SENATE BILL 125

49TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2010

INTRODUCED BY

Stephen H. Fischmann

AN ACT

RELATING TO TAXATION; REQUIRING REVIEW OF TAX EXEMPTIONS, CREDITS, DEDUCTIONS AND EXCLUSIONS AT FIVE-YEAR INTERVALS.

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

Section 1. Section 2-16-3 NMSA 1978 (being Laws 1994, Chapter 90, Section 3) is amended to read:

"2-16-3. DUTIES.--

A. After its [~~appointment~~] members are appointed, the revenue stabilization and tax policy committee shall hold one organizational meeting to develop a workplan and budget for the ensuing interim.

B. The workplan and budget shall be submitted to the New Mexico legislative council for approval.

C. Upon approval of the workplan and budget by the New Mexico legislative council, the committee shall examine the

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statutes, constitutional provisions, regulations and court decisions governing revenue stabilization and tax policy in New Mexico and recommend legislation or changes if any are found to be necessary to each session of the legislature.

D. The revenue stabilization and tax policy committee shall develop a five-year schedule to review tax incentives, including tax exemptions, credits, deductions and exclusions, to determine if the incentive is effective and essential and merits the tax expenditure that results from the use of the incentive. An incentive that the committee finds to be effective and essential and for which the tax expenditure is determined to be justified may be recommended to the legislature for a five-year extension. An incentive that the committee fails to find to be effective or essential or for which the tax expenditure is not justified shall be submitted to the legislature for repeal. If the incentive has a repeal date specified in statute, the committee may choose to review that credit on a cycle that coincides with the repeal date.

E. The revenue stabilization and tax policy committee shall include in its proposed budget a request for adequate funds to contract for an independent review to be completed annually on the tax incentives scheduled for review in that year.

F. As used in this section:

(1) "effective" means accomplishing the

purpose for which the exemption, credit, deduction or exclusion was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic tool in the state; and

(3) "tax expenditure" means revenue foregone by the state due to the use by taxpayers or others of tax exemptions, credits, deductions, exclusions or other forms of tax incentives."

Section 2. A new section of the Tax Administration Act is enacted to read:

"[NEW MATERIAL] INCENTIVES--CREDITS, DEDUCTIONS, EXEMPTIONS OR EXCLUSIONS--REVIEW.--

A. Unless otherwise stated in the law creating a tax exemption, credit, deduction or exclusion, beginning in 2010, every tax exemption, credit, deduction or exclusion that is created, applied to a taxpayer's liability or used to determine a taxpayer's liability and administered pursuant to the provisions of the Tax Administration Act shall be identified by the department and a list shall be provided to the revenue stabilization and tax policy committee to schedule for review on a five-year cycle beginning in the year the exemption, credit, deduction or exclusion goes into effect, to determine if the tax exemption, credit, deduction or exclusion is effective or essential. The committee shall review the tax exemption, credit, deduction or exclusion to determine if the amount of the tax expenditure attributable to the exemption, credit, deduction or exclusion is an acceptable loss of state revenue.

B. As used in this section:

(1) "effective" means accomplishing the purpose for which the exemption, credit, deduction or exclusion was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic tool in the state; and

(3) "tax expenditure" means revenue foregone by the state due to the use by taxpayers or others of tax exemptions, credits, deductions, exclusions or other forms of tax incentives."

Section 3. A new section of the Income Tax Act is enacted to read:

"[NEW MATERIAL] FIVE-YEAR REVIEW OF TAX EXEMPTIONS, CREDITS AND DEDUCTIONS REQUIRED--EXCEPTION.--

A. Every tax exemption, credit or deduction that is applied to a taxpayer's liability or used to determine a taxpayer's liability pursuant to the Income Tax Act shall be reviewed by the revenue stabilization and tax policy committee, on a five-year cycle to be established by the committee, to determine if the exemption, credit or deduction is effective or

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essential. The committee shall review the tax exemption, credit or deduction to determine if the amount of the tax expenditure attributable to the exemption, credit or deduction is an acceptable loss of state revenue.

