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# Closing Loophole Won't Cost Jobs

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Corporate lobbyist Dick Minzner is at it again — spreading misinformation about the loophole that out-of-state corporations take advantage of to shelter the profits they make in New Mexico from income taxes (“Closing ‘Loophole’ Would Cost Jobs,” Nov. 10).

What’s missing from Minzner’s recent op-ed is one very inconvenient truth: That Intel is expanding — that means creating jobs — in two Western states that have already closed this loophole. Intel is often cited by people like Minzner as one of those great out-of-state corporations we don’t want to “scare” away by closing the tax loophole. But the microchip giant has announced, and it was covered in this very newspaper, that it will expand operations in Arizona and Oregon. Both of those states have enacted what is called “mandatory combined reportin” — the fix for the tax loophole in question — and yet this alleged tax boogeyman isn’t keeping them from attracting good-paying jobs.

Nor is there any proof that mandatory combined reporting (MCR) requirements have cost these — or any other states — any jobs. Corporations generally will do business anywhere they can make profits. They also will try to maximize profits by keeping expenses low, and one way to do that is to manipulate the tax code as much as possible, although not all of them do. Corporate America has been bilking the

federal government this way for years by setting up offshore “home offices” and dreaming up other creative accounting schemes, so it should come as no surprise that many of them approach state income taxes the same way. There is no evidence that a state’s tax code plays a vital role in where a corporation decides to locate. So rather than being a solid business incentive, our loophole simply provides a nice bonus to those corporations willing to exploit it.

Of course, there are losers when these sorts of games are played. Generally it’s us, the lowly individual taxpayer who loses. Either our schools, health care and public safety programs have to make do with lower levels of funding if they are to provide necessary services, or we have to make up for the lost tax revenue out of our own pockets. New Mexico’s small businesses are also losers. They can’t take advantage of the same loophole to lower their income tax bill by sheltering their profits in another state. That makes their cost of doing business higher and puts them at a competitive disadvantage.

Closing the tax loophole would actually improve the business climate in New Mexico. It will not change the way multi-state corporations do business here, it will just ensure that they pay their fair share in taxes to support the infrastructure — roads and highways, public safety programs, and education — that makes doing business here possible.

The people who have a vested interest in keeping this loophole open are spreading this new doomsday scenario because they have run out of other arguments. Almost every Western state except New Mexico has enacted mandatory combined reporting, and states in other parts of the country are moving in the same direction — so the argument that multi-state corporations will flee New Mexico if we enact MCR has been rendered moot. The Supreme Court has upheld MRC, which kills the claim that it allows states to violate federal law and collect taxes from business activity in other states — another assertion Minzner makes.

The only issue with any validity is how much revenue could actually be raised by closing the loophole. Some proponents believe it could bring in as much as \$70 million, while detractors say it’s closer to \$20 million. When the state budget is hurting as badly as it currently is, does it really matter if MCR would “only” bring in \$20 million? With lawmakers facing another big revenue hole in the coming year, they will have to choose between making out-of-state corporations pay their fair share or slashing another \$20 million to funding for child care and courts. That doesn’t seem like a tough decision if one listens to the facts and ignores attempts to manufacture fear.

N.M. Voices for Children is a non-partisan, non-profit organization that works to improve the health and well-being of New Mexico’s children.

