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Treat Tax Breaks Like Other Spending

By Gerry Bradley

Research Director New Mexico Voices for Children

The original Boston Tea Party was sparked by a tax loophole that had been granted to a multinational corporation.

The British East India Company, seeking a monopoly on business in the colonies, had gotten a big tax break from the British crown.

The tax burden was shifted to American colonists, who had to pay the levy on receipt of the tea shipment.

If you really want to complain about taxes (and it seems that pretty much everyone does), there are much more egregious issues. For example, the fact that powerful profitable corporations are still enjoying tax loopholes, and citizens are still stuck picking up the tab.

The government's own General Accounting Office determined last year that two-thirds of American- and foreign-owned corporations aren't paying any federal corporate income tax at all. Multistate corporations operating in New Mexico can also get out of paying corporate income tax on the profits they make here.

These same corporations — mostly chains and big-box retailers — must pay corporate income tax on the profits they make in just about every other state west of the Mississippi River.

New Mexico loses — by some estimates — \$80 million a year through this loophole because our Legislature will not make the necessary changes to the tax code.

Another tax issue one could latch onto is the \$5 billion in potential revenue the state gives away every year without considering whether it is a good investment of public funds.

The \$5 billion disappears through tax expenditures — tax deductions, exemptions, and credits that have been passed into law over the years.

A good example is when tax exemptions were passed for certain medical practitioners in response to the concern that New Mexico was losing too many doctors.

Regardless of these good intentions and even though the exemption was passed many years ago, no one has studied whether it has kept more doctors from leaving the state or not.

The tax expenditures themselves are not necessarily a problem. They can be useful in achieving good public policies — such as keeping physicians or encouraging economic development.

The problem is that we don't know if they are actually achieving these public policies or if they are just giveaways. Once they are passed, these exceptions from the tax code are seldom revisited.

This is not the case for the \$5 billion-plus that the state spends every year via the operating budget.

Every item in that budget must be justified every single year. If a program isn't working the way it was supposed to, its funding can be cut. Not so for a tax expenditure that isn't working.

In the most recent session, Legislators grappled with lower-than anticipated revenue.

They had to weigh the various priorities — health care, education, public safety — against each other and decide how much to spend on each one. But they never looked at the other \$5 billion in state spending — the tax expenditures.

New Mexico is one of just nine states that does not track the cost of tax expenditures. That's in addition to being one of a handful of Western states that allows multistate corporations to skip out on paying corporate income tax on their profits.

And we wonder why we're always behind other states when it comes to test scores, graduation rates, and poverty. Taking a closer look at who's getting the big tax breaks and why would be two ways to begin to catch up.