

Tax Hike Group Tangles Over Options

Increases Weighed For Food, Income

BY DAN BOYD

Journal Capitol Bureau

Battle lines grew more defined Thursday on proposals to boost state taxes on food, personal income and car purchases, indicating likely turbulence in New Mexico's next legislative session.

At a meeting of the working group formed by Gov. Bill Richardson to study ways to increase state revenue, business leaders voiced support for reinstating the state's gross receipts tax on food items. Lawmakers struck the tax in 2004.

"I think now is a very good opportunity to revisit it," said Terri Cole, president of the Greater Albuquerque Chamber of Commerce.

Social advocacy groups and religious organizations, which supported the push to repeal the tax on food, say the effort to restore the tax is misguided.

"A tax on food takes food out of the hands of people," said Allen Sanchez, executive director of the New Mexico Conference of Catholic Bishops.

Reinstating the tax on food items would generate an estimated \$228 million in the coming budget year, according to a report by the state's Taxation and Revenue Department.

A separate proposal being

pushed by the nonprofit Think New Mexico to tax only candy, soda pop and other "junk food" items could generate about \$25 million.

Members of the working group butted heads over a proposal to add a 1 percent surcharge to the personal income tax rate of high-earning New Mexicans.

Richardson spearheaded a successful effort to roll back the state's personal income tax in 2003, but several proposals discussed Thursday call for the highest tax bracket to be raised from 4.9 percent to 5.9 percent, at least partly offsetting the previous reduction.

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Although Cole and other business leaders said that raising the personal income tax rate could hurt the state's economy, other members disagreed.

"Part of the reason we're in the mess we're in is we gave away half a billion dollars to the state's highest earners," said Bill Jordan, policy director of New Mexico Voices for Children.

Other tax hike proposals explored Thursday

- Increasing the tax on motor vehicle purchases to produce as much as \$136 million.

- Raising the base level of the gross receipts tax from 5 percent to 6 percent to generate as much as \$506 million.

- Adding 20 cents to the 17 cents-per-gallon state gasoline tax to generate \$167 million for the state and another \$77 million per year for cities, counties and pueblos.