

Update on Tax Increment Development Districts (TIDDs)

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Summary of Presentation

- **Distributions to the Mesa del Sol TIDD**
- **Other TIDDs Formed or Under Consideration**
- **Technical Issues in the TIDD Statute**

Distributions to Mesa del Sol

- The Mesa del Sol development began receiving gross receipts tax increment distributions for gross receipts tax liabilities reported on or after January 1, 2008
- The GRT distributions to Mesa del Sol are determined by the percentage dedications by the State (75%) and Albuquerque (67%), and the local options covered by Albuquerque's dedication

Gross Receipts Tax	Total Rate	Dedicated to TIDD	Rate to TIDD	Rate to Imposing Govt.
Municipal Dedicated	.812500%	67%	.544375%	.268125%
Municipal Not Dedicated*	.250000%	-	-	.250000%
County	.687500%	-	-	.687500%
State (Municipal Share)	1.225000%	67%	.820750%	.404250%
State (State Share)	3.775000%	75%	2.831250%	.943750%
Total	6.750000%		4.196375%	2.553625%

* Albuquerque did not dedicate its local option .25% for transportation to Mesa del Sol

- The total distribution percentage to Mesa del Sol is:

$$4.196375\% / 6.750000\% = \underline{62.2\%}$$

- The fraction of the distributions from the State share of the State gross receipts tax is:

$$2.831250\% / 4.196375\% = \underline{67.5\%}$$

- These percentages will not change unless the municipal or State gross receipts tax rates are changed or the dedication percentages are changed

Distributions to Mesa del Sol – Cont.

The amount of distributions to Mesa del Sol by month through June are shown in the following table

Month in 2008 of:			Distribution Amount to Mesa del Sol
Business Activity	Taxpayer Reporting	Distribution To Recipients	
January	February	March	\$ 15,435.71
February	March	April	\$ 9,922.33
March	April	May	\$ 39,512.02
April	May	June	\$ 198,562.08
Total			\$ 263,432.14

Of the total distribution through June of \$263,432.14, the State share was \$177,734.89 and the Albuquerque share was \$85,697.25

Other TIDDs Formed or Under Consideration

Other TIDD districts have been formed but are not yet receiving gross receipts tax increment distributions, or are not yet formed but are under consideration

Upper Petroglyphs (SunCal)

- **On January 29, 2008, the Department received notice from the Board of Finance approving a state gross receipts tax increment dedication for this TIDD**
- **On February 27, 2008, the Department received notice from Bernalillo County advising of the formation of the TIDD and the amount of county gross receipts tax increment dedicated to the TIDD**
- **After receipt of these notices, the Department proceeded to implement the gross receipts tax increments to the TIDD effective July 1, 2008**
- **In June 2008, the Department was notified by TIDD representatives that a district board was not formed by the TIDD, so a bond fund to receive TIDD GRT distributions could not be established**
- **The Department can only distribute gross receipts tax increment to such a bond fund**
- **No distribution to the TIDD will occur until the district board is formed and a bond fund established**

City of Las Cruces TIDD

- **On June 9, 2008, the Department received notice from the City of Las Cruces concerning the formation of this TIDD and the city gross receipts tax increment dedication**
- **The municipal GRT dedication to the TIDD will begin January 1, 2009**
- **If the Department receives notice from the Board of Finance on the state gross receipts tax increment dedication by August 31, 2008, the Department will proceed with implementing the State GRT increments effective January 1, 2009**
- **Unlike the Mesa del Sol and Upper Petroglyphs TIDDs, the Las Cruces TIDD covers an existing set of businesses so will have non-zero “base gross receipts taxes” (see “Technical Issues”)**

Other TIDDs Formed or Under Consideration - Cont.

