

Hold Harmless Impacts

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In 2004, the New Mexico Legislature passed a tax law that removed gross receipts taxes on food and medicine. At that time, many New Mexico cities raised concerns with the impact the lost revenue would have on service levels within our communities. As a result, the tax bill included a provision where state government promised to hold local government harmless from their decisions and therefore put in place tax offsets in the form of distributions to match the funding that would have been lost. In the 2013 Legislative Session, a new tax bill was approved and made into law that goes into effect on July 1, 2013. This new tax law has included a provision to phase out the promised hold harmless payments over the next 15 years. The implications across the 105 New Mexico cities vary and the City of Las Cruces is facing the third highest impact/loss from this decision. The work session on Monday has been scheduled to allow the City Manager to publicly present information on this issue including background/history, financial impacts, potential actions to counter the impacts, and create an opportunity to work with the city council to set a strategic path forward to ensure implications of this major tax decision are well understood by all and that we move forward with a well thought out plan.