B. Tax exemptions, credits or deductions that the revenue stabilization and tax policy committee determines not to be effective or essential shall be presented for repeal to the legislature in the legislative session following the review.

C. The revenue stabilization and tax policy committee may review a tax exemption, credit or deduction on a periodic basis other than every five years if, in the language creating the exemption, credit or deduction, a termination date is set that exceeds five years from the date of implementation of the exemption, credit or deduction; however, the committee may choose to review the exemption, credit or deduction on a five-year cycle regardless of the termination date in statute.

D. As used in this section:

(1) "effective" means accomplishing the purpose for which the tax exemption, credit or deduction was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic tool in the state; and

(3) "tax expenditure" means revenue foregone

by the state due to the use by taxpayers or others of tax exemptions, credits, deductions, exclusions or other forms of tax incentives."

Section 4. A new section of the Corporate Income and Franchise Tax Act is enacted to read:

"[NEW MATERIAL] FIVE-YEAR REVIEW OF TAX EXEMPTIONS, CREDITS AND DEDUCTIONS REQUIRED--EXCEPTION.--

A. Every tax exemption, credit or deduction that is applied to a taxpayer's liability or used to determine a taxpayer's liability pursuant to the Corporate Income and Franchise Tax Act shall be reviewed by the revenue stabilization and tax policy committee, on a five-year cycle to be established by the committee, to determine if the exemption, credit or deduction is effective or essential. The committee shall review the tax exemption, credit or deduction to determine if the amount of the tax expenditure attributable to the exemption, credit or deduction is an acceptable loss of state revenue.

B. Tax exemptions, credits or deductions that the revenue stabilization and tax policy committee determines not to be effective or essential shall be presented for repeal or amendment to the legislature in the legislative session following the review.

C. The revenue stabilization and tax policy committee may review a tax exemption, credit or deduction on a periodic basis other than every five years if, in the language creating the exemption, credit or deduction, a termination date is set that exceeds five years from the date of implementation of the exemption, credit or deduction; however, the committee may choose to review the exemption, credit or deduction on a five-year cycle regardless of the termination date in statute.

D. As used in this section:

(1) "effective" means accomplishing the purpose for which the tax exemption, credit or deduction was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic tool in the state; and

(3) "tax expenditure" means revenue foregone by the state due to the use by taxpayers or others of tax exemptions, credits, deductions, exclusions or other forms of tax incentives."

Section 5. A new section of the Withholding Tax Act is enacted to read:

"[NEW MATERIAL] FIVE-YEAR REVIEW OF TAX CREDITS AND DEDUCTIONS THAT MAY BE CLAIMED AGAINST WITHHOLDING TAX REMITTANCES.--

A. Every tax credit or deduction that may be applied to a withholder's liability or used to determine a withholder's liability determined pursuant to the Withholding

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Tax Act shall be reviewed by the revenue stabilization and tax policy committee, on a five-year cycle beginning in 2010, to determine if the credit or deduction is effective or essential. The committee shall review the tax credit or deduction to determine if the amount of the tax expenditure attributable to the credit or deduction is an acceptable loss of state revenue.

B. Tax credits or deductions that the revenue stabilization and tax policy committee determines not to be either effective or essential shall be presented for repeal to the legislature in the legislative session following the review.

C. The revenue stabilization and tax policy committee may review a tax credit or deduction every five years even if, in the language creating the tax credit or deduction, a termination date is set that establishes a repeal date that exceeds five years from the date of implementation of the credit or deduction; however, the committee may choose to review the credit or deduction on a five-year cycle regardless of the termination date in statute.

D. As used in this section:

(1) "effective" means accomplishing the purpose for which the tax credit or deduction was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic tool in the state; and

(3) "tax expenditure" means revenue foregone by the state due to the use by taxpayers or others of tax exemptions, credits, deductions, exclusions or other forms of tax incentives."

