hire 64 additional auditors, collectors, examiners and IT specialists, and to fill 18 unfunded existing positions**
- **This hiring is already underway**
- **We expect these new hires and related purchases of IT hardware and software to increase revenues:**
 - **For the General Fund by \$21.3 million and for local governments by \$7.9 million in FY09**
 - **For the General Fund by \$32.7 million and for local governments by \$12.1 million in FY10**

A related initiative is to increase our commitment to work with taxpayers during these difficult economic times by easing access to installment agreements

- **Requirements to produce financial statements and loan applications with lending institutions are being reduced**
- **More flexibility is being allowed in repayment methods such as escalating payments and fluctuating payments for seasonal businesses**
- **We will work more closely with taxpayers to bring agreements current prior to defaulting the agreement**

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Improved Enforcement of Weight-Distance and Trip Taxes

This joint initiative with the Departments of Transportation and Public Safety is already underway

The initiative grew out of two 72-hour “blitz” enforcement programs in the last year at the Gallup and San Jon Port of Entries, which:

- **Revealed hundreds of truck companies that were not paying taxes;**
- **Resulted in collection of over \$150,000 in delinquent taxes; and**
- **Caused 320 citations to be issued for safety violations**

The initiative includes:

- **Additional personnel at ports of entry;**
- **Electronic license plate readers;**
- **Improved data collection and analysis; and**
- **New field auditors to assure compliance with the Weight-Distance and Trip taxes**

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Improved Enforcement of Weight-Distance and Trip Taxes – Cont.

The cost of the initiative is about \$2 million for equipment and temporary personnel, and about \$1 million annually once it is operational

- TRD had sufficient funds to begin implementation of this initiative**
- Future funding will come from a regulatory increase in the annual fee charged truckers for compliance and enforcement from the current \$2**
- The fee will be re-evaluated annually and adjusted up or down as appropriate**

Currently, the weight-distance and trip taxes provide \$88 million to the Road Fund

- The additional collection efforts, when fully implemented, will generate at least \$7 million more in annual taxes for the Road Fund**

The initiative is supported by the New Mexico Trucking Association