Verde TIDD (south of Las Cruces)

- **This TIDD is under discussion but the Department has not received any notice on formation or gross receipts tax increment dedication(s)**

Winrock and ABQ Uptown TIDD(s)

- **This TIDD (or TIDDs) is under discussion but the Department has not received any notice on formation or gross receipts tax increment dedication(s)**

Farmington TIDD

- **This TIDD is under discussion but the Department has not received any notice on formation or gross receipts tax increment dedication(s)**

A list of Department notification deadlines concerning TIDDs is attached.

Technical Issues in the TIDD Statute

During the process of preparing to implement distributions to Mesa del Sol the Department identified a number of issues related to TIDDs that may require legislative clarifications and appropriations to implement

- **The phrases “base gross receipts taxes” and “gross receipts tax increment” are defined in terms of tax collections, but should be defined as taxable gross receipts before the food and medical deduction**
 - **Without this change, there would be no TIDD distribution for food or medical sales**
- **“Base gross receipts taxes” must be determined by an estimate which will be difficult to develop**
 - **Instead, they could be estimated from actual receipts in the first year a district has a dedicated gross receipts tax increment**
 - **We have suggested this approach to the Las Cruces TIDD**
- **The 25-year limit from the date the first bond is issued on the term of all bonds issued by a district creates a strong incentive for projects to be divided into multiple districts**
 - **Each district requires a separate location code for reporting gross receipts taxes, imposing reporting and administrative burdens and increasing the likelihood of errors**
 - **As an alternative, districts could be allowed to bond for 25 years against the increment to its gross receipts tax base in each of the initial years of the district, so the project’s 25-year term bonding authority is staggered over the development phase of the project**
- **Under current law, there is no provision for the allocation of any excess amounts of TIDD distributions after the termination of the district (and repayment of any outstanding bonds), and it has been**

suggested that a governing body could withdraw any revenue not needed for debt service at any time

- **Explicit rules should describe the circumstances under which there are “excess increment revenues” that can be used for purposes other than debt service on increment bonds**
- **These rules should also specify which portion of those revenues revert to the General Fund if any part of the gross receipts tax increment distributions were dedicated by the State Board of Finance from state gross receipts taxes**
- **Some additional minor technical changes may also be needed to clarify the law and facilitate tax compliance and administration**
- **The Department will need to make significant system changes to make distributions to a district that has a non-zero “base gross receipts taxes”, or a change in area**
- **We will have to divert resources from other high-priority systems work in order to make these changes by January 1, 2009 when distributions to the Las Cruces TIDD will begin**

Tax Increment Development District (TIDD) Taxation and Revenue Department Notification Deadlines

Formation of District

- The governing body shall notify the Taxation and Revenue Department as soon as the formation process is complete (Section 5-15-9). No statutory deadline is provided.
- The government body shall provide a copy of the resolution ordering the formation of the district.

Approval of Tax Increment Development Plan

- The governing body is required to “timely notify” the Taxation and Revenue Department of the approval of a tax increment development plan that has a provision for the allocation of gross receipts tax increments (Section 5-15-15).

Approval of Dedication or Increase to an Existing Dedication

- The State Board of Finance and the taxing entity (local government) must notify the Taxation and Revenue Department at least 120 days before the effective date of the dedication or increase (Section 5-15-27).
- For a January 1 effective date the deadline is August 31st.
- For a July 1 effective date the deadline is February 28th.

Notification of Issuance of Bonds

- Although this notification is not mandated by statute, the TIDD should provide the Taxation and Revenue Department with: 1) a copy of the governing body resolution authorizing the issuance of bonds against local gross receipts tax increments (once the resolution is approved by the district board) and 2) notification of approval by the Legislature for the issuance of bonds against a state gross receipts tax increment.

District Contact and Distribution Information

- Although the following information is not required by statute it is necessary for the Taxation and Revenue Department to distribute increment revenue to a TIDD:
 - 1) Name, address and phone number of a contact person for the TIDD who can address issues related to the increment revenue distribution.
 - 2) Federal Identification Number for the TIDD.
- The above information must be provided to the Taxation and Revenue Department by November 1 for a January 1 effective date or May 1 for a July 1 effective date.