

Las Cruces
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Proposed food, income tax would help balance budget

Associated Press

SANTA FE — The wealthiest New Mexicans have benefited the most from recent state tax changes, according to a study providing ammunition for those advocating higher income taxes to solve a budget shortfall.

Gov. Bill Richardson and lawmakers are looking at possible tax increases next year to help balance the budget. The state needs up to \$600 million if it wants to maintain current services next year without cutting public education and general government programs.

Repealing part of the \$400 million in income tax cuts enacted in 2003 is among the proposals expected in the upcoming legislative session, which starts Jan. 19. Another hotly debated option is to reinstate the gross receipts tax on groceries, which could generate \$200 million for the state. The tax was lifted from food staples in 2005.

New Mexicans with the most money — the top 1 percent of taxpayers, who earn \$395,000 or more — paid about 5 percent of their income in state and local taxes in 2007.

That compares with almost 11 percent for those in the lowest income group, those earning less than \$16,000 annually, according

to a report last month by the Institute on Taxation and Economic Policy, a nonprofit research group in Washington, D.C., and a sister organization of the liberal-leaning Citizens for Tax Justice.

An earlier study by the institute found the wealthiest New Mexicans paid almost 9 percent of their incomes in taxes in 2002, while the bottom one-fifth of taxpayers paid 12 percent.

New Mexico's tax system has become more regressive in large part because of cuts in the top personal income tax rates and favorable tax treatment of capital gains, said Jeff McLynch, the institute's state policy director.

A coalition of social advocacy groups and labor unions wants lawmakers to consider raising income taxes, possibly a surcharge on upper income taxpayers, to balance the budget rather than cutting spending on education, health care and other services.

"We are going to oppose putting the tax back on food because ... it's a very regressive tax. It will just make that part of the tax system much more regressive," said Bill Jordan of New Mexico Voices for Children. He points to the institute's study in making his argument.

According to the report,

the poorest one-fifth of taxpayers paid almost 10 percent of their income on sales and excise taxes in 2007 compared with 1.4 percent for the wealthiest New Mexicans.

A business group, the Greater Albuquerque Chamber of Commerce, opposes higher income taxes but supports reinstating the tax on food to help balance the budget.

"The changes that were made in the income tax are part of a bigger plan to create an environment in New Mexico which brings high-wage jobs to the state for people who live here," said Terri Cole, the chamber's president and chief executive.

"As we make decisions about the budget, we ought to do that very carefully or we will roll back any possible progress that we can make to create high-wage jobs here when this economy turns around," Cole said.

Jordan and Cole serve on a task force formed by Richardson to consider tax proposals to help balance the budget. The group will submit a report to the governor outlining pros and cons of various tax measures. No recommendations will be made on what tax increases should be enacted.



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Taxes join budget fight

□ Lawmakers consider reinstating grocery gross receipts tax.

By Barry Massey
THE ASSOCIATED PRESS

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Taxes

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Tax hikes central to deficit struggle

By **Barry Massey**

The Associated Press

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Tax

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On the Web

- ▶ **Institute on Taxation and Public Policy:**
<http://www.ctj.org/itep>
- ▶ **Gov. Richardson’s tax study task force:**
<http://www.nmrevenueoptions.com>
- ▶ **Greater Albuquerque Chamber of Commerce:**
<http://www.abqchamber.com>
- ▶ **New Mexico Voices For Children:** <http://www.nmvoices.org>

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Food, income tax proposals part of budget fight

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Food, income tax proposals part of budget fight



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Budget battle looms

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Budget

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Food, income tax proposals part of New Mexico budget fight

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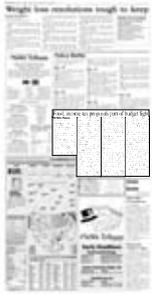
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Portales News-
Tribune
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By Barry Massey

The Associated Press

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