Section 6. A new section of the Gross Receipts and Compensating Tax Act is enacted to read:

"[NEW MATERIAL] FIVE-YEAR REVIEW OF TAX EXEMPTIONS, CREDITS AND DEDUCTIONS REQUIRED--EXCEPTION.--

A. Every tax exemption, credit or deduction that is applied to a taxpayer's liability or used to determine a taxpayer's liability pursuant to the Gross Receipts and Compensating Tax Act shall be reviewed by the revenue stabilization and tax policy committee every five years, on a five-year cycle to be established by the committee, to determine if the exemption, credit or deduction is effective or essential. The committee shall review the tax exemption, credit or deduction to determine if the amount of the tax expenditure attributable to the exemption, credit or deduction is an acceptable loss of state revenue.

B. Tax exemptions, credits or deductions that the revenue stabilization and tax policy committee determines not to be effective or essential shall be presented for repeal or amendment to the legislature in the legislative session following the review.

C. The revenue stabilization and tax policy committee may review a tax exemption, credit or deduction on a periodic basis other than every five years if, in the language creating the exemption, credit or deduction, a termination date is set that exceeds five years from the date of implementation of the exemption, credit or deduction; however, the committee may choose to review the exemption, credit or deduction on a five-year cycle regardless of the termination date in statute.

D. As used in this section:

(1) "effective" means accomplishing the purpose for which the tax exemption, credit or deduction was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic tool in the state; and

(3) "tax expenditure" means revenue foregone by the state due to the use by taxpayers or others of tax exemptions, credits, deductions, exclusions or other forms of tax incentives."

Section 7. A new section of the Interstate Telecommunications Gross Receipts Tax Act is enacted to read:

"[NEW MATERIAL] FIVE-YEAR REVIEW OF TAX EXEMPTIONS, CREDITS AND DEDUCTIONS REQUIRED--EXCEPTION.--

A. Every tax exemption, credit or deduction that is applied to a taxpayer's liability or used to determine a taxpayer's liability pursuant to the Interstate

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Telecommunications Gross Receipts Tax Act shall be reviewed by the revenue stabilization and tax policy committee every five years, on a five-year cycle to be established by the committee, to determine if the exemption, credit or deduction is effective or essential. The revenue stabilization and tax policy committee shall review the tax exemption, credit or deduction to determine if the amount of the tax expenditure attributable to the exemption, credit or deduction is an acceptable loss of state revenue.

B. Tax exemptions, credits or deductions that the revenue stabilization and tax policy committee determines not to be effective or essential shall be presented for repeal or amendment to the legislature in the legislative session following the review.

C. The revenue stabilization and tax policy committee may review a tax exemption, credit or deduction on a periodic basis other than every five years if, in the language creating the exemption, credit or deduction, a termination date is set that exceeds five years from the date of implementation of the exemption, credit or deduction; however, the committee may choose to review the exemption, credit or deduction on a five-year cycle regardless of the termination date in statute.

D. As used in this section:

(1) "effective" means accomplishing the purpose for which the tax exemption, credit or deduction was

adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic tool in the state; and

(3) "tax expenditure" means revenue foregone by the state due to the use by taxpayers or others of tax exemptions, credits, deductions, exclusions or other forms of tax incentives."

Section 8. A new section of the Gasoline Tax Act is enacted to read:

"[NEW MATERIAL] FIVE-YEAR REVIEW OF TAX EXEMPTIONS, CREDITS AND DEDUCTIONS REQUIRED--EXCEPTION.--

A. Every tax exemption, credit or deduction that is applied to a taxpayer's liability or used to determine a taxpayer's liability pursuant to the Gasoline Tax Act shall be reviewed by the revenue stabilization and tax policy committee every five years, on a five-year cycle to be established by the committee, to determine if the exemption, credit or deduction is effective or essential. The committee shall review the tax exemption, credit or deduction to determine if the amount of the tax expenditure attributable to the exemption, credit or deduction is an acceptable loss of state revenue.

B. Tax exemptions, credits or deductions that the revenue stabilization and tax policy committee determines not to be effective or essential shall be presented for repeal or amendment to the legislature in the legislative session following the review.

