

Tax Policy Transparency Recommendations

Tax Research Institute Annual Conference

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- **Initiate Tax Expenditure Reporting**

- Produce an annual report as an appendix to both the Legislature's and the Governor's Budget
- Tax expenditures are proliferating in New Mexico [see HB 82 from 2006 Regular Session] and are as much a part of the budget as are appropriations
- This report should show the amount of revenue the state gives up through tax expenditures

Initiate Fiscal Incidence Reporting

- Enact legislation requiring an annual analysis of how the overall burden of state taxes falls on taxpayers of various income levels.
- An analysis of tax burden by income group should be required for any new tax or fee that raises more than \$1 million a year. This analysis should be performed as part of the Fiscal Impact Report
- An analysis of any proposal that would increase, decrease or redistribute taxes by more than \$5 million as part of the Fiscal Impact Report.
- The prototype for this type of analysis can be found in the FIR for the 2003 PIT tax cut.

Initiate Economic Development Incentive Cost Benefit Analysis

- Job Training Incentive program report on the Economic Development Dept. web site is an excellent example of the type of information that should be available for all economic development incentives
- TRD and EDD reports to the RSTPC during last year's interim show a good faith effort to begin to come to terms with the cost of economic development incentives. Estimate of number of jobs created by economic development incentives is needed.
- Cost-benefit analysis of incentives would be a longer term goal.

Initiate Current Services Budget

- LFC does a prototype of a current services budget in estimating the five year outlook in the legislative budget. This is very high level, and should be expanded.

Availability of Information and Documents

- In order for advocacy and other organizations to make use of executive and legislative budget documents, make budget documents available by January 1 in the year of the legislative session.

State Revenue Forecasting Transparency Issues

- Make the meetings and the procedures of the current consensus revenue estimating group public
- Publish the procedures used to estimate state revenues by source. (This has been done by TRD but needs to be updated.)
- Provide published criteria on how the decision is made to distinguish between recurring and non-recurring revenues.