



# City of Santa Fe, New Mexico

## LEGISLATIVE SUMMARY

Bill No. 2016-12  
Hold Harmless GRT

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**SPONSOR(S):** Councilor Dominguez

**SUMMARY:** The proposed bill implements a municipal hold harmless gross receipts tax pursuant to §7-19d-18 NMSA 1978. The City is able to implement up to a .375% increase, in 1/8% increments. The exact amount and dedication for the tax will be determined by the Governing Body as the bill moves through the committee process.

**PREPARED BY:** Jesse Guillen, Legislative Liaison

**FISCAL IMPACT:** Yes

**DATE:** February 16, 2016

**ATTACHMENTS:** Bill  
FIR

1 CITY OF SANTA FE, NEW MEXICO

2 BILL NO. 2016-\_\_

3 INTRODUCED BY:

4  
5 Councilor Carmichael A. Dominguez

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9  
10 AN ORDINANCE

11 ADOPTING A MUNICIPAL HOLD HARMLESS GROSS RECEIPTS TAX.

12  
13 BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF SANTA FE:

14 Section 1. A new Article 18-19 SFCC 1987 is ordained to read:

15 18-19 [NEW MATERIAL] MUNICIPAL HOLD HARMLESS GROSS  
16 RECEIPTS TAX

17 18-19.1 [NEW MATERIAL] Imposition of Tax. There is imposed on any person  
18 engaging in business in this municipality for the privilege of engaging in business in this  
19 municipality an excise tax equal to [one-eighth of one percent (.125%) or one-fourth of one  
20 percent (.25%) or three eighths of one percent (.375%)] of the gross receipts reported or required  
21 to be reported by the person pursuant to the New Mexico Gross Receipts and Compensating Tax  
22 Act as it now exists or as it may be amended. The tax imposed under this ordinance is pursuant to  
23 the Municipal Local Option Gross Receipts Taxes Act as it now exists or as it may be amended  
24 and shall be known as the "municipal hold harmless gross receipts tax."

25 18-19.2 [NEW MATERIAL] General Provisions. This ordinance hereby adopts by

1 reference all definitions, exemptions and deductions contained in the Gross Receipts and  
2 Compensating Tax Act as it now exists or as it may be amended

3 **18-19.3 [NEW MATERIAL] Specific Exemptions.** No municipal hold harmless gross  
4 receipts tax shall be imposed on the gross receipts arising from:

- 5 A. transporting persons or property for hire by railroad, motor vehicle, air  
6 transportation or any other means from one point within the municipality to  
7 another point outside the municipality;
- 8 B. a business located outside the boundaries of a municipality on land owned by that  
9 municipality for which a state gross receipts tax distribution is made pursuant to  
10 Subsection C of Section 7-1-6.4 NMSA 1978; or
- 11 C. direct broadcast satellite services.

12 **18-19.4 [NEW MATERIAL] Dedication.** Revenue from the municipal hold harmless  
13 gross receipts tax will be used for the purpose(s) listed below:

- 14 A. \_\_\_\_\_
- 15 B. \_\_\_\_\_

16 **18-19.5 [NEW MATERIAL] Effective Date.** The effective date of the municipal hold  
17 harmless gross receipts tax shall be either January 1, or July 1, whichever date occurs first after  
18 expiration of three months from the date this ordinance is adopted.

19 APPROVED AS TO FORM:

20   
21 \_\_\_\_\_  
22 KELLEY A. BRENNAN, CITY ATTORNEY

23  
24  
25 *M/Legislation/Bills 2016/Hold Harmless GRT*



\_\_\_\_\_ Check here if no fiscal impact

Column #:	1	2	3	4	5	6	7	8
	Expenditure Classification	FY _____	"A" Costs Absorbed or "N" New Budget Required	"R" Costs Recurring or "NR" Non-recurring	FY _____	"A" Costs Absorbed or "N" New Budget Required	"R" Costs – Recurring or "NR" Non-recurring	Fund Affected

Personnel*	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Fringe**	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Capital Outlay	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Land/ Building	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Professional Services	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
All Other Operating Costs	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Total:	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____

\* Any indication that additional staffing would be required must be reviewed and approved in advance by the City Manager by attached memo before release of FIR to committees. \*\*For fringe benefits contact the Finance Dept.

**2. Revenue Sources:**

- a. To indicate new revenues and/or
- b. Required for costs for which new expenditure budget is proposed above in item 1.