C. The revenue stabilization and tax policy committee may review a tax exemption, credit or deduction on a periodic basis other than every five years if, in the language creating the exemption, credit or deduction, a termination date is set that exceeds five years from the date of implementation of the exemption, credit or deduction; however, the committee may choose to review the exemption, credit or deduction on a five-year cycle regardless of the termination date in statute.

D. As used in this section:

(1) "effective" means accomplishing the purpose for which the tax exemption, credit or deduction was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic tool in the state; and

(3) "tax expenditure" means revenue foregone by the state due to the use by taxpayers or others of tax exemptions, credits, deductions, exclusions or other forms of tax incentives."

Section 9. A new section of the Motor Vehicle Excise Tax Act is enacted to read:

"[NEW MATERIAL] FIVE-YEAR REVIEW OF TAX EXEMPTIONS AND CREDITS REQUIRED--EXCEPTION.--

A. Every tax exemption or credit that is applied to a taxpayer's liability or used to determine a taxpayer's liability pursuant to the Motor Vehicle Excise Tax Act shall be reviewed by the revenue stabilization and tax policy committee every five years, on a five-year cycle to be established by the committee, to determine if the tax exemption or credit is effective or essential. The committee shall review the tax exemption or credit to determine if the amount of the tax expenditure attributable to the exemption or credit is an acceptable loss of state revenue.

B. Tax exemptions or credits that the revenue stabilization and tax policy committee determines not to be effective or essential shall be presented for repeal or amendment to the legislature in the legislative session following the review.

C. The revenue stabilization and tax policy committee may review a tax exemption or credit on a periodic basis other than every five years if, in the language creating the exemption or credit, a termination date is set that exceeds five years from the date of implementation of the exemption or credit; however, the committee may choose to review the exemption or credit on a five-year cycle regardless of the termination date in statute.

D. As used in this section:

(1) "effective" means accomplishing the

purpose for which the tax exemption or credit was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic tool in the state; and

(3) "tax expenditure" means revenue foregone by the state due to the use by taxpayers or others of tax exemptions, credits, deductions, exclusions or other forms of tax incentives."

Section 10. A new section of the Leased Vehicle Gross Receipts Tax Act is enacted to read:

"[NEW MATERIAL] FIVE-YEAR REVIEW OF TAX EXEMPTIONS, DEDUCTIONS AND EXCLUSIONS REQUIRED--EXCEPTION.--

A. Every tax exemption, deduction or exclusion that is applied to a taxpayer's liability or used to determine a taxpayer's liability pursuant to the Leased Vehicle Gross Receipts Tax Act shall be reviewed by the revenue stabilization and tax policy committee every five years, on a five-year cycle to be established by the committee, to determine if the tax exemption, deduction or exclusion is effective or essential. The committee shall review the tax exemption, deduction or exclusion to determine if the amount of the tax expenditure attributable to the exemption, deduction or exclusion is an acceptable loss of state revenue.

B. Tax exemptions, deductions or exclusions that the revenue stabilization and tax policy committee determines

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not to be effective or essential shall be presented for repeal or amendment to the legislature in the legislative session following the review.

C. The revenue stabilization and tax policy committee may review a tax exemption, deduction or exclusion on a periodic basis other than every five years if, in the language creating the exemption, deduction or exclusion, a termination date is set that exceeds five years from the date of implementation of the exemption, deduction or exclusion; however, the committee may choose to review the exemption, deduction or exclusion on a five-year cycle regardless of the termination date in statute.

D. As used in this section:

(1) "effective" means accomplishing the purpose for which the tax exemption, deduction or exclusion was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic tool in the state; and

(3) "tax expenditure" means revenue foregone by the state due to the use by taxpayers or others of tax exemptions, credits, deductions, exclusions or other forms of tax incentives."

