



STATE OF NEW MEXICO
DEPARTMENT OF FINANCE AND ADMINISTRATION
LOCAL GOVERNMENT DIVISION
Bataan Memorial Building ♦ 407 Galisteo St. ♦ Suite 202 ♦ Santa Fe, NM 87501
PHONE (505) 827-4950 ♦ FAX (505) 827-4948

MEMORANDUM #BFB-19-02

TO: New Mexico Counties and Municipalities

FROM: Brenda L. Suazo-Giles, Budget & Finance Bureau Chief
Local Government Division *Brenda L. Suazo-Giles*

DATE: February 14, 2019

SUBJECT: Guidelines for Reporting Gross Receipts Tax and Various Intercepts

Upon reviewing the Fiscal Year 2018-2019 1st and 2nd quarter reports submitted on the Local Government Budget Management System (LGBMS), the Budget & Finance Bureau (BFB) has noticed that there is little consistency among counties and municipalities when it comes to the reporting of gross receipts taxes (GRT) and various intercepts.

One of the benefits of LGBMS is that a standard chart of accounts (COA) is used for budgeting and reporting to the Department of Finance and Administration, Local Government Division (LGD) as required by Section 6-6-2 NMSA 1978. Using a standard COA allows LGD to more efficiently analyze data across the various local governments in order to compile statewide reports that are used by decision makers for determining state funding such as legislative appropriations, grants, and loans. The goal of the guidelines contained in this memo is to achieve more comparable budgeting and reporting among all counties and municipalities in the area of GRT and intercepts. With the Legislature looking at GRT and other tax reform, it is important to have accurate data when decisions that affect local governments are being made.

GUIDELINES ON GRT

Proper Budgeting & Reporting of GRT Revenue

Standard accounting practice is to recognize 100% of revenues (in this case tax, penalty and interest) earned "when they become both measurable and available to finance expenditures of the current period"¹. For financial statements, the premise is to report gross amounts, not net amounts, in order to give a complete financial picture. Therefore, the gross distribution of GRT must be budgeted and reported, this includes tax, penalty and interest as reflected on the Taxation and Revenue Department (TRD) RP-500 report. Once 100% of the GRT distribution is accounted for, the amounts that are deducted by TRD, administrative fees, contracts, paybacks and unrecoverable, must then be recognized as expenditures. The end result will reflect the net distribution of GRT that is remitted by TRD to your local government. Please refer to the attached Excel workbook named "GRT Guide for Budgeting and Reporting on LGBMS" and use the spreadsheet (counties or municipalities) that is applicable to your local government. Because we want to accurately capture the identity of all GRT revenue, please do not use revenue object code/line item 42900 Other State Shared Taxes for any amounts related to the GRT distribution.

Proper Budgeting & Reporting of GRT Collected on Fees

Many local governments collect GRT on utility and other fees that are typically associated with an Enterprise Fund activity. In this case, the collected GRT is not a revenue that has been earned by the local government since the GRT must be remitted to TRD. The local government simply serves as a flow-through or agent for collecting the GRT applicable to the fee charged to an end user. It is recommended that the collected GRT be separated from the fee revenue and reported under the revenue object code/line item 44990 Other Charges for Services in the applicable Fund. When the collected GRT is remitted to TRD, the expenditure object code/line item 57999 Other Operating Costs in the same applicable Fund, and any applicable Department, can be used.

GUIDELINES ON INTERCEPTS

Intercepts are payments made on behalf of a local government that are remitted by a state agency or grantor directly to a financial institution or lender to pay on a bond or loan. In the previous section of this memo, amounts reported on the RP-500 report for “contracts” was discussed. Typically these “contracts” are amounts associated with a bond or loan and should be budgeted and reported as shown in the “**GRT Guide for Budgeting and Reporting on LGBMS**”. Another common example of an intercept is related to the Law Enforcement Protection Fund (LEPF). If a local government has entered into an intercept agreement with the New Mexico Finance Authority (NMFA) by pledging revenue from the annual LEPF distribution, LGD serving as the grantor will remit the intercept directly to NMFA on behalf of the local government. However, following standard accounting practice, the local government must still account for 100% of the LEPF distribution, including the intercept, and then expend out the intercept. It is recommended that 100% of the distribution be posted to LGBMS account 21100-0001-47710 State – Law Enforcement Protection (DFA) and the intercept portion be broken down between the accounts 21100-xxxx-59010 Debt Service – Principal Payments and 21100-xxxx-59020 Debt Service – Interest Payments (xxxx = applicable Department). Please refer to your NMFA loan amortization schedule to figure out the breakdown between principal and interest. Similar intercepts associated with other bonds and loans can be accounted for using this same methodology, but it is recommended you consult with your independent auditor.

If you have any questions, contact your LGD budget analyst or call the LGD main number at (505) 827-4975.

xc: BFB Analysts
 Brian Colón, State Auditor
 Bill Fulginiti, NMML Executive Director
 Steve Kopelman, NMAC Executive Director

¹ Ruppel, W. (2018). *Wiley GAAP for Governments*, page 39.