

# Lujan Grisham signs tax relief bill into law

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SANTA FE – New Mexico taxpayers will get a break on interest and penalties typically levied on unpaid taxes, under legislation signed into law by Gov. Michelle Lujan Grisham on Monday.

The measure, House Bill 6, took effect immediately upon being signed.

It was overwhelmingly approved by state lawmakers during a special session this month and is aimed at providing economic relief to New Mexico residents and businesses affected by the coronavirus pandemic.

“The financial pain caused by COVID-19 is real,” Lujan Grisham said Monday after signing the legislation. “This bill will help New Mexicans who through no fault of their own were unable to pay their taxes on time.”

Specifically, the bill waives tax penalties and interest on several kinds of taxes – including personal income tax, property tax and gross receipts tax – as long as the tax bills are paid in full by 2021 deadlines.

Shortly after the coronavirus outbreak started in mid-March, the governor and Taxation and Revenue Secretary Stephanie Schardin Clarke authorized a 90-day extension for New Mexico individuals and businesses to file and pay their income taxes.

The deadline for those tax filings is now July 15, though full payment is not required until April 15, 2021.

However, legislative approval was required for interest not be applied to late tax payments. During the just-ended special session, the Senate voted 42-0 to approve the bill, and the House passed it 69-1.

Meanwhile, the tax legislation also increases the size of monthly payments the state makes to cities and counties. Those payments are intended to cover revenue the state collects from taxing internet sales.

In all, the state will now pay out \$48 million annually to cities and counties during the coming budget year – up from \$24 million this year.

Cities and counties will then start getting their direct share of the revenue generated by taxing internet sales in 2021.

“This bill will provide relief to cities and counties around New Mexico whose budgets have been hard hit by the economic downturn caused by the COVID-19 pandemic and that aren’t sharing in the revenues from increased online shopping,” Schardin Clarke said Monday.

However, some New Mexico mayors have said the increased state payments are not big enough for cities battered by the pandemic and business restrictions imposed in response to it.

Roswell Mayor Dennis Kintigh said in a recent interview that he believes “the state is making out like bandits” from the tax levied on internet sales.

The tax relief bill also changes state law so that businesses cannot take advantage of a provision in the federal CARES Act intended to reduce their tax burden.

While businesses can still use that provision in filing their federal tax returns, if the change in state law had not been enacted, the state could have been facing between \$20 million to \$40 million in tax refund applications dating back to past years, according to the Taxation and Revenue Department.

That’s because the federal change gave corporations more flexibility about when financial losses can be deducted for tax-filing purposes.

Financial consultant Tom Clifford, a former state Cabinet secretary under ex-Gov. Susana Martinez, said the change will make it more complicated for corporations to file their taxes and said it could hurt New Mexico’s business reputation.

He also said he was concerned there was little debate about the provision during the special session, which was held in a Roundhouse that was closed to the public due to the pandemic.

In all, Lujan Grisham has signed four of the seven bills approved by the Democratic-controlled Legislature during the special session, which ended June 22.

The governor is expected to act on the three remaining bills – dealing with budget solvency, small business aid and mandatory body cameras for law enforcement officials – in the coming days.