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Group: Tax bill not enough

Smart Box

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SANTA FE — New Mexico's poorest residents would get a new income tax credit under a measure that anti-poverty advocates for a second year are hoping will become law.

This year, House Speaker Ben Lujan, a Namb, Democrat, is carrying the measure, supported by a coalition of community groups who say the working poor deserve more.

But the Working Families Tax Credit has one problem in advocates' minds: as written, it makes low-income earners choose between the new tax credit and an existing one.

"I don't understand why we would want to create tax policy and ask the poorest of the poor, working folks, to choose between two credits when we don't ask anyone else to choose between two credits," said Bill Jordan, policy director for New Mexico Voices for Children, part of the coalition lobbying for the bill.

"The people at the upper end got an income tax cut and a capital gains cut - they didn't have to choose one or the other. So why are we making these folks choose? They are the ones who need it the most."

To fix the dilemma, members of the coalition are hoping to amend the bill to allow low-income residents to get both credits.

The House Business and Industry Committee on Tuesday approved the measure, HB 436. No amendments were discussed. The bill now goes to the House Taxation and Revenue Committee for consideration.

Gov. Bill Richardson supports the measure without any changes, said Taxation and Revenue Secretary Jan Goodwin.

"It's what he put forward and he would like to see it go through that way," she said.

Lujan said he's going to try to reach a compromise.

"I want to talk to the administration. I want to also talk to the Senate. I want to make sure we get a bill passed, and I don't want to in any way muddy the water," he said.

"I'm interested in, if at all possible, to try and include those people at the bottom, so they can both participate in the LICTR (Low Income Comprehensive Tax Rebate) and the Earned Income Tax Credit."

Lujan's measure calls for the state's new credit to equal 10 percent of a person's federal Earned Income Tax Credit. The amount of the credit is based on income.

One compromise possibility, Lujan said, is to amend the bill to make the state credit lower than 10 percent of the federal credit.

Lujan's bill would cost the state about \$30 million a year, according to a legislative analysis.

In 2004, almost 200,000 New Mexicans received the federal tax credit. The average credit was \$200, and 64 percent of the credits went to single parents or heads of households. Most recipients earned between \$10,001 and \$20,000, the analysis states.

Two measures similar to Lujan's have also been introduced in the Senate and appear to have bipartisan support.

Sen. Clinton Harden, a Republican from Clovis, is carrying SB 482, which also would create a tax credit that's 10 percent of the federal credit. His credit would be called the State Earned Income Tax Credit.

"I think it's a significant piece, it encourages people to work and it provides additional income," he said.

Sen. Gerald Ortiz y Pino, an Albuquerque Democrat, is carrying a similar measure, SB 317, which, like Lujan's bill, is called Working Families Tax Credit.

The governor's \$5.7 billion state budget plan this year calls for \$123 million in tax cuts. The package includes the low-income tax bill, as well as a tax exemption for active duty military personnel.

Since taking office in 2003, Richardson has pushed for various tax cuts, including slowly lowering the state's capital gains tax by 50 percent.

The state over time is lowering the top income tax rate from 8.2 percent to 4.9 percent. The governor this year wants to lower the state's top tax rate from 5.3 percent to 5.1 percent. The Legislative Finance Committee wants to lower the rate to 4.9 percent.