Section 11. A new section of the Weight Distance Tax Act is enacted to read:

"[NEW MATERIAL] FIVE-YEAR REVIEW OF TAX EXEMPTIONS AND EXCLUSIONS REQUIRED--EXCEPTION.--

A. Every tax exemption or exclusion that is applied to a taxpayer's liability or used to determine a taxpayer's liability pursuant to the Weight Distance Tax Act shall be reviewed by the revenue stabilization and tax policy committee every five years, on a five-year cycle to be established by the committee, to determine if the tax exemption or exclusion is effective or essential. The committee shall review the tax exemption or exclusion to determine if the amount of the tax expenditure attributable to the exemption or exclusion is an acceptable loss of state revenue.

B. Tax exemptions or exclusions that the revenue stabilization and tax policy committee determines not to be effective or essential shall be presented for repeal or amendment to the legislature in the legislative session following the review.

C. The revenue stabilization and tax policy committee may review a tax exemption or exclusion on a periodic basis other than every five years if, in the language creating the exemption or exclusion, a termination date is set that exceeds five years from the date of implementation of the exemption or exclusion; however, the committee may choose to review the exemption or exclusion on a five-year cycle regardless of the termination date in statute.

D. As used in this section:

(1) "effective" means accomplishing the purpose for which the tax exemption or exclusion was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic tool in the state; and

(3) "tax expenditure" means revenue forgone by the state due to the use by taxpayers or others of tax exemptions, credits, deductions, exclusions or other forms of tax incentives."

Section 12. A new section of the Special Fuels Supplier Tax Act is enacted to read:

"[NEW MATERIAL] FIVE-YEAR REVIEW OF TAX EXEMPTIONS, CREDITS, DEDUCTIONS AND EXCLUSIONS REQUIRED--EXCEPTION.--

A. Every tax exemption, credit, deduction or exclusion that is applied to a taxpayer's liability or used to determine a taxpayer's liability pursuant to the Special Fuels Supplier Tax Act shall be reviewed by the revenue stabilization and tax policy committee every five years, on a five-year cycle to be established by the committee, to determine if the tax exemption, credit, deduction or exclusion is effective or essential. The committee shall review the tax exemption, credit, deduction or exclusion to determine if the amount of the tax expenditure attributable to the exemption, credit, deduction or exclusion is an acceptable loss of state revenue.

B. Tax exemptions, credits, deductions or exclusions that the revenue stabilization and tax policy committee determines not to be effective or essential shall be presented for repeal or amendment to the legislature in the legislative session following the review.

C. The revenue stabilization and tax policy committee may review a tax exemption, credit, deduction or exclusion on a periodic basis other than every five years if, in the language creating the exemption, credit, deduction or exclusion, a termination date is set that exceeds five years from the date of implementation of the exemption, credit, deduction or exclusion; however, the committee may choose to review the exemption, credit, deduction or exclusion on a five-year cycle regardless of the termination date in statute.

D. As used in this section:

(1) "effective" means accomplishing the purpose for which the tax exemption, credit, deduction or exclusion was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic tool in the state; and

(3) "tax expenditure" means revenue foregone by the state due to the use by taxpayers or others of tax exemptions, credits, deductions, exclusions or other forms of tax incentives."

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Section 13. Section 7-16B-1 NMSA 1978 (being Laws 1995, Chapter 16, Section 1) is amended to read:

"7-16B-1. SHORT TITLE.--[~~Sections 1 through 10 of this act~~] Chapter 7, Article 16B NMSA 1978 may be cited as the "Alternative Fuel Tax Act"."

Section 14. A new section of the Alternative Fuel Tax Act is enacted to read:

"[NEW MATERIAL] FIVE-YEAR REVIEW OF TAX EXEMPTIONS AND EXCLUSIONS REQUIRED--EXCEPTION.--

A. Every tax exemption or exclusion that is applied to a taxpayer's liability or used to determine a taxpayer's liability pursuant to the Alternative Fuel Tax Act shall be reviewed by the revenue stabilization and tax policy committee every five years, on a five-year cycle to be established by the committee, to determine if the tax exemption or exclusion is effective or essential. The committee shall review the tax exemption or exclusion to determine if the amount of the tax expenditure attributable to the exemption or exclusion is an acceptable loss of state revenue.

