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State secures agreement on resolving 2018 local government lawsuit
Plaintiffs would share \$50 million in Gross Receipts Tax distributions case

The Taxation and Revenue Department has reached an agreement to settle a long-standing lawsuit brought by 44 counties and municipalities around New Mexico over Gross Receipts Tax distributions that date back more than a decade.

The settlement agreement still must be approved by all of the plaintiffs.

Under the settlement agreement, the plaintiffs would share in a one-time distribution of \$50 million from the state. Plaintiffs had argued the Department, under previous administration, improperly distributed Gross Receipts Taxes prior to July 1, 2015, when the distribution statute was amended. No changes to the current distribution formula would be made under the settlement agreement.

The Department distributes more than \$1.9 billion in Gross Receipts Tax and related revenue to local governments annually.

“Local governments deserve to have confidence in how their tax revenues are handled, and we’ve been able to demonstrate to them that the system is working,” said Taxation and Revenue Secretary Stephanie Schardin Clarke. “Throughout this process, this administration has been as transparent as possible, and we will continue to be, as we ensure local governments receive what they should under the distribution formula.”

The Lujan Grisham administration over the past several years has taken steps to work more collaboratively with counties, municipalities and tribal governments and ensure confidence in the system, including:

- Hiring a local government liaison. The liaison answers questions from local governments and helps them understand their distributions.
- Providing access to financial reports. Local governments can access four different financial reports to ensure the accuracy of their distributions, providing they have

a representative undergo training and enter into a confidentiality agreement with the Department to ensure taxpayer confidentiality.

- Instituting a more robust auditing procedure for GenTax, the state's automated tax administration system.
- Rigorous monthly reviews of distributions. Each month, Department staff conduct a rigorous review to investigate irregularities before Gross Receipts Tax distributions are finalized.

The Taxation and Revenue Department serves the State of New Mexico by providing fair and efficient tax and motor vehicle services. It administers more than 35 tax programs and distributes revenue to the State and to local and tribal governments throughout New Mexico.

The Department strives to reduce taxpayer burden through clearer communication, statutes, regulations, forms, correspondence and instructions.

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