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Governor resists tax cut repeal at session

By Kate Nash
The New Mexican

A growing number of groups are pressuring Gov. Bill Richardson to roll back the state's 2003 personal income tax cuts, but the governor says he won't go along with a tax hike in next month's special session of the New Mexico Legislature.

A day after Richardson released his ideas for cutting \$444 million from state spending plans in the face of dwindling revenues, the American Federation of Teachers New Mexico President Christine Trujillo said repealing tax breaks is a natural place to start in balancing the budget.

"Personal income tax cuts for the wealthiest New Mexicans, (those with incomes of \$295k or more) capital gains tax cuts, and tax loopholes for big out-of-state corporations are costing the state \$1 billion a year in education funding," she said in a statement.

"The governor must leave New Mexico with a better legacy and insist the state rid itself of tax breaks which have outgrown their usefulness. Additional tax revenues must be invested in schoolchildren," she said.

Several Democratic state lawmakers in the past have suggested Richardson make such a change, but he has resisted, insisting that cutting income taxes has been a tool for economic development.

"The areas where New Mexico is losing revenue is income tax, gross-receipts tax and corporate income taxes. We're not really talking about oil and gas anymore," said Rep. Mimi Stewart, an Albuquerque Democrat.

"I think that we should be looking at raising revenues in those areas we've had the downturn, and if you're making \$300,000, instead of paying 4.9 percent (in taxes), pay-

ing a couple percentage points more isn't going to make that big of a difference," said Stewart, who chairs the House Health and Government Affairs Committee.

Stewart and other lawmakers say the planned special session likely won't provide enough time to overhaul the tax cuts, but say they will push the issue in the 2010 session.

Shortly after he took office, the governor earned national kudos from some conservative groups for state tax cuts, which were phased in over several years. Many groups, including anti-poverty and children's advocacy groups, however, say the state cannot afford to forgo that revenue.

New Mexico Voices for Children is among the groups calling for reversal of the tax cuts.

The group's research director, Gerry Bradley, said those who make the most can most afford to sacrifice.

"Our lowest paid people are being asked, essentially, to make the largest sacrifice, while those who could most afford to sacrifice aren't being asked to give up anything," Bradley said last month.

Among other things, Richardson's budget plan calls for cutting agency spending except public schools by 3 percent, using \$91 million in stimulus money for public school, diverting money from short-term bond proceeds for future capital projects and delaying increases to retirement and health care authority funds.

It also calls for canceling some already approved capital-outlay projects and using \$40 million in cash balances, including \$20 million from the College Affordability Fund.

Revenues for this year are projected to fall \$400 million short of covering current spending.