B. Tax exemptions or exclusions that the revenue stabilization and tax policy committee determines not to be effective or essential shall be presented for repeal or amendment to the legislature in the legislative session following the review.

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committee may review a tax exemption or exclusion on a periodic basis other than every five years if, in the language creating the exemption or exclusion, a termination date is set that exceeds five years from the date of implementation of the exemption or exclusion; however, the committee may choose to review the exemption or exclusion on a five-year cycle regardless of the termination date in statute.

D. As used in this section:

(1) "effective" means accomplishing the purpose for which the tax exemption or exclusion was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic tool in the state; and

(3) "tax expenditure" means revenue foregone by the state due to the use by taxpayers or others of tax exemptions, credits, deductions, exclusions or other forms of tax incentives."

Section 15. A new section of the Liquor Excise Tax Act is enacted to read:

"[NEW MATERIAL] FIVE-YEAR REVIEW OF TAX EXEMPTIONS, CREDITS, DEDUCTIONS AND EXCLUSIONS REQUIRED--EXCEPTION.--

A. Every tax exemption, credit, deduction or exclusion that is applied to a taxpayer's liability or used to determine a taxpayer's liability pursuant to the Liquor Excise Tax Act shall be reviewed by the revenue stabilization and tax policy committee every five years, on a five-year cycle to be established by the committee, to determine if the tax exemption, credit, deduction or exclusion is effective or essential. The committee shall review the tax exemption, credit, deduction or exclusion to determine if the amount of the tax expenditure attributable to the exemption, credit, deduction or exclusion is an acceptable loss of state revenue.

B. Tax exemptions, credits, deductions or exclusions that the revenue stabilization and tax policy committee determines not to be effective or essential shall be presented for repeal or amendment to the legislature in the legislative session following the review.

C. The revenue stabilization and tax policy committee may review a tax exemption, credit, deduction or exclusion on a periodic basis other than every five years if, in the language creating the exemption, credit, deduction or exclusion, a termination date is set that exceeds five years from the date of implementation of the exemption, credit, deduction or exclusion; however, the committee may choose to review the exemption, credit, deduction or exclusion on a five-year cycle regardless of the termination date in statute.

D. As used in this section:

(1) "effective" means accomplishing the purpose for which the tax exemption, credit, deduction or exclusion was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic tool in the state; and

(3) "tax expenditure" means revenue foregone by the state due to the use by taxpayers or others of tax exemptions, credits, deductions, exclusions or other forms of tax incentives."

Section 16. A new section of the Resources Excise Tax Act is enacted to read:

"[NEW MATERIAL] FIVE-YEAR REVIEW OF EXEMPTIONS, DEDUCTIONS, CREDITS AND EXCLUSIONS REQUIRED--EXCEPTION.--

A. Every exemption, deduction, credit or exclusion that is applied to a taxpayer's liability or used to determine a taxpayer's liability pursuant to the Resources Excise Tax Act shall be reviewed by the revenue stabilization and tax policy committee every five years on a cycle to be established by the committee to determine if the tax exemption, deduction, credit or exclusion is effective or essential. The committee shall review the tax exemption, credit, deduction or exclusion to determine if the amount of the tax expenditure attributable to the exemption, deduction, credit or exclusion is an acceptable loss of state revenue.

B. Tax exemptions, credits, deductions or exclusions that the revenue stabilization and tax policy committee determines not to be effective or essential shall be

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presented for repeal or amendment to the legislature in the legislative session following the review.

C. The revenue stabilization and tax policy committee may review a tax exemption, credit, deduction or exclusion on a periodic basis other than every five years if, in the language creating the exemption, credit, deduction or exclusion, a termination date is set that exceeds five years from the date of implementation of the exemption, credit, deduction or exclusion; however, the committee may choose to review the exemption, credit, deduction or exclusion on a five-year cycle regardless of the termination date in statute.

