



RECEIVED
18 MAR -7 AM 9:43
OFFICE OF
SECRETARY OF STATE

State of New Mexico

Susana Martinez
Governor

March 7, 2018

SENATE EXECUTIVE MESSAGE NO. 92

The Honorable Mary Kay Papen, President Pro Tempore and
Members of the New Mexico State Senate
State Capitol Building
Santa Fe, New Mexico 87501

Honorable President Pro Tempore Papen and Members of the Senate:

Pursuant to the Constitution of the State of New Mexico, Article IV, Section 22, I hereby VETO and return SENATE BILL 17, enacted by the Fifty-Third Legislature, Second Session, 2018.

This bill would require that a designated nonprofit organization (nonprofit) that is the prime contractor operating a facility in New Mexico that is designated as a national laboratory to pay gross receipts tax (GRT). As written, this bill is problematic for several reasons.

This bill is designed to require one specific nonprofit to pay gross receipts tax when others are not required to do so—the nonprofit that will take over the contract to operate Los Alamos National Laboratory (LANL) when the current contract ends later this year. This is poorly-crafted tax policy. A proposed amendment would have remedied this issue—requiring all nonprofits with revenues over a certain threshold to pay GRT. This would have been a step in the right direction to ensure fair and equitable tax policy in New Mexico. Instead, the sponsor chose to withdraw the amendment, leaving the original bill language intact.

Nonprofit organizations currently do not pay GRT; therefore, a nonprofit taking over the LANL contract will result in a loss of GRT revenue. While this is of concern, the revenue loss will be less than what it is claimed to be; if the prime contractor is a nonprofit, then the subcontractors become taxable. Therefore, the total revenue loss becomes less than the current GRT paid by a for-profit entity.

Additionally, this bill is yet another piecemeal attempt at tax reform. I have repeatedly said that I will not sign tax increase bills outside of comprehensive tax reform. This concept should have been included in a larger tax reform package; yet again, the Legislature refused to pass comprehensive tax reform and continues to send bills like these to my desk.

SENATE EXECUTIVE MESSAGE NO. 92

The Honorable Mary Kay Papen

March 7, 2018

Page 2

Finally, the federal government is currently looking at LANL as a potential site for mission expansion. Requiring a nonprofit to pay a tax that it currently is not required to pay could cost the state many jobs and puts New Mexico at a competitive disadvantage throughout this process. I will not sign a bill that has the potential to do such harm to New Mexico and its citizens.

For these reasons, I veto Senate Bill 17.

Respectfully yours,



Susana Martinez
Governor

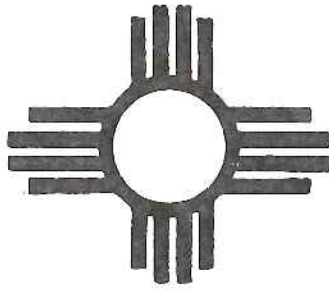
RECEIVED FROM THE OFFICE OF THE GOVERNOR

Time: 9:43 3 a.m. p.m.
Date: march 7th, 2018

By Anne L. Campbell
Sec Secretary of State

Time: _____ a.m. p.m.
Date: _____, 2018

By _____
Chief Clerk of the Senate



The Legislature
of the
State of New Mexico

53rd Legislature, 2nd Session

LAWS 2018

CHAPTER

SENATE BILL 17

VETOED

Introduced by

SENATOR CARLOS R. CISNEROS AND SENATOR RICHARD C. MARTINEZ AND
REPRESENTATIVE STEPHANIE GARCIA RICHARD
SENATOR PETER WIRTH



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

AN ACT
RELATING TO TAXATION; EXCLUDING CERTAIN ENTITIES FROM A GROSS
RECEIPTS TAX EXEMPTION FOR NONPROFIT ORGANIZATIONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 7-9-29 NMSA 1978 (being Laws 1970,
Chapter 12, Section 3, as amended) is amended to read:

"7-9-29. EXEMPTION--GROSS RECEIPTS TAX--CERTAIN
ORGANIZATIONS--EXCEPTIONS.--

A. Exempted from the gross receipts tax are the
receipts of organizations that demonstrate to the department
that they have been granted exemption from the federal income
tax by the United States commissioner of internal revenue as
organizations described in Section 501(c)(3) of the United
States Internal Revenue Code of 1986, as that section may be
amended or renumbered.

B. Exempted from the gross receipts tax are the
receipts from carrying on chamber of commerce, visitor bureau
and convention bureau functions of organizations that
demonstrate to the department that they have been granted
exemption from the federal income tax by the United States
commissioner of internal revenue as organizations described
in Section 501(c)(6) of the United States Internal Revenue
Code of 1986, as that section may be amended or renumbered.

C. This section does not apply to:

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

(1) receipts derived from an unrelated trade or business as defined in Section 513 of the United States Internal Revenue Code of 1986, as that section may be amended or renumbered; or

(2) receipts of a prime contractor that are derived from operating a facility in New Mexico designated as a national laboratory by an act of congress."

SECTION 2. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 2018. _____

s/John A. Sanchez
John A. Sanchez, President
Senate

s/Lenore M. Naranjo
Lenore M. Naranjo, Chief Clerk
Senate

s/Brian Egolf
Brian Egolf, Speaker
House of Representatives

s/Lisa M. Ortiz McCutcheon
Lisa M. Ortiz McCutcheon, Chief Clerk
House of Representatives

Approved by me this _____ day of _____, 2018

s/Governor Susana Martinez
Governor Susana Martinez
State of New Mexico