DATE: September 22, 2021

TO: Mayor Gregory Hull, Council Members Jim Owen, Jeremy Lenentine, Bob Tyler, Paul Wymer, Karissa Culbreath, and Dan Stoddard
Matt Geisel, City Manager

FROM: Carole Jaramillo, Director of Financial Services

SUBJECT: September Gross Receipts Tax (GRT) and Recent Labor Market Indicators

Gross Receipts Tax

Attached please find the monthly dashboard for the September GRT distribution. The September gross receipts tax distribution (July business activity) exceeds the projection for the month continuing the positive variance trend that has been present for more than 24 months. Chart 1 of the dashboard indicates revenue levels that continue to reflect strong business activity as the COVID-19 restrictions were lifted. In general, the City has seen business activity growth in all but one business sector, information and cultural industries.

Chart 2 reflects month by month changes in each fiscal year 2020, 2021 and 2022. An obvious spike occurred in September 2019 (FY20) due to a large back-payment of food hold harmless (approximately $1.75 million), then in February 2021 (FY21) a negative adjustment to the medical hold harmless distribution reduced a positive variance in that distribution by $111 thousand to retroactively correct for certain taxpayer(s) CRS returns dating back to July 2015. In June of this year (FY21), the City again received a positive adjustment to the food hold harmless distribution which led to a positive adjustment of approximately $100 thousand. These random adjustments made by TRD skew the year-over-year comparisons in the impacted months, however, it is clear that the City has seen consistent positive GRT revenue changes year over year.

Due to 2019 legislative changes to gross receipts tax laws that took effect as of July 1, 2021, TRD made system-wide changes to GRT and other tax reporting. In addition to those changes, the September distributions no longer reflect the population-based internet sales payments that have been made by the State over the past two years, and now reflect actual activity within each impacted sector. Internet sales are not separated from other activity thus, we can only estimate their impact. We can see an obvious increase in the retail sector which was the highest it has been since we started tracking it: $317 thousand higher than August 2021 and $363 thousand higher than the same time last year.

GRT revenue for September was $4,106,666 for the General Fund. This is $292 thousand above the $3,814,752 projected for the month in the FY22 budget and $926 thousand year-to-date. Compared to FY21 actuals, there is a positive variance year-to-date of $1.3 million or 12.7 percent for the General Fund. In addition to gross receipts tax impacts, the legislative changes noted above have also resulted in receipt of compensating tax. The September distribution for compensating tax was $41 thousand for the General Fund. This is a new source of revenue and was not budgeted in FY22. The Finance Department will track this source of revenue and include it, as appropriate, in future budget estimates.

GRT trends for each major industry are shown in chart 4 of the Dashboard on the next page. In September, most industry sectors show positive growth compared to the same period in FY 2021. This includes finance, insurance and real estate at 58.4 percent, “other” industries at 38.7 percent, health care and social assistance at 30.1 percent, utilities, transportation and warehousing at 19.2 percent,
manufacturing at 18.7 percent, accommodation and food services at 16.9 percent, and professional, education and other services at 6.4 percent. As mentioned above, retail had an excellent month and experience year over year growth of 9.1 percent. The only sector showing negative growth was information and cultural industries which remains very hard hit at -34.9 percent. The medical hold harmless distribution has increased 14.9 percent year-over-year while the food hold harmless distribution declined 19.5 percent from September 2021. The key sector of construction continues to be strong, showing solid growth of 11.8 percent compared to FY21 as development continues throughout the City.

**Labor Market Indicators**

New Mexico’s seasonally adjusted unemployment rate was 7.2 percent in August, down from 7.6 percent in July and down from 9.3 percent from the previous year. Nationally the unemployment rate was 5.2 for the month of August, down from 5.4 percent in July and down from 8.4 percent in August 2020. The full report can be found at the link below:

[https://www.dws.state.nm.us/Portals/0/DM/LMI/pr-pdf-0821.pdf](https://www.dws.state.nm.us/Portals/0/DM/LMI/pr-pdf-0821.pdf)

Employment data has not yet been released by the Department of Workforce Solutions. Information should be released by September 30, 2021 for August 2021 and will be found at the link below:

**Chart 1: Gross Receipts Tax Monthly Revenue**
General Fund FY22 Original Budget vs. Actual

- Original Budget
- Actual

Y-T-D September is $926K or 8.7% above the FY22 estimate.

**Chart 2: Gross Receipts Tax Monthly Revenue**
General Fund Current Year vs. Prior Years

- FY22
- FY20
- FY21

**Chart 3: Gross Receipts Tax Year-to-Date Revenue**
General Fund Current vs. Prior Years

- Sept FY20
- Sept FY21
- Sept FY22

---

**Chart 4: GRT Distribution by Industry**
% Change FY22 YTD compared to FY21 YTD

- Finance, Insurance & Real Estate: 38.4%
- Health Care & Social Assistance: 30.1%
- Utilities, Transp. & Warehousing: 19.2%
- Manufacturing: 18.7%
- Accommodation & Food Services: 16.9%
- Medical Distribution: 14.9%
- Construction: 11.8%
- Retail Trade: 9.1%
- Prof., Education & Other Services: 6.4%
- Food Distribution: 4.4%
- Other: 34.8%

**Chart 5: GRT Distribution by Industry FY22 YTD**

- Construction: 19.8%
- Retail Trade: 26.7%
- FIRE, Information, Health Care & Other Services: 25.8%
- Accommodation & Food Services: 8.6%
- Food Distribution: 7.1%
- Manufacturing: 2.1%
- Other: 1.3%

**Chart 6: Changing Composition of GRT**

- FY17
- FY18
- FY19
- FY20
- FY21
- FY22

- Construction: 40.5%
- Retail & Food: 35.7%
- Services: 31.5%
- Other: 19.8%
- Finance, Insurance & Real Estate: 16.5%
- Utilities, Transp. & Warehousing: 11.5%

9/23/2021