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CITY OF SANTA FE, NEW MEXICO

RESOLUTION NO. 2014-45

INTRODUCED BY:

Councilor Joseph Maestas

Councilor Patti Bushee

Councilor Peter Ives

Councilor Carmichael Dominguez

A RESOLUTION

RELATING TO COMPREHENSIVE TAX REFORM FOR MUNICIPALITIES; CALLING ON THE NEW MEXICO STATE LEGISLATURE TO TAKE IMMEDIATE ACTION ON TAX REFORM INITIATIVES TO BRING BALANCE, EQUITY AND FINANCIAL STABILITY TO MUNICIPAL GOVERNMENTS.

WHEREAS, local governments continue to be negatively impacted by the economic downturn of 2008, resulting in significant declines in revenue available for local governments; and

WHEREAS, up to 75% of a municipality’s general fund revenue is derived from gross receipts taxes; and

WHEREAS, gross receipts taxes are regressive and disproportionately impact disadvantaged and low income citizens; and

WHEREAS, the Governing Body recognizes that gross receipts taxes are an unstable funding source whose levels are dependent on the health of the economy; and

WHEREAS, state law was amended in 2013 to repeal the hold harmless distribution made by the State to municipalities that have a population of over 10,000 to compensate those municipalities

1 for revenues lost as the result of the State’s elimination of gross receipts taxes on food and certain
2 medical services; and

3 **WHEREAS**, the State's elimination of these gross receipts taxes represent up to 30% of
4 municipalities' total gross receipts tax revenue; and

5 **WHEREAS**, the City of Santa Fe is facing a total estimated loss of over \$80 million of hold
6 harmless distribution funds over the phase-out period ending in 2030; and

7 **WHEREAS**, the State's elimination of this source of gross receipts tax revenue will certainly
8 cause a major decrease in vital city services, jeopardize current and future infrastructure and seriously
9 impact the city workforce and local economy; and

10 **WHEREAS**, some municipalities provide Emergency Medical and Communication Services
11 within the municipality but are not authorized by the State Legislature to fund the cost of providing
12 such services through an appropriate dedicated tax; and

13 **WHEREAS**, long standing New Mexico tax policy provides that “any shifting of tax sharing
14 between the state and municipalities must guarantee municipalities at least the same revenue levels
15 they derive from current tax policy;” and

16 **WHEREAS**, state law related to a home rule municipality’s authority over its financial
17 affairs is severely restricted and there is a need to amend state law to remove such restrictions in order
18 to mitigate the impacts of current state tax policy; and

19 **WHEREAS**, the *2013-2014 New Mexico Municipal League Statement of Municipal Policy*
20 (*“NMML Policy Statement”*) includes taxation and revenue and finance policy statements that should
21 be used as a reference to draft proposed legislative initiatives to be acted upon by the State
22 Legislature at its next session; and

23 **WHEREAS**, the Governing Body is mindful that the City of Santa Fe, as the capital city of
24 the State of New Mexico, should work in close collaboration with the New Mexico Municipal League
25 (NMML) and other New Mexico municipal governments to propose tax reform initiatives for action

1 by the New Mexico State Legislature to bring balance, equity and financial stability to local
2 municipal governments and the residents they serve.

3 **NOW, THEREFORE BE IT RESOLVED BY THE GOVERNING BODY OF THE**
4 **CITY OF SANTA FE** that the Governing Body hereby endorses the taxation and revenue and
5 finance policy statements of the NMML and calls on the New Mexico State Legislature to enact
6 legislation, consistent with the *NMML Policy Statement*, during the 2015 Legislative Session to bring
7 balance, equity and financial stability to local municipal governments and the residents they serve.

8 Such legislation shall:

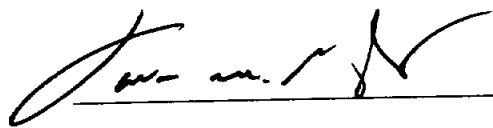
- 9 • Grant municipalities the authority to generate the revenue necessary to administer
10 government and provide basic services.
- 11 • Guarantee municipalities, when there is any shifting of tax sharing between the state and
12 municipalities, at least the same revenue levels they derive from current state tax policy.
- 13 • Authorize municipalities to enact taxes at the local level that are appropriate to their tax
14 bases in the following areas:
 - 15 1. Gross Receipts Tax - Retain authority to enact at the local level.
 - 16 2. Ad Valorem Tax - Retain authority to impose millage for municipal general purpose
17 government.
 - 18 3. Income Tax - Grant municipalities a share of the State income tax.
 - 19 4. Miscellaneous User Taxes - Grant municipalities the authority to levy local option
20 taxes on sales of gasoline, cigarettes and alcohol, or, in the alternative, increase the
21 municipal share of such current taxes.
- 22 • Remove limitations on municipal revenue sources for home rule municipalities.
- 23 • Provide added financial assistance or revenues each time the legislative, executive or
24 judicial branches create new or expanded service requirements for municipalities by
25 providing realistic funding levels for new and existing mandates.

- 1 • Develop an effective funding system to supplement or replace federal funding in those
- 2 program areas which are the most essential to the well-being of New Mexico's citizens.
- 3 • Amend the confidentiality provisions of the New Mexico Tax Act to allow certain
- 4 municipal officials access to currently confidential information regarding taxpayers in a
- 5 municipality so that at least once every three years municipalities would have the ability
- 6 to identify businesses that are not in compliance with State of New Mexico or municipal
- 7 business registration statutes and ordinances which would further enhance the Taxation
- 8 and Revenue Department's ability to enforce and collect taxes.
- 9 • Grant municipal authority for an emergency medical and communication services gross
- 10 receipts tax in 1/8% increments up to a total of 1/4% by positive referendum.

11 **BE IT FURTHER RESOLVED** that staff is directed to coordinate and work with the
12 NMML, other municipalities and appropriate State legislative committees to ensure that legislation is
13 enacted during the 2015 legislative session that will grant local governments the authority to bring
14 financial balance, equity and stability to their respective municipalities.

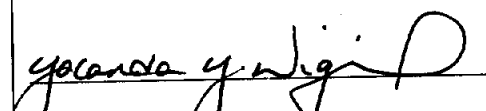
15 **BE IT FURTHER RESOLVED** that the City Clerk is directed to send a copy of this
16 resolution to the New Mexico Congressional Delegation, the Speaker of the New Mexico House of
17 Representatives, the President Pro Tempore of the New Mexico Senate, the City's State Legislative
18 Delegation, the NMML and the City's lobbyist.

19 PASSED, APPROVED, and ADOPTED this 11th day of June, 2014.

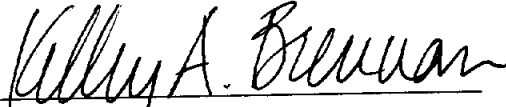
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22 JAVIER M. GONZALES, MAYOR

23 ATTEST:

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25 YOLANDA VIGIL, CITY CLERK

1 APPROVED AS TO FORM:

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4 KELLEY A. BRENNAN, INTERIM CITY ATTORNEY

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