D. As used in this section:

(1) "effective" means accomplishing the purpose for which the exemption, credit, deduction or exclusion was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic tool in the state; and

(3) "tax expenditure" means revenue foregone by the state due to the use by taxpayers or others of tax exemptions, credits, deductions, exclusions or other forms of tax incentives."

Section 17. A new section of the Severance Tax Act is enacted to read:

"[NEW MATERIAL] FIVE-YEAR REVIEW OF EXEMPTIONS,

DEDUCTIONS, CREDITS AND EXCLUSIONS REQUIRED--EXCEPTION.--

A. Every exemption, credit, deduction or exclusion that is applied to a taxpayer's liability or used to determine a taxpayer's liability pursuant to the Severance Tax Act shall be reviewed by the revenue stabilization and tax policy committee every five years on a cycle to be established by the committee to determine if the tax exemption, credit, deduction or exclusion is effective or essential. The committee shall review the tax exemption, credit, deduction or exclusion to determine if the amount of the tax expenditure attributable to the exemption, credit, deduction or exclusion is an acceptable loss of state revenue.

B. Tax exemptions, credits, deductions or exclusions that the revenue stabilization and tax policy committee determines not to be effective or essential shall be presented for repeal or amendment to the legislature in the legislative session following the review.

C. The revenue stabilization and tax policy committee may review a tax exemption, credit, deduction or exclusion on a periodic basis other than every five years if, in the language creating the exemption, credit, deduction or exclusion, a termination date is set that exceeds five years from the date of implementation of the exemption, credit, deduction or exclusion; however, the committee may choose to review the exemption, credit, deduction or exclusion on a five-year cycle regardless of the termination date in statute.

D. As used in this section:

(1) "effective" means accomplishing the purpose for which the exemption, credit, deduction or exclusion was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic tool in the state; and

(3) "tax expenditure" means revenue foregone by the state due to the use by taxpayers or others of tax exemptions, credits, deductions, exclusions or other forms of tax incentives."

Section 18. A new section of the Oil and Gas Severance Tax Act is enacted to read:

"[NEW MATERIAL] FIVE-YEAR REVIEW OF EXEMPTIONS, DEDUCTIONS, CREDITS AND EXCLUSIONS REQUIRED--EXCEPTION.--

A. Every exemption, credit, deduction or exclusion that is applied to a taxpayer's liability or used to determine a taxpayer's liability pursuant to the Oil and Gas Severance Tax Act shall be reviewed by the revenue stabilization and tax policy committee every five years on a cycle to be established by the committee to determine if the tax exemption, credit, deduction or exclusion is effective or essential. The committee shall review the tax exemption, credit, deduction or exclusion to determine if the amount of the tax expenditure

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attributable to the exemption, credit, deduction or exclusion is an acceptable loss of state revenue.

B. Tax exemptions, credits, deductions or exclusions that the revenue stabilization and tax policy committee determines not to be effective or essential shall be presented for repeal or amendment to the legislature in the legislative session following the review.

C. The revenue stabilization and tax policy committee may review a tax exemption, credit, deduction or exclusion on a periodic basis other than every five years if, in the language creating the exemption, credit, deduction or exclusion, a termination date is set that exceeds five years from the date of implementation of the exemption, credit, deduction or exclusion; however, the committee may choose to review the exemption, credit, deduction or exclusion on a five-year cycle regardless of the termination date in statute.

D. As used in this section:

(1) "effective" means accomplishing the purpose for which the exemption, credit, deduction or exclusion was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic tool in the state; and

(3) "tax expenditure" means revenue foregone by the state due to the use by taxpayers or others of tax

exemptions, credits, deductions, exclusions or other forms of tax incentives."

Section 19. A new section of the Severance Tax Act is enacted to read:

"[NEW MATERIAL] FIVE-YEAR REVIEW OF EXEMPTIONS, DEDUCTIONS, CREDITS AND EXCLUSIONS REQUIRED--EXCEPTION.--

A. Every exemption, credit, deduction or exclusion that is applied to a taxpayer's liability or used to determine a taxpayer's liability pursuant to the Severance Tax Act shall be reviewed by the revenue stabilization and tax policy committee every five years on a cycle to be established by the committee to determine if the tax exemption, credit, deduction or exclusion is effective or essential. The committee shall review the tax exemption, credit, deduction or exclusion to determine if the amount of the tax expenditure attributable to the exemption, credit, deduction or exclusion is an acceptable loss of state revenue.