Column #:	1	2	3	4	5	6
	Type of Revenue	FY _____	"R" Costs Recurring or "NR" Non-recurring	FY _____	"R" Costs – Recurring or "NR" Non-recurring	Fund Affected

_____	\$ _____	_____	\$ _____	_____	_____	_____
_____	\$ _____	_____	\$ _____	_____	_____	_____
_____	\$ _____	_____	\$ _____	_____	_____	_____
Total:	\$ <b>TBD</b>	_____	\$ _____	_____	_____	_____

**3. Expenditure/Revenue Narrative:**

Explain revenue source(s). Include revenue calculations, grant(s) available, anticipated date of receipt of revenues/grants, etc. Explain expenditures, grant match(s), justify personnel increase(s), detail capital and operating uses, etc. (Attach supplemental page, if necessary.)

The Governing Body has two options from which to choose to increase the gross receipts tax (GRT). It can raise either or both the General Government GRT increment by up to ¼ % or the Hold Harmless increment by ⅓ %. The decision on which option to move forward on will provide the basis for a true fiscal note. A further decision also has to be made before the full fiscal impact of this action can be established. The framework for balancing the recurring deficit directs that that new revenue of \$3.8 million be raised through a combination of GRT and property taxes. The precise mix of these two will be decided further on in the budget process.

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**Section D. General Narrative**

**1. Conflicts:** Does this proposed bill/resolution duplicate/conflict with/companion to/relate to any City code, approved ordinance or resolution, other adopted policies or proposed legislation? Include details of city adopted laws/ordinance/resolutions and dates. Summarize the relationships, conflicts or overlaps.

None identified.

**2. Consequences of Not Enacting This Bill/Resolution:**

Are there consequences of not enacting this bill/resolution? If so, describe.

The city would not enact a “municipal hold harmless gross receipts tax”.

**3. Technical Issues:**

Are there incorrect citations of law, drafting errors or other problems? Are there any amendments that should be considered? Are there any other alternatives which should be considered? If so, describe.

None identified.

**4. Community Impact:**

Briefly describe the major positive or negative effects the Bill/Resolution might have on the community including, but not limited to, businesses, neighborhoods, families, children and youth, social service providers and other institutions such as schools, churches, etc.

This action will increase taxes on retailers and professional service vendor in the community.

**ACTION SHEET**  
**ITEM FROM FINANCE COMMITTEE MEETING OF 03/21/16**  
**FOR CITY COUNCIL MEETING OF 03/30/16**

**ISSUE:**

38. Request for Approval of an Ordinance Adopting a Municipal Hold Harmless Gross Receipts Tax. (Councilor Dominguez) (Oscar Rodriguez)

**Committee Review:**

Public Works Committee (approved)	02/22/16
City Council (request to publish) (approved)	02/24/16
City Council (public hearing) (scheduled)	03/30/16

Fiscal Impact – TBD

**FINANCE COMMITTEE ACTION:**

Approved as discussion item.

**FUNDING SOURCE:**

**SPECIAL CONDITIONS OR AMENDMENTS**

Approved the ¼% for three months.

**STAFF FOLLOW-UP:**

<b>VOTE</b>	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
COUNCILOR VILLAREAL	X		
COUNCILOR IVES	X		
COUNCILOR LINDELL	X		
COUNCILOR HARRIS	X		
CHAIRPERSON DOMINGUEZ			

**ACTION SHEET  
ITEM FROM THE  
PUBLIC WORKS/CIP AND LAND USE COMMITTEE MEETING  
OF  
MONDAY, FEBRUARY 22, 2016**

**ITEM 10**

REQUEST FOR APPROVAL OF AN ORDINANCE ADOPTING A MUNICIPAL HOLD HARMLESS GROSS RECEIPTS TAX (**COUNCILOR DOMINGUEZ**) (**OSCAR RODRIGUEZ**)

**PUBLIC WORKS COMMITTEE ACTION: Approved**

**FUNDING SOURCE:**

**SPECIAL CONDITIONS / AMENDMENTS / STAFF FOLLOW UP:**

VOTE	FOR	AGAINST	ABSTAIN
CHAIRPERSON TRUJILLO			
COUNCILOR BUSHEE		X	
COUNCILOR DIMAS	Excused		
COUNCILOR DOMINGUEZ	X		
COUNCILOR IVES	X		

**10. REQUEST FOR APPROVAL OF AN ORDINANCE ADOPTING A MUNICIPAL HOLD HARMLESS GROSS RECEIPTS TAX (COUNCILOR DOMINGUEZ) (OSCAR RODRIGUEZ)**

**Committee Review:**

Council (Request to publish)	02/24/16
Finance Committee (Scheduled)	02/29/16
Council (Public hearing)	03/30/16

Councilor Dominguez said 10, 11, 12 and 14 are in there just so we have those options in the budget. In the end we may not have to have any of them.

