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Accountability is the missing element in NM tax-break system

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By Walt Rubel

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Walt Rubel (File photo)

A study commissioned by the state's Legislative Finance Committee and conducted last year by New Mexico State's Arrowhead Center found that for every dollar spent in tax incentives for film production in New Mexico, the state received just 14.4 cents in tax revenue in return.

An earlier study, commissioned by Gov. Bill Richardson's office and conducted by Ernst & Young, found that the return to the state was actually \$1.50 for every dollar. Not surprisingly, the two studies also came up with vastly different numbers as to how many jobs had been created.

I recognize that economics is an inexact science, but these guys aren't even in the same ballpark. The Arrowhead study relied on data from the U.S. Bureau of Labor Statistics, while the Ernst & Young study took information from surveys done by two independent polling firms and data from the state Film Office. And no, it's not a coincidence that the study commissioned by Richardson — a strong proponent for the state film industry — would show much more positive results than the one commissioned by the LFC.

Tax incentives are often difficult to evaluate. Promoters of the incentives search for any scrap of tangential benefit to boost the overall impact of the company being helped. It's often impossible to know how much economic impact is a direct result of the tax break.

A report issued earlier this month by the Center on Budget and Policy Priorities argues that New Mexico should do more to increase the transparency of its tax breaks — referred to as tax expenditures. New Mexico is one of just nine states in the nation that does not require a tax expenditure report, according to the study. Such reports estimate revenue lost through the tax breaks and credit, and evaluate whether the policy goals hoped for in passing the tax breaks were actually achieved.

"We spend almost as much money this way as we do in the general fund budget, but there's absolutely no scrutiny," said Gerry Bradley, research director for NM Voices for Children. "Are these tax breaks worth it? No one really knows."

NM Voices for Children, a public policy group that advocates on behalf of those living in poverty, has long argued that the tax incentives help corporations at the expense of services to our state's neediest residents. State officials dispute those claims. They say the tax breaks spur economic development, which benefits the entire community.

It's an interesting philosophical argument. But without accurate data, it's impossible to reach an informed conclusion. The state is spending millions of dollars each year in tax incentives. There should be the same accountability with that money as there is with other state spending.

Walter Rubel has been a newsman for more than 25 years and is managing editor of the Sun-News. He can be reached at wrubel@lcsun-news.com.