B. Tax exemptions, credits, deductions or exclusions that the revenue stabilization and tax policy committee determines not to be effective or essential shall be presented for repeal or amendment to the legislature in the legislative session following the review.

C. The revenue stabilization and tax policy committee may review a tax exemption, credit, deduction or exclusion on a periodic basis other than every five years if, in the language creating the exemption, credit, deduction or exclusion, a termination date is set that exceeds five years from the date of implementation of the exemption, credit, deduction or exclusion; however, the committee may choose to review the exemption, credit, deduction or exclusion on a five-year cycle regardless of the termination date in statute.

D. As used in this section:

(1) "effective" means accomplishing the purpose for which the exemption, credit, deduction or exclusion was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic tool in the state; and

(3) "tax expenditure" means revenue foregone by the state due to the use by taxpayers or others of tax exemptions, credits, deductions, exclusions or other forms of tax incentives."

Section 20. A new section of the Enhanced Oil Recovery Act is enacted to read:

"[NEW MATERIAL] FIVE-YEAR REVIEW OF TAX INCENTIVE REQUIRED--EXCEPTION.--

A. The tax incentive that is applied to a taxpayer's liability or used to determine a taxpayer's liability pursuant to the Enhanced Oil Recovery Act shall be reviewed by the revenue stabilization and tax policy committee every five years on a cycle to be established by the committee to determine if the tax incentive is effective or essential. The committee shall review the tax incentive to determine if the amount of the tax expenditure attributable to the incentive is an acceptable loss of state revenue.

B. Tax incentives that the revenue stabilization and tax policy committee determines not to be effective or essential shall be presented for repeal or amendment to the legislature in the legislative session following the review.

C. The revenue stabilization and tax policy committee may review the tax incentive on a periodic basis other than every five years if, in the language creating the incentive, a termination date is set that exceeds five years from the date of implementation of the incentive; however, the committee may choose to review the incentive on a five-year cycle regardless of the termination date in statute.

D. As used in this section:

(1) "effective" means accomplishing the purpose for which the tax incentive was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic or environmental tool in the state; and

(3) "tax expenditure" means revenue foregone by the state due the use by taxpayers or others of tax incentives."

Section 21. A new section of the Natural Gas and Crude Oil Production Incentive Act is enacted to read:

"[<u>NEW MATERIAL</u>] FIVE-YEAR REVIEW OF THE TAX INCENTIVE REQUIRED--EXCEPTION.--

A. The tax incentive that is applied to a taxpayer's liability or used to determine a taxpayer's liability pursuant to the Natural Gas and Crude Oil Production Incentive Act shall be reviewed by the revenue stabilization and tax policy committee every five years on a cycle to be established by the committee to determine if the tax incentive is effective or essential. The committee shall review the tax incentive to determine if the amount of the tax expenditure attributable to the tax incentive is an acceptable loss of state revenue.

B. Tax incentives that the revenue stabilization and tax policy committee determines not to be effective or essential shall be presented for repeal or amendment to the legislature in the legislative session following the review.

C. The revenue stabilization and tax policy committee may review the tax incentive on a periodic basis other than every five years if, in the language creating the incentive, a termination date is set that exceeds five years from the date of implementation of the incentive; however, the committee may choose to review the incentive on a five-year cycle regardless of the termination date in statute.

D. As used in this section:

(1) "effective" means accomplishing the purpose for which the tax incentive was adopted;

(2) "essential" means providing a critical function either in the tax base or as an economic or environmental tool in the state; and

(3) "tax expenditure" means revenue foregone by the state due to the use by taxpayers or others of tax incentives."

underscored material = new
[~~bracketed material~~] = delete