Councilor Bushee asked if he could fill in the blanks.

Councilor Dominguez explained that it is a range we can use.

Councilor Bushee was hoping to hear something from Councilor Maestas. It is incumbent on the Legislature to make us whole and she didn't like the way it came down. It harms cities and counties and she wanted to see what the plan is. The City is already facing property tax and GRT and she felt this one is a mistake.

Councilor Dominguez said the one-eighth is not going to cover the shortfall. It really needs to be more.

Councilor Bushee asked then why this one is proposed now. It isn't the main focus of our deficit.

Councilor Dominguez said this might not be the one we use. It could be #12 which is a whole different tax authority. But we just need to build the \$12 million somehow with one of them. Part of the reason is that the State has put this on the City.

Councilor Bushee pointed out that it is just a small part of the deficit so she is going to vote against it.

Councilor Bushee moved for denial and it died for lack of a second.

Councilor Dominguez said the Committee has to get them on the table and there are deadlines for implementing. It is not to endorse anyone of them.

Councilor Dominguez moved to approve the request. Chair Trujillo seconded the motion.

Councilor Maestas said he was against this. It is unfortunate that we are up against the wall. There are still many questions about policy. Assuming all of them were approved to proceed in parallel tracks and represent revenue far above what is needed, where does Council decide what they will implement?

Mr. Rodriguez sent us all an email urging us not to consider the hold harmless measure. In light of all these possible increases, shouldn't we at least hold out hold harmless. The February 12 email had his recommendation to not consider the hold harmless. He wanted to find out more of how this would work and hear the discussion. It shouldn't be this complete mess and there is not a proper forum for the public to weigh in on it. He thought they should hold that hearing in the Convention Center.

Councilor Dominguez said the email is not a staff decision; it is a policy decision for us to consider.

There will be a time where we have to get down to one or none at all. But at some point we will have to do that. This is just intended that we not miss any opportunity for our taxing authority.

Councilor Bushee said it is incumbent on the Committee to winnow out options. It is confusing to the public. We haven't taken anything off the table and we need to do that. Hold harmless could take place down the road when we know what the State is about to do. We have been paying for salaries out of CIP bonds and she would correlate this more specifically with the deficit. It is something that should be done at the committee level.

Councilor Dominguez said he intended, at the next Finance Committee agenda, to take action on one or the other where we will get that revenue. If we wait too long, there is no doubt that the County is likely to take some of it away from the City.

Councilor Bushee thought we were going to have a meeting with the County on it.

Councilor Ives pointed out that they know the hold harmless payments are disappearing and the total of the payments from the City are going to be reduced to ultimately \$10-22 million annually. The State realized it was causing the cities and counties to go into deficit. This reduction for hold harmless needs to go to whole Council. It is incumbent on the Committee to keep it alive for a decision by the whole Council.

He said he shared some of the concerns that the County will put in another 1/8. And the lack of precise drafting of the original measure has seen some electing to go with 3/8. We are not proposing to do that here in a very traditional 1/8 increment. So he supported the measure.

Councilor Maestas cautioned that the City should not engage in a race with the County to increase taxes. We are now at 8.135% and implementing this would put us in the top ten in the state. We will reach a point of diminishing returns and could hurt our citizens and thwart economic development here. The disadvantage is in considering this serious process. It will go through the election and composition of committees will be different under a new administration. So this is like a perfect storm with new policy measures and a new paradigm. And Finance was cancelled in February, he assumes the new Finance Committee will take this on at the March 21 meeting. That is the Committee to have the robust debate. It is awkward and slamming taxes down the community's throat.

Chair Trujillo said they will have the discussion at Finance where they will take action. He didn't know what the new Finance Committee will look like. But the public can't say we are not being honest with them.

**The motion passed by majority voice vote with all voting in favor except Councilor Bushee who dissented.**

**11. REQUEST FOR APPROVAL OF AN ORDINANCE AMENDING SUBSECTION 11-12.1 SFCC 1987 TO REMOVE THE PROVISION PERMITTING PAYMENT TO THE CITY IN LIEU OF TAXES FROM ENTERPRISE FUNDS; AND REMOVING THE SUNSET CLAUSE (COUNCILOR DOMINGUEZ) (OSCAR RODRIGUEZ)**

**Committee Review:**  
Council (Request to publish)  
Finance Committee (Scheduled)

02/24/16  
02/29/16